March 13, 2014

VAALCO Energy Announces Fourth Quarter And Full-Year 2013 Results

HOUSTON, March 13, 2014 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported results for the fourth quarter and full-year 2013.

For the 2013 fourth quarter, VAALCO reported net income of $26.4 million, or $0.46 per diluted share, compared to a net loss attributable to VAALCO of $18.9 million, or a loss of $0.33 per diluted share, for the comparable period in 2012.

For the year ended December 31, 2013, VAALCO reported record net income of $43.1 million, or $0.74 per diluted share, compared to net income attributable to VAALCO of $0.6 million, or $0.01 per diluted share, for the year ended December 31, 2012. The increase in net income in 2013 versus 2012 is primarily attributable to lower income taxes paid in Gabon as well as lower exploration costs.

Steve Guidry, CEO, commented: "I am very pleased with our progress in 2013 on several fronts. Our efforts to grow our near term production and cash flow by the setting of two new platforms and drilling six new development wells is progressing on time and on budget. The jackets and decks destined for the Etame Marin block, offshore Gabon are set to sail from Houma, Louisiana this summer for installation in the second half of 2014. After the two new platforms are set, the rig program will re-commence with the drilling of the first of the six

platform development wells. The VAALCO team recognizes the importance of and is committed to successfully executing the 2014 work program so as to add additional reserves and cash flow in 2015."

Mr. Guidry continued, "Additionally, we have continued to make progress on our growth projects in Equatorial Guinea and Angola. In concert with the national oil companies in both countries, we are developing the plans for the drilling of two exploration wells in both Equatorial Guinea and Angola. Our plan is to have all four exploration wells drilled by the end of 2015. We have a wide range of opportunities within our portfolio and with the credit facility we recently put in place we have significantly enhanced our financial flexibility, which will allow us to build out our infrastructure and execute on our plans to create further shareholder value by adding proven reserves and increasing production. I am excited about the direction of the company and the efforts underway to deliver on our plans for 2014 and beyond."

Exploration and Development Update

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

Gabon

In 2013, VAALCO continued its multi-well drilling and workover campaign offshore Gabon, which included the drilling of a successful development well in the Avouma field, three well workovers to replace electrical submersible pumps and two unsuccessful exploration wells. In 2014, VAALCO and its partners finished drilling an unsuccessful exploration well in the Dimba prospect, and have repositioned the rig to perform a workover of one well in the Avouma field to replace electrical submersible pumps and to drill a replacement development well in the South Tchibala field.

Construction work on the two production platforms for the additional development of the Etame Marin block remains on schedule for installation in the second half of 2014, with one platform being installed in the Etame field and the second platform being installed between the Southeast Etame and North Tchibala fields. As previously announced, multiple wells are expected to be drilled from each of the new platforms. The total cost to build and install the platforms is expected to be $325.0 million, $91.0 million net to VAALCO.

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 ("H_2S") in the oil produced from two wells in the Ebouri field. The Company and its partners expect to make final investment decisions in the second half of 2014 with a goal of re-establishing production from the area impacted by H_2S in the first half of 2017.

Onshore Gabon, VAALCO and its concession partner, Total Gabon, continue to work with the government of Gabon to obtain approvals for a revised production sharing contract. If the contract is approved, the application for a development area is expected to also be approved without further delay. A plan of development, which will include the drilling of wells and the installation of pipelines, will then be submitted for approval. Development of the onshore block is expected to capitalize on synergies benefiting from our operating base in Port Gentil, Gabon.

Angola

VAALCO has entered into an agreement to license and reprocess 3D Seismic data to better define the Ombundi and other high potential pre-salt leads in the deeper water portion of

Block 5, offshore Angola. The Company and its new partner, Sonangol P&P, are incorporating new seismic data and working to develop the exploration plan including the timing for drilling exploration wells which are currently required to commence drilling by November 30, 2014. The Company has applied for a time extension for drilling the wells.

Offshore Equatorial Guinea

The Company and GEPetrol, the operator of Block P, are in the process of developing a joint operatorship model to steward the exploration activities on the block. The Company expects to participate in the drilling of two exploration wells on Block P in the 2014/2015 time period.

