March 14, 2013

VAALCO ENERGY, INC.

VAALCO Energy Announces 2012 Fourth Quarter And Full-Year Results

HOUSTON, March 14, 2013 /PRNewswire/ --VAALCO Energy, Inc. (NYSE: EGY) today reported results for the fourth quarter and full-year 2012.

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

For the 2012 fourth quarter, VAALCO reported a net loss attributable to VAALCO of $18.9 million, or $0.33 per diluted share, compared to net income attributable to VAALCO of $8.7 million, or $0.15 per diluted share, for the comparable period in 2011.

For the year ended December 31, 2012, VAALCO reported net income attributable to VAALCO of $0.6 million, or $0.01 per diluted share, compared to net income attributable to VAALCO of $34.1 million, or $0.59 per diluted share, for the year ended December 31, 2011. The decrease in net income in 2012 versus 2011 is the result of lower sales volumes and higher domestic exploration dry hole costs, partially offset by lower income taxes.

Robert Gerry, Chairman and CEO, commented, "We intend to continue to pursue opportunities in West Africa and, in 2013, we are targeting the drilling of at least two high potential exploration wells, one offshore Angola and one offshore Equatorial Guinea, while evaluating additional opportunities in adjacent countries. When combined with our Gabon activities, success in these countries has the potential to significantly add to VAALCO's West Africa reserve base and drive value creation for shareholders."

"During the fourth quarter, we added an offshore concession in Equatorial Guinea to our West African portfolio and purchased a 9.99% financial interest in the entity that owns VAALCO's working interest in the Etame Marin block offshore Gabon. In addition, we drilled a successful discovery well in the onshore Gabon Mutamba block, commenced a multi-well drilling program offshore Gabon to add additional reserves and to maintain existing well integrity, and added experienced international energy specialists to our Houston office. Due to the disappointing results of our USA drilling programs, we have written-off the majority of the value of our domestic operations and closed our Denver office."

Exploration and Development Activities

Offshore Equatorial Guinea

In 2012, VAALCO signed a definitive agreement with Petronas Carigali Overseas SDN BHD for the purchase of a 31% working interest in Block P, located offshore Equatorial Guinea at a cost of $10.0 million. The acquisition was completed on November 1, 2012 and the Company expects two exploration wells to be drilled on this block in 2013 or 2014. GEPetrol, the national oil company of Equatorial Guinea, is the operator of the block.

Gabon

In December 2012, VAALCO commenced a multi-well offshore program that includes drilling an exploration well and a development well in the Avouma field, an exploration appraisal well to be drilled in the Ebouri field and three well recompletions to replace electrical submersible pumps. The first well in the program, a new development well in the Avouma field, has successfully been drilled and is currently undergoing completion activities.

The Company and its partners have also agreed to proceed with the construction of two additional production platforms in the Etame Marin block. One platform will be located in the Etame field and the second platform will be located between the Southeast Etame and North Tchibala fields. Multiple wells are expected to be drilled from each of the platforms as part of the future development plans for the Etame Marin block. We expect the platforms will become operational in late 2014 or early 2015.

VAALCO and its partners are evaluating options for re-establishing production from the area impacted by the presence of hydrogen sulfide (H_2S) which resulted in shutting-in two producing wells in the Ebouri field, as previously announced. VAALCO expects that additional capital investment will be required, which is likely to include a new platform-type structure with H_2S processing capabilities and new wells to re-establish production from the impacted area. The final investment decision by the Company and its partners is expected to be made in 2013.

In December 2012, the Company acquired the noncontrolling interest in VAALCO International, Inc., for $26.2 million, with an effective date ofOctober 1, 2012. Prior to the acquisition, the noncontrolling interest owned 9.99% of the issued and outstanding common stock of VAALCO International, Inc., a Delaware corporation of which VAALCO Gabon Etame, Inc. is a wholly-owned subsidiary. As a result of this transaction, a commensurate percentage of the revenue and cash flow derived from production from the Etame Marin block will be attributable to VAALCO.

In total, VAALCO produced approximately 7.0 million gross barrels of oil equivalent (approximately 2.0 million net barrels of oil equivalent) from the Etame, Avouma, South Tchibala and Ebouri fields on the Etame Marin block in 2012, and increased proved reserves offshore Gabon by 24% to 7.5 million net barrels through the filing of a plan of development for the 2010 Southeast Etame discovery and favorable revisions of our existing fields in the Etame Marin block.

Onshore Gabon, VAALCO completed the seismic reprocessing work on the Mutamba Iroru block and successfully drilled one exploration well in the N'Gongui field, resulting in a discovery. Sidetracks to appraise the discovery were drilled in the fourth quarter of 2012 and a plan of development for the field is expected to be completed and submitted to the government of Gabon in 2013. VAALCO and its concession partner, Total Gabon, are currently working with the Gabon government to obtain a further exploration extension.

