May 9, 2013

VAALCO Energy Announces First Quarter 2013 Results

HOUSTON, May 9, 2013 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported net income attributable to VAALCO of $7.2 million or $0.12 per diluted share for the first quarter of 2013 compared to net income attributable to VAALCO of $9.0 million or $0.15 per diluted share for the comparable period in 2012. First quarter 2013 revenues were $44.1 million compared to $45.3 million in the first quarter of 2012.

(Logo: https://photos.prnewswire.com/prnh/20100316/NY71495LOGO)

Robert Gerry, Chairman and CEO, commented: "The Company got off to a strong start in 2013, making significant headway in our operations in multiple geographic locations. We have commenced production from the successfully-drilled development well offshore Gabon and have made progress on development plans for the discovery area on the Mutamba Iroru block onshore Gabon. We also met with our partners in our Equatorial Guinea block and with the government of Angola regarding our plans to drill wells as soon as practical after the new Block 5 partner is approved. As we move through 2013, we expect to continue to pursue opportunities in our West African portfolio to diversify our sources of production and create value for our shareholders."

Exploration and Development Update

The Company provided the following update on its exploration and development programs:

Gabon

In the first quarter of 2013, VAALCO continued to execute on its multi-well drilling and recompletion program offshore Gabon. As announced in April, the Company successfully completed the first well in the program, the development well (EAVOM-3H) in the Avouma field. Production from this well commenced at a natural flow rate of approximately 3,000 gross barrels of oil per day ("BOPD").

The Company completed the replacement of the ESPs on the EAVOM-2H well, and the replacement of ESPs on the ETBSM-1H well is underway. The contracted rig, the KCA Deutag "Ben Rinnes", will then be moved onto location over the Ebouri platform to drill an exploration appraisal well to evaluate an untested fault block on the South West flank of the Ebouri field, with the Gamba reservoir as the primary objective. The well will also test a secondary objective in the Dentale formation.

The Ben Rinnes will then be employed to drill another exploration well, Prospect Ovoka (formerly Mu), to the north of the Etame field. The well will be drilled in 60 meters of water to a depth of 2,700 meters to evaluate the Gamba reservoir and the underlying Lucina formation. Studies undertaken by VAALCO and its consortium partners with respect to Prospect Ovoka indicate that potential reserves in excess of 30 million gross barrels of oil are estimated to be recoverable.

The Company continues to work on the designs and cost projections for facilities to be constructed to handle the previously announced discovery of hydrogen sulfide ("H2S") in the oil produced from two wells in the Ebouri field. The Company and its partners expect to make final investment decisions in 2013 with a goal of re-establishing production from the area impacted by H2S in the first half of 2016.

The Company and Total Gabon continue to work with the Gabon government to execute the amendment to the extension agreement to allow for the continuation of exploration activities on the Mutamba Iroru block onshore Gabon. In addition, the plan of development is being prepared for the N'Gongui field where an exploration well was successfully drilled in 2012 on the Mutamba Iroru block. VAALCO expects to file the plan of development for approval by the Gabon government in the second half of 2013.

Angola

As previously announced, a partner has been identified to acquire the available 40% working interest in Block 5 offshore Angola, and the party has been submitted to the Angolan government for approval. Information provided by the Angolan government in the first quarter of 2013 indicates that the process is proceeding. However, the Company can provide no assurance that the partner will be approved by the Angolan government or if approved, the timing of such approval.

Offshore Equatorial Guinea

VAALCO expects to participate in the drilling of two exploration wells in 2013 or 2014 in Block P, offshore Equatorial Guinea. The Company continues to consult with the operator of this block, GEPetrol, the national oil company of Equatorial Guinea on plans to drill the exploration wells.

United States

he Company drilled a well on the Red River formation property in Harding County, South Dakota in the first quarter of 2013, an unsuccessful effort at a cost of approximately $2.9 million. The Company recorded $0.1 million in dry hole cost and $1.5 million in leasehold impairment in the fourth quarter of 2012 for this property. The remaining $2.8 million in dry hole cost was recorded in the first quarter of 2013.

Financial Results Discussion

During the first quarter of 2013, the Company sold from its offshore Gabon operation approximately 397,000 net barrels of oil equivalent from four liftings at an average price of $110.07 per barrel, compared to 368,000 net barrels of oil equivalent from two liftings at an average price of $121.65 per barrel in the first quarter of 2012. The Company reported operating income of $21.5 million in the first quarter of 2013 compared to operating income of $30.1 million in the first quarter of 2012.

Gabon crude oil production averaged approximately 16,600 gross BOPD in the three months ended March 31, 2013, compared to approximately 21,100 gross BOPD in the three months ended March 31, 2012. The decrease in production is attributable to the mid-2012 shut-in of two wells in the Ebouri field due to the presence of H2S and intermittent well shut-ins during the drilling and recompletion activities on the Avouma platform.