2013 Fourth Quarter Financial Results Discussion

Oil Revenues

Gabon

Crude oil revenues for the three months ended December 31, 2013, were $58.0 million, as compared to revenues of $52.9 million for the same period in 2012. During the fourth quarter of 2013, VAALCO sold approximately 531,000 net barrels of oil at an average price of $109.12/Bbl in Gabon compared to 482,000 net barrels of oil at an average price of $109.80/Bbl in 2012.

United States

Condensate sales were $0.1 million, resulting from the sale of approximately 1,000 net barrels of oil condensate at an average price of $97.90/Bbl. For the same period in 2012, condensate sales were $0.2 million resulting from the sale of approximately 2,000 net barrels of oil condensate at an average price of $77.96/Bbl.

Natural Gas Revenues

United States

Natural gas revenues including revenues from natural gas liquids for the three months ended December 31, 2013, were $0.3 million compared to $0.4 million for the comparable period in 2012. Natural gas sales were approximately 100 MMcf at an average price of $4.51/Mcf for the three months ended December 31, 2013. For the same period of 2012, natural gas sales were approximately 100 MMcf at an average price of $3.73/Mcf.

Operating Costs and Expenses

Total production expenses for the fourth quarter of 2013 were $8.6 million, comparable to $8.7 million of production expenses in the fourth quarter of 2013.

Exploration expenses were $2.5 million in the fourth quarter of 2013 compared to $36.0 million of costs in the comparable period in 2012. Exploration expense in the fourth quarter of 2013 is primarily related to the unsuccessful efforts of an exploration well offshore Gabon, whereas the fourth quarter of 2012 included four unsuccessful exploration wells drilled in the United States.

Income tax expenses for the fourth quarter of 2013 were $9.6 million, compared to $2.1 million for the same period in 2012 with the increase primarily due to increased sales volumes and the impact of a lower cost account.

2013 Full-Year Financial Results Discussions

Total oil and gas sales for 2013 were $169.3 million as compared to $195.3 million for 2012.

Oil Revenues

Gabon

Crude oil revenues for 2013 were $167.4 million, as compared to revenues of $192.5 million for the same period in 2012. VAALCO sold approximately 1,544,000 net barrels of oil at an average price of $108.42/Bbl in Gabon in 2013, as compared to 1,740,000 net barrels of oil at an average price of $111.24/Bbl in 2012.

United States

Condensate sales were $0.4 million, resulting from the sale of approximately 5,000 net barrels of oil condensate at an average price of $85.67/Bbl. For the same period in 2012, condensate sales were $0.8 million resulting from the sale of approximately 10,000 net barrels of oil condensate at an average price of $81.68/Bbl.

Natural Gas Revenues

United States

Natural gas revenues including revenues from natural gas liquids for the year 2013 were $1.5 million compared to $1.9 million for the comparable period in 2012. Natural gas sales were approximately 300 MMcf at an average price of $4.50/Mcf for 2013. For the same period of 2012, natural gas sales were approximately 500 MMcf at an average price of $3.66/Mcf.

Operating Costs and Expenses

Production expense for 2013 was $36.6 million as compared to $26.7 million for 2012. Production expense in 2013 was higher than 2012 due to well workover costs to replace electrical submersible pumps in three offshore Gabon wells totaling $7.6 million, deck boiler repairs onboard the FPSO vessel totaling $1.0 million and generator repairs on the Avouma platform totaling $2.1 million.

Exploration expense in 2013 was $23.9 million, as compared to $41.0 million in 2012. The exploration expense in 2013 was primarily attributable to costs related to dry holes drilled in Gabon and the United States totaling $19.4 million compared to dry hole costs associated with five exploration wells drilled in the United States in 2012 totaling $37.3 million.

