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VAALCO Energy Announces Discovery on Southeast Etame Prospect Offshore Gabon

HOUSTON, June 16 /PRNewswire-FirstCall/ -- VAALCO Energy, Inc. (NYSE: EGY) announced today the Southeast Etame No. 1 ("ETSEM-1") exploration well completed drilling to a total depth of 9,045 feet (2,757 meters) offshore Gabon and encountered approximately sixteen feet (five meters) of Gamba sandstone section which logged oil full to base. The ETSEM-1 well is being drilled on a prospect within the boundaries of the Etame Development Area, three miles (five kilometers) southeast of the Etame field. The Gamba sandstone section encountered in the ETSEM-1 well is the same reservoir that produces in the Etame, Avouma, South Tchibala and Ebouri fields.

The Company is proceeding to sidetrack the ETSEM-1 well to confirm the oil accumulation and seek the oil/water contact in the Gamba sandstone section to determine if the discovery is commercial. The sidetrack is expected to take approximately 22 days to drill. An additional sidetrack may be necessary to further delineate the prospect. If the Southeast Etame prospect proves to be commercial, it is expected the new field can be developed and tied back to the Company's existing floating production, storage and offloading ("FPSO") facilities.

Mr. Robert Gerry, Chairman and CEO of VAALCO, stated: "We are encouraged by the initial results of the Southeast Etame exploration well. This discovery has the potential to add to the Etame consortium's reserves, continuing the success of our ongoing drilling program."

The ETSEM-1 well has been deepened to investigate potential Dentale sand reservoirs below the Gamba sandstone section. Although some hydrocarbon shows were encountered, the initial assessment is the Dentale sands are primarily water-bearing at this location. However, logging activities are underway to further evaluate the Dentale sands.

Following the expected appraisal of the ETSEM-1 well, VAALCO will move the drilling rig to the Etame field to drill a new horizontal development well in the Etame field (Etame 7H) and expects to complete that well during the third quarter of this year.

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 Addax Petroleum Etame Inc. (31.36%), 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, Texas 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.

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, completion, side tracking 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 drilling plans, completion and production timetables, success of wells 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, lack of availability of goods, services and capital, environmental risks, drilling and other operational risks, foreign operational risks and regulatory 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 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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