November 7, 2013

VAALCO Energy Announces Third Quarter 2013 Results

HOUSTON, Nov. 7, 2013 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported net income attributable to VAALCO of $2.4 million or $0.04 per diluted share for the third quarter of 2013 compared to net income attributable to VAALCO of $0.1 million or $0.00 per diluted share for the comparable period in 2012. Third quarter 2013 revenues were $37.7 million compared to $37.6 million in the third quarter of 2012.

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

"During the third quarter, we advanced our drilling programs while continuing to focus on expanding our footprint in West Africa," said Robert Gerry, Chairman. "We remain excited about the potential for VAALCO offshore Gabon, and exercised an option during the quarter to extend the current drilling program by two wells. We also took the opportunity to enhance shareholder value by repurchasing more than 1.5 million shares during the quarter. Additionally, revenues in the fourth quarter are expected to benefit from four liftings as we are contractually entitled to an end of year lifting."

"On a personal note, I am thrilled to be handing over the role of CEO to Steve Guidry, with his decades of experience in both the domestic and international arenas. I am looking forward to working closely with Steve in my capacity as Chairman as we continue to execute on VAALCO's strategy and to drive long-term shareholder value."

"I am very pleased and excited to have joined the VAALCO team," said Steve Guidry, CEO. "I believe my background, particularly my experience on the African continent, has prepared me well for the CEO role at VAALCO."

Exploration and Development Update

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

Gabon

In the third quarter of 2013, VAALCO continued its multi-well drilling and workover program offshore Gabon. During the quarter, VAALCO and its partners exercised the option for the contracted rig, the KCA Deutag "Ben Rinnes," to drill an exploration well in the Dimba prospect and to replace electrical submersible pumps in a well in the Avouma field.

Construction work on the two additional production platforms for the development of the Etame Marin block is continuing. The platforms are scheduled for installation in 2014, bringing the total number of platforms in the Etame Marin block to four. As previously announced, multiple wells are expected to be drilled from each of the new platforms as part of the future development plans for the Etame Marin block.

Onshore Gabon, VAALCO and its concession partner, Total Gabon, continue to work with the Government of Gabon on the terms to proceed with the development of the Mutamba oil

discovery and to agree the extension of the exploration agreement.

Angola

As previously announced, VAALCO continues to work with Sonangol, the national oil company of Angola, regarding the assignment of the 40% working interest it is holding as a result of the default of the government appointed partner. VAALCO received correspondence from Sonangol in November 2013, in which Sonangol notified VAALCO of its plan to effect the working interest assignment to a third party. After the assignment of the 40% working interest is completed, VAALCO intends to commence drilling two exploration wells as soon as practical. The Angolan government has granted additional time extensions until November 30, 2014, to drill the two exploration wells.

Offshore Equatorial Guinea

The Company is currently working with its consortium partners on plans to drill two exploration wells on Block P in the first half of 2014.

Financial Results Discussion

During the third quarter of 2013, the Company sold from its offshore Gabon operation approximately 337,000 net barrels of oil at an average price of $110.54 per barrel, compared to 342,000 net barrels of oil at an average price of $107.94 per barrel in the third quarter of 2012. Quarter-to-quarter sales comparisons will vary due to the dates and number of liftings in each quarter. The Company reported operating income of $8.1 million in the third quarter of 2013 compared to operating income of $15.6 million in the third quarter of 2012.

Gabon crude oil production averaged approximately 16,900 gross BOPD in the three months ended September 30, 2013, compared to approximately 19,000 gross BOPD in the three months ended September 30, 2012. The decrease in production is primarily attributable to the mid-2012 shut-in of two wells in the Ebouri field due to the presence of H_2S and temporary production stoppages resulting from workover activities to replace electrical submersible pumps on three offshore Gabon wells.