Total production expenses were $8.4 million in the first quarter of 2013 compared to $5.5 million in the prior year quarter. The higher production expenses incurred were primarily due to workover costs for replacing ESPs on two offshore Gabon wells, as well as the effect of

lesser production expenses that were capitalized for the lower crude oil inventory volumes as compared to 2012.

Exploration expense was $6.1 million in the first quarter of 2013 compared to $0.9 million of expense in the prior year quarter. Exploration expense in the first quarter of 2013 includes $5.1 million of costs related to previously announced dry holes in Montana and South Dakota.

Income tax expenses were $14.2 million for the three months ended March 31, 2013 compared to $19.8 million in the first quarter of 2012, all of which was paid to the Republic of Gabon. The lower income tax is attributable to fewer barrels allocated as profit oil that were subject to taxation. Conversely, the higher allocation of non-tax bearing cost oil barrels was primarily due to platform construction and drilling expenditures in Gabon.

Balance Sheet

On March 31, 2013, the Company had unrestricted cash of $102.6 million with no outstanding debt. The Company believes that this cash, combined with cash flow from operations, will be sufficient to fund the Company's remaining 2013 capital expenditure budget and additional investments in working capital resulting from potential growth.

Conference Call

As previously announced, the Company will hold a conference call to discuss its first quarter results on Friday, May 10, 2013 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 288-8961. International parties may dial 1 (612) 332-0725. The confirmation code is 292483. This call will also be webcast on VAALCO's website at www.vaalco.com.

An audio replay will be available beginning approximately one hour after the end of the conference call through June 10, 2013, on the Company's website and by dialing 1 (800) 475-6701. International parties may dial 1 (320) 365-3844. The confirmation code is 292483.

Summary of financial results for the quarter are tabulated below.

	Three Months Ended March 31,	
(Unaudited - in thousands of dollars)	2013	2012
Revenues	$44,137	$45,286
Operating costs and expenses	22,634	15,180
Operating Income	21,503	30,106
Other expense, net	(69)	241
Income tax expense	(14,246)	(19,820)
Net Income	7,188	10,527
Less net income - noncontrolling interest	-	(1,509)
Net income (Loss) - VAALCO Energy, Inc.	7,188	9,018
Basic net income per share attributable to VAALCO Energy, Inc.	$ 0.12	$ 0.16
Diluted net income per share attributable to VAALCO Energy, Inc.	$ 0.12	$ 0.15

Other financial results:

(Unaudited)	Three months ended, March 31, 2013	March 31, 2012
Net oil sales (MBbls)	398	369
Net gas sales (MMCF)	95	116
Net oil and gas sales (MBOE)	413	388
Average oil price ($/bbl)	$109.98	$121.54
Average gas price ($/MCF)	$4.35	$3.72
Average price ($/BOE)	$106.77	$116.59
Production costs ($/BOE)	$20.28	$14.23
Depletion costs ($/BOE)	$8.77	$12.88
General and administrative costs ($/BOE)	$8.80	$8.97
Capital Expenditures ($thousands)	$15,347	$16,924

Basic and diluted share information:

	Three Months Ended March 31, 2013	2012
Basic weighted average common stock issued and outstanding	57,906,967	57,195,037
Dilutive options	1,163,025	1,112,491
Total dilutive shares	59,069,992	58,307,528

Forward-Looking Statements

This document includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are those concerning VAALCO's plans, expectations, and objectives for future drilling, completion and other operations and activities. All statements included in this document that address activities, events or developments that VAALCO expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements include expected capital expenditures, future drilling plans, prospect evaluations, negotiations with governments and third parties, acquisition opportunities and reserve growth. These statements are based on assumptions made by VAALCO based on its experience perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond VAALCO's control. These risks include, but are not limited to, inflation, general economic conditions, oil and gas price volatility, the Company's success in discovering, developing and producing reserves, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign operational risks, and regulatory changes. These and other risks are further described in VAALCO's annual report on Form 10-K for the year ended December 31, 2012 and other reports filed with the SEC which can be reviewed at http://www.sec.gov, or which can be received by contacting VAALCO at 4600 Post Oak Place, Suite 300, Houston, Texas 77027, (713) 623-0801. Investors are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. VAALCO disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

About VAALCO

VAALCO Energy, Inc. is a Houston based independent energy company principally engaged in the acquisition, exploration, development and production of crude oil. VAALCO's strategy is to increase reserves and production through the exploration and exploitation of oil and natural gas properties with high emphasis on international opportunities. The company's properties and exploration acreage are located primarily in Gabon, Angola and Equatorial Guinea in West Africa.

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