



VAALCO ENERGY ANNOUNCES THIRD QUARTER 2008 EARNINGS

HOUSTON – November 10, 2008 – VAALCO Energy, Inc. (NYSE: EGY) announced that for the third quarter of 2008, net income was \$22.3 million or \$0.38 per diluted share compared to \$8.8 million or \$0.15 per diluted share for the comparable period in 2007. Third quarter 2008 revenues were \$55.5 million compared to \$34.8 million in the third quarter of 2007. Discretionary cash flow was up 85% to \$66.2 million for the nine months ended September 30, 2008 compared to \$35.7 million in the same period of 2007. For the nine months ended September 30, 2008, net income was \$37.2 million or \$0.63 per diluted share compared to \$17.1 million or \$0.28 per diluted share in the nine months ended September 30, 2007.

“VAALCO’s strong third quarter results reflect higher oil prices and crude volumes, as well as the expected benefit from a lower tax rate, attributable to increased capital expenditures during the quarter,” said Robert L. Gerry, III, Chairman and CEO. “Our drilling and exploration program is continuing at one of the strongest rates in our history, with prospects in place to grow reserves and production. VAALCO’s capital position remains strong, enabling us to capitalize on these opportunities.”

As previously announced, VAALCO is planning seven additional development and exploration wells including a development well in the Ebouri field, three exploratory wells in the Etame block, two exploratory wells onshore Gabon in the Mutamba concession, one exploratory well in Angola, and a 25% interest in a gas prospect in the British North Sea. Together, these wells expose the Company to over 50 million net barrels, or an 8-fold potential increase to VAALCO’s current 6.2 million barrels of proved reserves.

Financial Results Discussion

VAALCO sold 517,000 net barrels of crude oil equivalent at an average price of \$107.48 per barrel during the third quarter of 2008 compared to 472,000 barrels of crude oil equivalent at an average price of \$73.79 per barrel in the third quarter of 2007. Operating income was \$41.8 million in the third quarter of 2008 compared to \$23.8 million in the third quarter of 2007.

Crude oil sales for the nine months ended September 30, 2008 were 1,428,000 barrels of oil equivalent at an average price of \$107.21 per barrel compared to 1,334,000 barrels of oil equivalent at an average \$66.05 per barrel of oil equivalent for the nine months ended September 30, 2007. Operating income was \$106.6 million in the nine months ended September 30, 2008 compared to \$51.2 million in the same 2007 period.

Capital expenditures for the nine months ended September 30, 2008 were \$16.9 million, primarily associated with the construction of the Ebouri development platform in Gabon.

Discretionary cash flow measures the amount of cash generated by the Company that can be used as working capital, to reduce debt, or for future investment activities. Discretionary cash flow is presented because management believes it is a useful adjunct to net cash flow provided by operating activities under accounting principles generally accepted in the United States (GAAP). The measure is widely used by investors and professional research analysts in the valuation, comparison, rating and investment recommendations of companies within the oil and gas exploration and production industry. Discretionary cash flow can be reconciled to net cash provided by operating activities in the Statement of Consolidated Cash Flows filed with the SEC as follows:

Unaudited - (<i>thousands of dollars</i>)	Nine Months Ended <u>September 30, 2008</u>	Nine Months Ended <u>September 30, 2007</u>
Discretionary Cash Flow	66,162	35,730
Working Capital Changes, net of non-cash	(635)	(14,064)
Net cash provided by operating activities	65,527	21,666

Conference Call

As previously announced, the Company will hold an investor conference call Monday, November 10, 2008 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 553-0272. International parties may dial 1 (612) 288-0340. The confirmation code is 968433.

An audio replay will be available beginning approximately one hour after the end of the conference call through December 10, 2008 by dialing 1 (800) 475-6701. International parties may dial 1 (320) 365-3844. The confirmation code is 968433.

Summary financial results for the quarter are tabulated below.

Abbreviated Financial Results:

(Unaudited - in thousands of dollars)	<u>Three Months Ended Sept. 30,</u>		<u>Nine Months Ended Sept. 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues	55,543	34,828	153,054	88,087
Operating costs and expenses	<u>13,788</u>	<u>11,071</u>	<u>46,493</u>	<u>36,841</u>
Operating Income (Loss)	41,755	23,757	106,561	51,246
Other Income (Expense)	660	992	1,569	2,132
Income tax expense	(17,372)	(14,747)	(65,243)	(33,268)
Gain (loss) from discontinued operations	--	--	--	(51)
Minority Interest in earnings of subsidiaries	<u>(2,697)</u>	<u>(1,206)</u>	<u>(5,714)</u>	<u>(2,991)</u>
Net Income	22,346	8,796	37,173	17,068
Basic Income per Common Share	\$0.38	\$0.15	\$0.63	\$0.29
Diluted Income per Common Share	\$0.38	\$0.15	\$0.63	\$0.28

Summary Statistics:

(unaudited)	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net oil and gas sales (MBOE)	517	472	1,428	1,334
Average price (\$/bbl)	\$107.48	\$73.79	\$107.21	\$66.05
Production costs (\$/bbl)	\$11.51	\$8.08	\$10.42	\$8.29
Depletion costs (\$/bbl)	\$11.67	\$10.19	\$11.35	\$10.15
General and administrative costs (\$/bbl)	\$2.98	\$3.81	\$4.97	\$4.58
Capital expenditures (\$thousands)	11,028	1,939	16,028	9,711
Debt/Proved reserves (\$/BOE)			\$1.04	\$1.07
Debt/Capitalization (\$/\$)			\$0.03	\$0.04
Cash and cash equivalents (\$thousands)			103,492	70,236
Working capital (\$thousands)			109,065	84,766
Total long-term debt (\$thousands)			5,000	5,000

Basic and diluted share information:

<u>Item</u>	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>Sept. 30, 2008</u>	<u>Sept. 30, 2007</u>	<u>Sept. 30, 2008</u>	<u>Sept. 30, 2007</u>
Basic weighted average common stock issued and outstanding	58,243,758	59,191,555	58,817,577	59,118,995
Dilutive options	<u>732,607</u>	<u>889,957</u>	<u>641,750</u>	<u>1,156,223</u>
Total diluted shares	58,976,365	60,081,511	59,459,327	60,275,218

Forward-Looking Statements

This press release 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 and other operations and activities. All statements included in this press release 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, completion and production timetables and costs to complete well. 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, lack of availability goods, services and capital, environmental risks, drilling 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 10K for the year ended December 31, 2007 and other reports filed with the SEC which can be reviewed at www.sec.gov, or which can be received by contacting VAALCO at 4600 Post Oak Place, Suite 309, Houston, Texas 77027, (713) 623-0801.

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions at oil and gas prices in effect at the time of the estimate, without future escalation. We include in this press release an estimate of gross reserve potential that the SEC's guidelines strictly prohibit us from including in filings with the SEC. Investors are urged to consider closely the disclosure in our Form 10-K, available from the SEC at www.sec.gov.

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 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.

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