

July 18, 2011



## **VAALCO Energy Signs Letter of Intent to Purchase Additional Bakken Acreage**

HOUSTON--(BUSINESS WIRE)-- VAALCO Energy, Inc. ("VAALCO") (NYSE: EGY) today announced the signing of a letter of intent with Magellan Petroleum Corporation (NASDAQ: MPET) to acquire and develop an operating working interest in approximately 23,000 net mineral acres of oil, gas and mineral leases covering the Bakken and deeper formations in the East Poplar Unit and the Northwest Poplar Field in Roosevelt County, Montana ("the Poplar Field"). VAALCO expects to complete the transaction during the next sixty days.

Under the terms of the acquisition, VAALCO expects to acquire a 65% working interest in the Bakken and deeper rights of the Poplar Field. VAALCO will operate its deep rights in the subject acreage in return for cash consideration at closing and its funding of 100% of the cost to drill three wells by the end of 2012, including one well by June 1, 2012, at a cost to VAALCO of approximately \$5 million per well.

Magellan will retain its current ownership for all formations above the Bakken, including the currently producing Charles and Tyler formations and will retain the remaining 35% of the Bakken and deeper rights in partnership with VAALCO.

Robert Gerry, Chairman and CEO said, "We are very pleased to have this additional opportunity to prove up reserves in the Bakken formation and potentially in deeper formations, including the Three Forks, Nisku, and Red River formations. We believe that this is a high quality prospect and we are optimistic that this will be a source of oil revenues to VAALCO over the next several years."

In May 2011, VAALCO acquired a 70% working interest in 5,214 acres in Sheridan County, Montana, which is adjacent to Roosevelt County, Montana.

### **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.

### **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, 2010, quarterly report on Form 10-Q for the period ended March 31, 2011 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.

Source: VAALCO Energy, Inc.