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 November 2012, the government advised the Company that it has entered into negotiations with the potential partner. The Company met with the Angolan government in January 2013 and learned the negotiations are still underway. The Company is ready to proceed with the plans for a two well exploration drilling program upon partner confirmation.

<u>United States</u>

During 2012, the two wells in the Hefley field in the Granite Wash formation in North Texas produced approximately 10,000 Bbls of oil condensate and 519 million cubic feet of gas net to the Company after the deduction of royalty and severance taxes. The Hefley field acreage is held by production and a financial impairment for the field was recorded in the third quarter of 2012 on the basis of production performance, projected hydrocarbon price curves, operating expenses and estimated reserves.

As previously announced, VAALCO drilled two wells in the Middle Bakken formation in Sheridan County, Montana in the second half of 2012. Completion testing using electrical submersible pumps began in the fourth quarter of 2012 and both wells drilled have been deemed unsuccessful as the operating and water disposal costs exceeded the value of the gas and condensate produced from the wells.

In Roosevelt County, Montana in the East Poplar unit, the Company drilled a vertical exploration well beginning in December 2011 and a second well was drilled in mid-2012 and completed in the Bakken/Three Forks formations. Both of these wells were determined in the fourth quarter of 2012 to be unsuccessful efforts. In December 2012, VAALCO began drilling its third well. This well is scheduled for completion testing in the Nisku formation in the first half of 2013, fulfilling VAALCO's drilling obligations under the terms of the acquisition of the Poplar Dome working interest.

In September 2012, the Company acquired a 100% working interest in approximately 10,000 acres in Harding County, South Dakota. The primary objective for this property was the Red River formation. Pursuant to the terms of the acquisition, the Company was obligated to drill and complete a well or re-enter and complete an existing well within twelve months of the acquisition date. The Company drilled the initial well on the property in the first quarter of 2013, which was an unsuccessful effort. The Company does not have plans to proceed with additional investments on this property.

2012 Fourth Quarter Financial Results Discussion

<u>Oil Revenues</u>

Gabon

Crude oil revenues for the three months ended December 31, 2012 were $52.9 million, as compared to revenues of $67.01 million for the same period in 2011. During the fourth quarter of 2012, VAALCO sold approximately 482,000 net barrels of oil at an average price of $109.80/Bbl in Gabon compared to 604,000 net barrels of oil at an average price of $111.08/Bbl in 2011.

United States

Condensate sales were $0.2 million, resulting from the sale of approximately 2,000 net barrels of oil condensate at an average price of $77.96/Bbl. For the same period in 2011, condensate sales were $0.2 million resulting from the sale of approximately 2,000 net barrels of oil condensate at an average price of $85.60/Bbl.

<u>Natural Gas Revenues</u>

United States

Natural gas revenues including revenues from natural gas liquids for the three months ended December 31, 2012 were $0.4 million compared to $0.5 million for the comparable period in 2011. Natural gas sales were 111 MMcf at an average price of $3.73/Mcf for the three months ended December 31, 2012. For the same period of 2011, natural gas sales were 100 MMcf at an average price of $5.06/Mcf.

Total production expenses for the fourth quarter of 2012 were $8.7 million compared to $11.2 million in the prior year quarter. The reduction in production expenses in the fourth quarter of 2012 when compared to the same period 2011 is primarily attributable to lower crude oil lifting volumes and the impact of capitalizing crude oil volumes in inventory.

Exploration expenses were $36.0 million in the fourth quarter of 2012 compared to $2.1 million of costs in the comparable period in 2011. Exploration expenses in the fourth quarter of 2012 increased primarily due to $34.4 million of charges to write-off costs related to five unsuccessful exploration wells in the United States.

Income tax expenses for the fourth quarter of 2012 were $21.1 million, compared to $28.4 million for the same period in 2011.

2012 Full-Year Financial Results Discussions

Total oil and gas revenues for 2012 were $195.3 million as compared to $210.4 million for 2011.

Oil Revenues

Gabon

Crude oil revenues for 2012 were $192.5 million, as compared to revenues of $208.8 million for the same period in 2011. VAALCO sold approximately 1,730,000 net barrels of oil at an average price of $111.24/Bbl in Gabon in 2012, as compared to 1,864,000 net barrels of oil at an average price of $111.98/Bbl in 2011.

United States

Condensate sales were $0.8 million, resulting from the sale of approximately 10,000 net barrels of oil condensate at an average price of $81.68/Bbl. For the same period in 2011, condensate sales were $0.3 million resulting from the sale of approximately 4,000 net barrels of oil condensate at an average price of $79.71/Bbl.

