May 7, 2014

VAALCO Energy Announces First Quarter 2014 Results

HOUSTON, May 7, 2014 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported a net loss of $7.0 million or a loss of $0.12 per share for the first quarter of 2014 compared to net income $7.2 million or $0.12 per diluted share for the comparable period in 2013. First quarter 2014 revenues were $28.1 million compared to $44.1 million in the first quarter of 2013. Results for the first quarter were impacted by the timing of crude liftings and exploration expense, offshore Gabon.

Steve Guidry, CEO, commented: "We took several important steps to lay the foundation for future growth during the first quarter. The fundamentals of our business remain sound and we are making significant headway in our operations in our core assets offshore Gabon and our near term exploration opportunities in both Angola and Equatorial Guinea. We have committed to drilling our first exploration well offshore Angola later this year and have contracted a rig, subject to government approval of the contract. Overall, we are excited by the multiple initiatives we have underway to drive shareholder value creation."

Mr. Guidry continued, "Our first quarter financial results were impacted by both the previously announced offshore Gabon exploration well dry hole costs and a crude lifting operation which occurred in April, after the end of the first quarter. The April lifting will, however, benefit our second quarter results. As production from Etame Marin continues to

perform well, we remain confident in our ability to deliver our targeted operating cash flow and income in 2014."

Exploration and Development Update

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

Gabon

During the first quarter of 2014, VAALCO continued to execute the near and long-term optimization of production offshore Gabon. The Company performed a workover to replace the electrical submersible pumps on a well in the Avouma field and drilled an exploration well in the Dimba prospect, which, as previously announced, was unsuccessful due to non-commercial quantities of hydrocarbons being found. The final well of the eight well drilling campaign offshore Gabon that began in late 2012 is underway with the drilling of a development well in the South Tchibala field to replace a well with damaged casing.

Maintenance and repairs were performed during the quarter on the Company's leased Floating, Production, Storage and Offloading ('FPSO') vessel, offshore Gabon. As previously announced, the maintenance work was successfully completed ahead of schedule and production restarted from the Etame Marin block. A second FPSO shutdown is tentatively planned during the second half of 2014 to upgrade the fire and gas detection systems.

The planned installation of the two production platforms for the additional development of the Etame Marin block remains on schedule for later in 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, three wells are planned to be drilled from each of the new platforms during the initial phase of development. The Transocean "Constellation II" jack-up rig has been contracted to begin drilling these wells in the fourth quarter of 2014. The total cost to build and install the platforms is expected to be $325.0 million, $91.0 million net to VAALCO. At the end of March 31, 2014, the platform jackets were 95% complete and the deck sections were 70% complete.

Onshore Gabon, VAALCO and its concession partner, Total Gabon, continue to work with the government of Gabon to obtain approval of a revised production sharing contract. Once the contract is approved, the plan of development will then be submitted.

Angola

The Company and its new working interest partner, Sonangol P&P, have purchased seismic data in the outboard segment of Block 5, which is currently being processed. Sonangol P&P is the exploration and production affiliate of the Angolan National Concessionaire, Sonangol E. P.

In April 2014, the Company received a letter and contractual amendment proposal from Sonangol E. P. which is expected to be approved in the near term by the government of Angola. The contractual amendment provides for a three year time extension for the exploration permit until November 30, 2017 and outlines the timing for the drilling of the two exploration wells, an obligation under the terms of the original agreement. The amendment provides for spudding one exploration well prior to the expiration of the current November 30, 2014 time extension, and the second well by early 2016. The Transocean "Celtic Sea" semi-submersible drilling rig has been contracted for drilling the 2014 well, subject to the approval of Sonangol E.P.

Offshore Equatorial Guinea

The Company and GEPetrol, the operator of Block P, continue to work on developing a joint operatorship model for exploration activities on the block. Meetings with GEPetrol are scheduled in May 2014 to work on finalizing this arrangement. The Company expects to participate in the drilling of two exploration wells on Block P in the 2014/2015 time period.

