August 8, 2013

VAALCO Energy Announces Second Quarter 2013 Results

HOUSTON, Aug. 8, 2013 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported net income attributable to VAALCO of $7.1 million or $0.12 per diluted share for the second quarter of 2013 compared to net income attributable to VAALCO of $10.4 million or $0.18 per diluted share for the comparable period in 2012. Second quarter 2013 revenues were $29.1 million compared to $58.8 million in the second quarter of 2012.

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

Robert Gerry, Chairman and CEO commented, "During the first six months of 2013, we invested approximately $47 million, primarily in infrastructure projects offshore Gabon, to secure our future operations. The majority of this investment has been in the construction of two new platforms to be installed in Gabon in 2014 and in our ongoing drilling program. During the course of our drilling program, we elected to temporarily curtail production, primarily in the second quarter, in order to replace electrical submersible pumps in three producing wells and in order to change out generators on the Avouma Platform.

"Sequentially, earnings per share for the second quarter matched our first quarter. With the completion of most of the rig activity in offshore Gabon during the first half of 2013, we expect an increase in production, generating an improvement to our cash flow and balance sheet for the remainder of the year."

Exploration and Development Update

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

<u>Gabon</u>
In the second quarter of 2013, VAALCO continued its multi-well drilling and workover program offshore Gabon. The well program included three workovers to replace electrical submersible pumps, a successful development well, EAVOM-3H, drilled in the Avouma field and an unsuccessful exploration well drilled in the Ebouri field.

The contracted rig, the KCA Deutag "Ben Rinnes", has been moved onto location north of the Etame field and is currently drilling an exploration well on the Ovoka Prospect (formerly Mu). The well is being drilled in 60 meters of water to a depth of 2,700 meters to evaluate the Gamba reservoir and the deeper Lucina formation.

The Company and its partners expect to exercise an option for the KCA Deutag "Ben Rinnes" to drill up to an additional two wells late in the fourth quarter of 2013. VAALCO is also evaluating the availability of drilling rigs to drill additional exploration wells offshore Gabon once the current multi-well drilling program is completed.

The construction of two production platforms for the future development of the Etame Marin block began in the first quarter and continued during the second quarter. In the first half of

2014, the two platforms will be transported from Houma, Louisiana with one platform to be installed in the Etame field and the second platform to be located in-between the Southeast Etame and North Tchibala fields, bringing the total number of platforms in the Etame Marin block to four. Multiple wells are expected to be drilled from each of the new platforms as part of the future development plans for the Etame Marin block. In 2010, the Company drilled a successful exploration well in the Southeast Etame area that will be developed from the Southeast Etame/North Tchibala platform. The expected cost to build and install the platforms in the 2013/2014 timeframe is $325.0 million ($91.0 million net to the Company). The cost of wells to be drilled from the platforms is not included in the platform costs.

Onshore Gabon, VAALCO and its concession partner, Total Gabon, are continuing to engage in discussions with the Gabon government regarding the extension of the exploration permit for the Mutamba Iroru block. Concurrently, the plan of development is being prepared for the N'Gongui field on the block, where an exploration well was successfully drilled in 2012. VAALCO expects to file the plan of development for approval by the Gabon government in the second half of 2013, after the discovery permit is issued.

Angola

As previously announced, a partner has been identified to acquire the available 40% working interest in Block 5 offshore Angola, and the party has been submitted to the Angolan government for approval. In July 2013, the Angolan government informed the Company that it should first proceed to acquire the available working interest per the provisions of the Joint Operating Agreement before entering into a farm-out agreement with the potential partner. VAALCO is currently working to accomplish the two-step process outlined by the Angolan government. However, the Company cannot provide a time estimate for completing these activities as it involves actions by the Angolan government as well as the potential partner.

Offshore Equatorial Guinea

The Company is currently working with its consortium partners on plans to drill two exploration wells on Block P in the first half of 2014.

United States

In the second quarter 2013, the Company determined that it was unlikely to conduct further exploratory activities on the unevaluated portion of the Hefley field in the Granite Wash formation in North Texas. Accordingly, the Company charged $0.7 million to exploration expense, which represented the book value of the unevaluated Hefley leasehold.

Financial Results Discussion

During the second quarter of 2013, the Company sold from its offshore Gabon operation approximately 280,000 net barrels of oil at an average price of $102.21 per barrel, compared to 538,000 net barrels of oil at an average price of $107.51 per barrel in the second quarter of 2012. Quarter to quarter sales comparisons will vary due to dates of liftings and number of liftings in each quarter. The Company reported operating income of $11.7 million in the second quarter of 2013 compared to operating income of $38.6 million in the second quarter of 2012.

