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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.

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SOURCE VAALCO Energy, Inc.