

**VAALCO Energy, Inc.**

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**VAALCO Energy, Inc. Announces Successful Sidetrack  
On Recently Discovered Ebouri Prospect Offshore Gabon**

HOUSTON—(PR Newswire)—January 21, 2004 – VAALCO Energy, Inc. (VEIX – OTC), announced today the wildcat well Ebouri No. 1 (“EBO-1”), offshore Gabon, was successfully sidetracked a distance of about 0.5 kilometers (1,600 feet) and logged approximately 15 meters (49 feet) of net oil pay in 17 meters (55 feet) of gross Gamba sandstone section. This was a comparable pay section to that found in the original wellbore, and in the first successful sidetrack. The log from the sidetrack confirms a continuous oil-water contact between the original well and the two sidetracks. The Ebouri discovery lies 11 kilometers (7 miles) away from the Etame field, which has been onstream for 18 months, producing at approximately 15,000 barrels oil per day. The Gamba sandstone section in the EBO-1 well is the same reservoir as in the Etame field. Both accumulations are within the 3,073 square kilometer Etame Block, which VAALCO has operated since 1995.

Mr. Robert Gerry, Chairman and CEO of VAALCO stated, “We now have three penetrations of the Gamba reservoir within the Ebouri prospect, all confirming oil pay. While a further step out will be necessary before we can determine the reserves, we believe we have a commercial new field discovery. We were able to get samples of the oil from the pay interval and confirm that it has an API of approximately 36 degrees, similar to the Etame oil. Engineering studies to tie the Ebouri discovery back to our existing FPSO facilities will begin immediately. These facilities have designed capacity to receive 25,000 to 30,000 barrels of oil per day.”

VAALCO expects to drill one new development well in the Etame field during the second quarter of this year to increase Etame production to over 20,000 barrels of oil per day. The consortium also has one additional exploration well commitment on the Etame Block, which will also be drilled during the second quarter of this year.

VAALCO’s subsidiary VAALCO Gabon Etame, Inc. operates and owns a 28.07% interest in the Etame Field. Other field partners are PanAfrican Energy Gabon Corp. (31.36%), Sasol Petroleum West Africa (Ltd.) (27.75%), Energy Resources Japan Etame (Gabon) Limited (2.98%) and PetroEnergy Resources Corp. (2.34%) Energy Africa Gabon (7.5%).

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/SB for the year ended December 31, 2002 and other reports filed with the SEC which can be reviewed at [www.sec.gov](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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