Financial Results Discussion

During the first quarter of 2014, the Company sold, from its offshore Gabon operation, approximately 257,000 net barrels of oil from two liftings at an average price of $107.97 per barrel, compared to 397,000 net barrels of oil equivalent from three liftings at an average price of $110.07 per barrel in the first quarter of 2013. Quarterly oil sales are a function of the number and size of oil liftings that occur in a calendar quarter from the FPSO and thus do not always closely correlate with production. Produced volumes for the three months ended March 31, 2014 were approximately 335,000 net barrels as compared to approximately 360,000 net barrels produced in the three months ended March 31, 2013.

The Company reported operating loss of $0.7 million in the first quarter of 2014 compared to operating income of $21.5 million in the first quarter of 2013.

Total production expenses were $9.7 million in the first quarter of 2014 compared to $8.4 million in the prior year quarter. The higher production expenses incurred were primarily due to workover costs for replacing an ESP on the offshore Gabon well, offset by a decrease in production expenses related to a higher volume of crude oil inventory remaining at the end of March 31, 2014.

Exploration expense was $11.3 million in the first quarter of 2014 compared to $6.1 million of expense in the prior year quarter. Exploration expense in the first quarter of 2014 includes $9.7 million of dry hole costs and $0.8 million of undeveloped leasehold impairment related to the previously announced unsuccessful exploration well in the Dimba prospect, offshore Gabon.

Income tax expenses were $6.1 million for the three months ended March 31, 2014 compared to $14.2 million in the first quarter of 2013, all of which was paid to the Republic of Gabon. The lower income tax is attributable to the decrease in revenue due to the fewer number of crude oil liftings.

Balance Sheet

In January 2014, VAALCO executed a loan agreement with the International Finance Corporation ("IFC") for a $65.0 million revolving credit 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. As of March 31, 2014, the Company had no outstanding borrowings under the loan.

On March 31, 2014, the Company had unrestricted cash of $80.7 million. This cash, combined with partner receivables, cash flow from operations and the IFC debt facility is sufficient to fund the Company's remaining 2014 capital expenditure budget.

Conference Call

As previously announced, the Company will hold a conference call to discuss its first quarter results on Thursday, May 8, 2014 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) 332-0335. The confirmation code is 325304. 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 8, 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 325304.

Summary of financial results for the quarter are tabulated below.

	Three Months Ended March 31,	
(Unaudited - in thousands of dollars)	2014	2013
Revenues	$28,071	$44,137
Operating costs and expenses	28,721	22,634
Operating (loss) income	(650)	21,503
Other expense, net	(262)	(69)
Income tax expense	(6,126)	(14,246)
Net (loss) income - VAALCO Energy, Inc.	(7,038)	7,188
Basic net (loss) income per share attributable to VAALCO Energy, Inc.	$ (0.12)	$ 0.12
Diluted net (loss) income per share attributable to VAALCO Energy, Inc.	$ (0.12)	$ 0.12

Other financial results:

	Three months ended,	
(Unaudited)	March 31, 2014	March 31, 2013
Net oil sales (MBbls)	257	398
Net gas sales (MMCF)	69	95
Net oil and gas sales (MBOE)	269	413
Average oil price ($/bbl)	$107.98	$109.98
Average gas price ($/MCF)	$3.95	$4.35
Average price ($/BOE)	$104.36	$106.77
Production costs, excluding workover costs ($/BOE)	$23.98	$20.28
Depletion costs ($/BOE)	$15.47	$8.77
General and administrative costs ($/BOE)	$13.34	$8.80
Capital Expenditures ($thousands)	$15,314	$15,347

Basic and diluted share information:

	Three Months Ended March 31,	
	2014	2013
Basic weighted average common stock issued and outstanding	56,860,172	57,906,967
Dilutive options	-	1,163,025
Total dilutive shares	56,860,172	59,069,992

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 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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