

VAALCO Energy, Inc.

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VAALCO Energy, Inc. Announces Hedging Program for Etame

HOUSTON—(PR Newswire)—July 26, 2005— VAALCO Energy, Inc. (EGY- AMEX), announced that the Company has hedged 60,000 barrels of oil per month for its own account with Dated Brent costless collars effective through calendar year 2005. The Company's crude currently sells for approximately Dated Brent less \$3.00. The collars were put in place with a Dated Brent floor of \$50.00 and a ceiling of \$66.00. Should Dated Brent prices fall below \$50.00, the Company will continue to receive approximately \$47.00 net per barrel, while at Dated Brent prices above \$66.00 the Company will receive approximately \$63.00 net per barrel. The volume hedged represents approximately 40% of the Company's anticipated net production after taxes for the balance of the year.

Robert Gerry, Chairman and CEO, stated "We saw an opportunity to take advantage of the recent run up in crude prices to lock in a \$50.00 Dated Brent floor for the balance of the year. We continue with our activities to hook up the Etame 6H well which we expect to be on production later this week."

VAALCO's next scheduled lifting for the consortium is set for approximately 500,000 barrels in late July bringing the total produced oil to over 17 million barrels since inception. The Company expects to report second quarter results during the first week in August.

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, 2004 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.

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