Total production expenses were $12.6 million in the third quarter of 2013 compared to $5.9 million in the prior year quarter. The higher production expenses incurred were primarily due to $2.1 million of well workover costs to replace electrical submersible pumps in an offshore Gabon well, $0.6 million of higher FPSO operating costs, $1.0 million related to deck boiler refurbishment onboard the FPSO, $0.8 million incurred for generator repairs on the Avouma platform, $0.7 million of costs to temporarily suspend the two Ebouri wells affected by elevated levels of H_2S, and $0.8 million in higher costs resulting from crude oil inventory adjustments.

Exploration expense was $11.1 million in the third quarter of 2013 compared to $0.7 million of expense in the prior year quarter. Exploration expense in the third quarter of 2013 includes $6.0 million of dry hole costs related to two unsuccessful exploration wells in offshore Gabon, $3.0 million of dry hole costs related to a well drilled in the fourth quarter of 2012 in Roosevelt County, Montana, and $2.0 million to expense portions of undeveloped leaseholds held in Texas and Montana.

Income tax expenses were $5.7 million for the three months ended September 30, 2013, compared to $14.2 million in the third 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.

Balance Sheet

On September 30, 2013, the Company had unrestricted cash of $100.5 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 working capital investments.

Repurchase of Common Stock

On June 6, 2013, the Company announced that its Board of Directors had authorized the repurchase of up to $25 million of the Company's common stock over the following 12 months. During the third quarter, the Company repurchased 1,531,770 shares at an average price of $6.10 per share for a total of $9.3 million. To date, under the authorization, the total number of shares repurchased by the Company under this program is 1,765,170 shares. The average price paid for all shares was $6.05 per share totaling $10.7 million.

Conference Call

As previously announced, the Company will hold a conference call to discuss its third quarter results on Friday, November 8, 2013, at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 230-1059. International parties may dial 1 (612) 288-0337. The confirmation code is 305439. 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 December 9, 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 305439.

Summary of financial results for the quarter are tabulated below:

(Unaudited - in thousands of dollars)	Three months ended,		Nine months ended,	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Revenues	$37,740	$37,630	$110,995	$141,734
Operating costs and expenses	29,636	22,036	69,721	57,401
Operating Income	8,104	15,594	41,274	84,333
Other expense, net	(56)	9	(111)	665
Income tax expense	(5,662)	(14,191)	(24,467)	(60,740)
Net Income	2,386	1,412	16,696	24,258
Less net income - noncontrolling interest	-	(1,306)	-	(4,708)
Net income (Loss) - VAALCO Energy, Inc.	2,386	106	16,696	19,550
Basic net income per share attributable				
to VAALCO Energy, Inc.	$ 0.04	$ 0.00	$ 0.29	$ 0.34
Diluted net income per share attributable				
to VAALCO Energy, Inc.	$ 0.04	$ 0.00	$ 0.29	$ 0.33

Other financial results:

(Unaudited)	Three months ended,		Nine months ended,	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net oil sales (MBbls)	339	345	1,017	1,256
Net gas sales (MMCF)	74	147	257	421
Net oil and gas sales (MBOE)	351	369	1,060	1,326
Average oil price ($/bbl)	$110.43	$107.73	$107.96	$111.62
Average gas price ($/MCF)	$4.57	$3.32	$4.50	$3.65
Average price ($/BOE)	$107.52	$101.89	$104.68	$106.87
Production costs, excluding workover costs ($/BOE)	$29.84	$16.09	$19.31	$13.58
Depletion costs ($/BOE)	$11.26	$13.16	$10.38	$12.60
General and administrative costs ($/BOE)	$5.39	$6.89	$7.54	$6.84
Capital Expenditures ($thousands)	$10,268	$20,605	$44,569	$44,072

Basic and diluted share information:

	Three months ended,		Nine months ended,	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Basic weighted average common stock				
issued and outstanding	56,600,866	57,845,800	57,464,763	57,613,624
Dilutive options	514,748	1,101,371	735,445	1,171,015
Total dilutive shares	57,115,614	58,947,171	58,200,208	58,784,639

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, 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, its Form 10-Q for the third quarter filed on November 7, 2013, 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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