

April 1, 2011



## **UPDATE: VAALCO Energy Provides Operations Update Following Gabon Industrial Action**

HOUSTON, April 1, 2011 /PRNewswire/ -- VAALCO Energy, Inc. ("VAALCO") (NYSE: EGY) today provided an update on its operations following the commencement of industrial action in Gabon by the National Organisation of Oil Employees (ONEP), which began at midnight, March 31, 2011. ONEP launched the action against the Gabonese government as part of a dispute over the government's labor regulations. ONEP is requesting the publication of a decree from the government of Gabon regulating the employment of foreign labor.

Reportedly, ONEP represents approximately 4,000 of the 5,000 workers in the industry, including approximately 45 VAALCO employees in Gabon.

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

VAALCO is in the process of shutting in a portion of the daily gross production in the Etame Marin block offshore Gabon, which has been recently averaging approximately 23,500 barrels of oil per day. Shutting-in is a staged process due to the configuration of the block containing two platforms, subsea wells, several miles of pipelines and the FPSO facility where the oil from the block is transported for processing and storage. The impact to the daily gross production amount could be substantial in the upcoming days if the strike were to continue. The remaining production is required for power to provide for safe conditions aboard the FPSO facility. The Company is continuing to monitor the ONEP action.

VAALCO believes it is in compliance with all Gabon labor laws and the agreements to which the Company is a party.

Oil is the main export of Gabon, which VAALCO believes is approximately 220,000 to 240,000 barrels per day according to recent reports. Oil revenues constitute approximately 60% of the Gabon budget. VAALCO believes the government of Gabon and ONEP will reach an amicable position in this matter quickly such that the Company can restore production to normal output levels.

The Company's subsidiary VAALCO Gabon Etame, Inc. operates the Etame Marin Permit in which it holds a 28.07% net interest in the Etame Field. Other participants in the permit are Sinopec Group (31.36%) through its subsidiary, Addax Petroleum Etame Inc., Sasol Petroleum Etame Limited (27.75%), Sojitz Etame Limited (2.98%), PetroEnergy Resources Corp. (2.34%) and Tullow Oil Gabon SA (7.5%).

### **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 and Angola, West Africa and the United States.

Investor Contact

Media Contact

Greg Hullinger

Tim Lynch / Jaime Wert

Chief Financial Officer Joele Frank, Wilkinson Brimmer Katcher

713-623-0801

212-355-4449

## Forward Looking Statements

This document includes “forward-looking statements” as defined by the U.S. securities laws. Forward-looking statements are those concerning VAALCO’s plans, expectations, and objectives for future drilling, compliance with applicable laws, future labor issues, 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 future production rates, reserve opportunities, drilling, completion and production timetables and costs to complete wells. 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, volatility of oil and natural gas prices, future production costs, future production quantities, the uncertainty of estimates of oil and natural gas reserves, the ability to replace reserves, inflation, lack of availability of drilling and other equipment, availability of services and capital, environmental risks, drilling and production risks, general economic risks, the ability to attract a new partner in Angola, actions of VAALCO’s working interest partners and government authorities, foreign operational risks and regulatory compliance and changes. 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. These risks are further described in VAALCO’s annual report on Form 10-K for the year ended December 31, 2009, quarterly report on Form 10-Q for the period ended September 30, 2010 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 309, Houston, Texas 77027, (713) 623-0801.

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