Natural Gas Revenues

United States

Natural gas revenues including revenues from natural gas liquids for the year 2012 were $1.9 million compared to $1.3 million for the comparable period in 2011. Natural gas sales were 532 MMcf at an average price of $3.66/Mcf for 2012. For the same period of 2011, natural gas sales were 255 MMcf at an average price of $5.23/Mcf.

Operating Costs and Expenses

Production expense for 2012 was $26.7 million as compared to $26.7 million for 2011. In 2012, the Company incurred lower Domestic Market Obligation payments to the Republic of Gabon of $1.8 million, and lower fuel expense of $0.7 million, which were partially offset by higher Floating Production Storage and Offloading facility costs of $2.5 million as a result of a contract extension and revision.

Exploration expense in 2012 was $41.0 million, as compared to $5.7 million in 2011. The higher exploration expense in 2012 was primarily due to a $37.3 million charge to write-off costs related to five unsuccessful exploration wells in the United States.

In 2012, the Company incurred $81.8 million in income taxes as compared to $93.5 million for 2011. All income tax expenses were associated with the Etame Marin block production and were incurred in Gabon. The lower income tax expense for 2012 versus 2011 was primarily the result of lower sales volumes, resulting in lower profit oil barrels subject to taxes.

Balance Sheet

On December 31, 2012, VAALCO had unrestricted cash balances of $130.8 million and restricted cash of $12.1 million. The Company believes that these cash balances combined with cash flow from operations will be sufficient to fund the Company's 2013 capital expenditure budget, which is expected to total approximately $75.0 million. Significant capital expenditure plans include the further development of the Etame Marin block offshore Gabon with a three well drilling program, funding construction costs for two platforms being built for the Etame Marin block, and potential exploration drilling of one well on Block 5 in Angola or Block P in Equatorial Guinea.

Conference Call

As previously announced, VAALCO will hold a conference call to discuss its fourth quarter and full-year results on Friday, March 15, 2013, at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 230-1059. International parties may dial 1 (612) 234-9959. The confirmation code is 283334. This call will also be webcast on VAALCO's web site at www.vaalco.com.

An audio replay will be available beginning approximately one hour after the end of the conference call through April 15, 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 283334.

Summary financial results for the quarter are tabulated below.

ABBREVIATED FINANCIAL RESULTS

(Unaudited - in thousands of dollars)	Three months ended, December 31, 2012	Three months ended, December 31, 2011	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011
Revenues	$53,553	$67,767	$195,287	$210,436
Operating costs and expenses, less impairment charge	43,672	28,879	101,074	77,875
Impairment of proved properties	7,620	-	7,620	-
Operating Income	2,261	38,888	86,593	132,561
Other income, net	(105)	235	559	1,469
Income tax expense	(21,073)	(28,422)	(81,813)	(93,468)
Net Income	(18,917)	10,701	5,339	40,562
Less net income - noncontrolling interest	-	(1,981)	(4,708)	(6,417)
Net income (Loss) - VAALCO Energy, Inc.	($18,917)	$8,720	$631	$34,145
Basic net income per share attributable to VAALCO Energy, Inc.	$ (0.33)	$ 0.15	$ 0.01	$ 0.60
Diluted net income per share attributable to VAALCO Energy, Inc.	$ (0.33)	$ 0.15	$ 0.01	$ 0.59

OTHER FINANCIAL RESULTS

(Unaudited)	Three months ended, December 31, 2012	Three months ended, December 31, 2011	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011
Net oil sales (MBbls)	485	606	1,741	1,868
Net gas sales (MMCF)	111	100	532	255
Net oil and gas sales (MBOE)	503	623	1,829	1,911
Average oil price ($/bbl)	$109.63	$111.00	$111.06	$111.92
Average gas price ($/MCF)	$3.73	$5.09	$3.66	$5.23
Average price ($/BOE)	$106.43	$108.83	$106.75	$110.12
Production costs ($/BOE)	$17.33	$18.02	$14.61	$13.99
Depletion costs ($/BOE)	$6.36	$12.62	$10.88	$13.39
General and administrative costs ($/BOE)	$5.39	$3.79	$6.44	$5.45
Capital Expenditures ($thousands)	$2,604	$8,740	$46,676	$32,966

BASIC & DILUTED SHARE INFO

	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011
Basic weighted average common stock issued and outstanding	57,673,342	57,047,531
Dilutive options	1,158,717	925,050
Total dilutive shares	58,832,059	57,972,581

PROVED RESERVE INFORMATION

	Oil (MBbls)	Gas (MMcf)
BALANCE AT DECEMBER 31, 2011	6,048	1,925
Production	(1,741)	(532)
Revision of previous estimates	2,200	151
Extension and discoveries	981	-
BALANCE AT DECEMBER 31, 2012	7,488	1,544

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, 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 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, and the United States.

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