Gabon crude oil production averaged approximately 16,900 gross BOPD in the three months ended June 30, 2013, compared to approximately 20,100 gross BOPD in the three months ended June 30, 2012. The decrease in production is attributable to the mid-2012 shut-in of two wells in the Ebouri field due to the presence of H_2S and temporary production stoppages resulting from workover activities for replacing electrical submersible pumps on three offshore Gabon wells.

Total production expenses were $7.0 million in the second quarter of 2013 compared to $6.5 million in the prior year quarter. The higher production expenses incurred were primarily due to $4.5 million of well workover costs to replace electrical submersible pumps on three offshore Gabon wells, partially offset by $2.2 million lower production costs resulting from higher amounts capitalized associated with unsold crude oil inventory, $1.3 million lower operating expenses for the FPSO facility and $0.8 million lower expenses for the Domestic Market Obligation ("DMO") to the Republic of Gabon.

Exploration expense was $4.3 million in the second quarter of 2013 compared to $3.5 million of expense in the prior year quarter. Exploration expense in the second quarter of 2013 includes $3.0 million of dry hole costs related to the previously announced unsuccessful Ebouri appraisal well offshore Gabon.

Income tax expenses were $4.6 million for the three months ended June 30, 2013 compared to $26.7 million in the second quarter of 2012, all of which was paid to the Republic of Gabon. The lower income tax is attributable to lower sales volumes and fewer barrels allocated as profit oil that were subject to taxation.

Balance Sheet

On June 30, 2013, the Company had unrestricted cash of $78.7 million with no outstanding debt. The Company believes that this cash, combined with cash flow from operations, will be sufficient to fund the Company's remaining 2013 capital expenditure budget and additional investments in working capital resulting from potential growth.

Repurchase of Common Stock

During the second quarter, the Company repurchased 233,400 shares at an average price of $5.74 per share for a total of $1.3 million.

As of August 1, 2013, the Company repurchased an additional 1,125,706 shares, bringing the total amount of shares repurchased in this program to 1,359,106 shares. The average price paid for all shares was $6.00 per share for a total of $8.2 million.

Conference Call

As previously announced, the Company will hold a conference call to discuss its second quarter results on Friday, August 9, 2013, at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 230-1092. International parties may dial 1 (612) 234-9959. The confirmation code is 298774. 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 September 9, 2013, on the Company's website and by dialing 1 (800) 475-6701. International parties may dial 1 (320) 365-3844. The confirmation code is 298774.

Summary of financial results for the quarter are tabulated below.

(Unaudited - in thousands of dollars)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Revenues	$29,118	$58,818	$73,255	$104,104
Operating costs and expenses	17,452	20,186	40,085	35,365
Operating Income	11,666	38,632	33,170	68,739
Other expense, net	14	414	(55)	656
Income tax expense	(4,559)	(26,729)	(18,805)	(46,549)
Net Income	7,121	12,317	14,310	22,846
Less net income - noncontrolling interest	-	(1,893)	-	(3,402)
Net income (Loss) - VAALCO Energy, Inc.	7,121	10,424	14,310	19,444
Basic net income per share attributable to VAALCO Energy, Inc.	$ 0.12	$ 0.18	$ 0.25	$ 0.34
Diluted net income per share attributable to VAALCO Energy, Inc.	$ 0.12	$ 0.18	$ 0.24	$ 0.33

Other financial results:

	Three months ended,		Six months ended	
(Unaudited)	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net oil sales (MBbls)	281	542	679	911
Net gas sales (MMCF)	88	158	183	274
Net oil and gas sales (MBOE)	296	569	709	957
Average oil price ($/bbl)	$102.12	$107.34	$106.72	$113.09
Average gas price ($/MCF)	$4.60	$3.90	$4.47	$3.82
Average price ($/BOE)	$98.41	$103.46	$103.28	$108.79
Production costs, excluding worker costs ($/BOE)	$8.50	$11.50	$13.67	$12.61
Depletion costs ($/BOE)	$11.60	$12.05	$9.95	$12.39
General and administrative costs ($/BOE)	$8.33	$5.35	$8.60	$6.81
Capital Expenditures ($thousands)	$18,954	$6,543	$34,301	$23,467

Basic and diluted share information:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Basic weighted average common stock				
issued and outstanding	57,906,967	57,797,484	57,906,967	57,496,261
Dilutive options	659,475	1,202,808	881,937	1,204,568
Total dilutive shares	58,566,442	59,000,292	58,788,904	58,700,829

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 second quarter filed on August 8, 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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