In 2013, the Company incurred $34.1 million in income taxes as compared to $81.8 million for 2012. All income tax expenses were associated with the Etame Marin block production and were incurred in Gabon. The lower income tax expense for 2013 versus 2012 was primarily the result of lower sales volumes which results in lower profit oil barrels subject to income taxes, and the impact of higher capital expenditures and operating expenses which results in the allocation of a higher percentage of oil barrels lifted as cost oil barrels which do not bear income taxes. The increase in capital expenditures and operating costs in 2013 was primarily attributable to the construction of two new platforms and the 2013 drilling and workover program.

Balance Sheet

On December 31, 2013, VAALCO had cash balances of $130.5 million and restricted cash of $13.2 million. The Company believes that these cash balances combined with cash flow from operations will be sufficient to fund the Company's 2014 capital expenditure budget, which is expected to total approximately $116.8 million.

On February 4, 2014, VAALCO announced that it had executed a loan agreement with the International Finance Corporation (IFC) for a $65.0 million reserve based loan facility secured by the assets of the Company's Gabon subsidiary which owns the Company's interest in the Etame Marin block, offshore Gabon. The loan facility will be used to support the Company's development program in Gabon.

Repurchase of Common Stock

On June 6, 2013, the Company announced that its Board of Directors has authorized the repurchase of up to $25.0 million of the Company's common stock over the next 12 months. During 2013, the Company repurchased 1,765,170 shares at an average price of $6.49 per share totaling $11.5 million.

Conference Call

As previously announced, the Company will hold a conference call to discuss its fourth quarter and full-year results on Friday, March 14, 2014, at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 230-1074. International parties may dial 1 (612) 288-0337. The confirmation code is 319712. 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 April 14, 2014, on the Company's website and by dialing 1 (800) 475-6701. International parties may dial 1 (320) 365-3844. The confirmation code is 319712.

Summary of financial results for the quarter are tabulated below.

Abbreviated Financial Results:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
(Unaudited - in thousands of dollars)	2013	2012	2013	2012
Revenues	$58,282	$53,553	$169,277	$195,287
Operating costs and expenses	22,332	51,292	92,052	108,694
Operating Income	35,950	2,261	77,225	86,593
Other expense, net	73	(105)	(38)	559
Income tax expense	(9,648)	(21,073)	(34,115)	(81,813)
Net Income	26,375	(18,917)	43,072	5,339
Less net income - noncontrolling interest	-	-	-	(4,708)
Net income (Loss) - VAALCO Energy, Inc.	26,375	(18,917)	43,072	631
Basic net income per share attributable to VAALCO Energy, Inc.	$ 0.46	$ (0.33)	$ 0.75	$ 0.01
Diluted net income per share attributable to VAALCO Energy, Inc.	$ 0.46	$ (0.33)	$ 0.74	$ 0.01

Other financial results:

(Unaudited)	Three months ended, December 31, 2013	Three months ended, December 31, 2012	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Net oil sales (MBbls)	531	485	1,549	1,741
Net gas sales (MMCF)	68	111	325	532
Net oil and gas sales (MBOE)	543	503	1,603	1,829
Average oil price ($/bbl)	$109.10	$109.63	$108.35	$111.06
Average gas price ($/MCF)	$4.51	$3.73	$4.50	$3.66
Average price ($/BOE)	$107.39	$106.43	$105.60	$106.75
Production costs, excluding workover costs ($/BOE)	$15.76	$17.33	$18.10	$14.61
Depletion costs ($/BOE)	$10.90	$6.35	$10.56	$10.88
General and administrative costs ($/BOE)	$6.00	$5.39	$7.02	$6.44
Capital Expenditures ($thousands)	$3,821	$2,604	$48,390	$46,676

Basic and diluted share information:

	Twelve Months Ended December 31, 2013	Twelve Months Ended December 31, 2012
Basic weighted average common stock issued and outstanding	57,298,910	57,673,342
Dilutive options	626,091	1,158,717
Total dilutive shares	57,925,001	58,832,059

Proved Reserve Information:

	Oil (MBbls)	Gas (MMcf)
Balance at December 31, 2012	7,488	1,544
Production	(1,549)	(325)
Revision of previous estimates	1,241	114
Extension and discoveries	52	-
Balance at December 31, 2013	7,232	1,333

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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