January 26, 2016

VAALCO Energy To Explore Strategic Alternatives

COMPANY PROVIDES OPERATIONAL UPDATE

HOUSTON, Jan. 26, 2016 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) ("VAALCO" or "the Company") today announced that its Board of Directors has formed a strategic committee to explore a range of strategic alternatives to further enhance shareholder value. The strategic alternatives process will explore options for the future of the Company including, but not limited to securing additional investment to support existing projects and growth opportunities, joint ventures, asset sales or farm-outs, the potential sale or merger of the Company, or continuing to pursue the Company's existing operating plan.

Steve Guidry, Chief Executive Officer and Director, commented: "Our Board and management team remain committed to unlocking the value of the Company's assets and maximizing value for our shareholders. In the current period of highly volatile oil prices, we believe it is appropriate to conduct a thorough evaluation of strategic alternatives."

There is no assurance that the strategic alternatives process will result in VAALCO completing any such transaction and the Company does not intend to make any further announcements regarding strategic alternatives unless and until a final decision has been

made by its Board. VAALCO has engaged Scotia Capital (USA) Inc. as financial advisor who will advise the Company of potential strategic alternatives.

Operational Update

Additionally, VAALCO today provided a detailed operational update.

The Company's previously announced workover campaign at the Avouma Platform in the Etame Marin block offshore Gabon is complete. Three wells were included in the project consisting of the South Tchibala 2-H, Avouma 3-H and the Avouma 2-H. Production from the Avouma Platform, one of four currently installed in the Etame Marin block, is tied back to the Petroleo Nautipa FPSO.

The South Tchibala 2-H workover operation was completed successfully and restored approximately 1,700 gross barrels of oil per day (BOPD) (415 BOPD net to VAALCO) of production that had been offline since August of 2014 due to downhole equipment failure. The Avouma 2-H workover operation was also completed successfully and the well is flowing approximately 3,000 gross BOPD (730 BOPD net to VAALCO) following the workover. The Avouma 2-H post-workover rate represents an increase of approximately 500 gross BOPD (122 BOPD net to VAALCO) from the well which was on production prior to the workover. Finally, the Avouma 3-H workover operation was suspended and the well was secured for future use due to downhole equipment becoming lodged in the wellbore with efforts to remove it being unsuccessful. The Company will fully review the circumstances that caused this issue to determine if additional operations can be conducted on the Avouma 3-H at a future date. This well was not on production prior to the workover operation.

VAALCO said its net production for the fourth quarter of 2015 averaged approximately 4,859 net barrels of oil equivalent per day (BOE), up 31% compared with 3,696 net BOE in the fourth quarter of 2014. For the full year 2015, its net production averaged approximately 4,627 net BOE per day, up 16% compared with 3,995 net BOE per day in full year 2014. The 2015 fourth quarter and full year production rates were both within the guidance provided in the Company's most recent earnings conference call.

Additionally, VAALCO announced that the offshore Gabon Etame Marin Crude Sweetening Project (CSP) is being deferred until oil prices recover to levels that support positive economic returns. Although over 15 potential solutions were identified and evaluated to remove hydrogen sulfide (H_2S) from produced fluids, none are economic in the current depressed oil price environment. The suspension of the CSP resulted in a 1.9 million barrels of oil net to VAALCO reduction of VAALCO's proved reserves as of December 31, 2015. The sour reserves will be reclassified to contingent resources at January 1, 2016.

Guidry continued, "Two of the three workovers at the Avouma Platform were completed on time and slightly under budget and either restored or sustained over 4,700 BOPD of gross production, or 1,145 BOPD net to VAALCO. Unfortunately, the third workover at Avouma 3-H was not successful due to a mechanical issue. Regarding the process to identify a means by which to treat the H_2S present in some of the wells in the Ebouri and Etame fields, I commend the VAALCO staff and members of the joint venture team in their efforts to identify a viable solution. Although currently suspended, the groundwork has been laid to quickly and efficiently restart the project when prices improve to an acceptable level. The associated reserves would then most likely be reclassified as proven."

Guidry added, "On January 25, 2016, we began demobilizing the Constellation II rig operated by Transocean and no longer intend to drill any wells in 2016 on our Etame Marin block offshore Gabon. We are pleased with the overall results we achieved with our 2015 drilling program as we reversed the decline in our production and meaningfully increased our volumes. Due to the continued sharp decline in oil prices we have determined additional drilling to be uneconomic. As a result, we estimate our 2016 capital expenditures to now range from $4 to $6 million. We are in discussions with Transocean regarding the remaining rig contract term which we believe carries a maximum exposure of approximately $7 million (net)."

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 the emphasis on international opportunities. The Company's properties and exploration acreage are located primarily in Gabon, Angola and Equatorial Guinea in West Africa.

This news release 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, and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those concerning VAALCO's plans, expectations, and objectives for future drilling, completion and other operations and activities, including statements relating to a potential strategic alternative transaction, or the terms, timing or structure of any such transactions (or whether any such transaction will take place at all) and VAALCO's future performance if any such transaction is completed. All statements, other than statements of historical facts, included in this news release 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, liquidity, negotiations with governments and third parties, expectations regarding processing facilities, 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, oil and gas price volatility, inflation, general economic conditions, 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, 2014, subsequent quarterly reports on Form 10-Q, 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 9800 Richmond Avenue, Suite 700, Houston, Texas 77042, (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. VAALCO assumes no obligation to update any forward-looking statement as of any future date.

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