

VAALCO Energy, Inc.

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**VAALCO Energy Announces First Quarter 2004 Quarterly Results,
Sale of Philippines Assets, and Spudding of Etame Development Well**

HOUSTON - (PR Newswire) – May 14, 2004 – VAALCO Energy, Inc. (VEIX – OTC), (the “Company”) announced that for the first quarter of 2004 earnings were \$3.3 million or \$0.15 per basic share and \$0.06 per diluted share. This compared to net income of \$4.0 million or \$0.19 per basic share and \$0.06 per diluted share for the comparable period in 2003. First quarter 2003 earnings included a one time gain due to the effect of an accounting change of \$1.7 million.

First quarter 2004 revenues were \$8.2 million compared to \$8.5 million in first quarter 2003. The Company sold 265,000 net barrels at an average price of \$30.83 during the first quarter 2004 compared to 284,000 barrels at an average price of \$30.14 in the first quarter of 2003. The lower oil sales were primarily due to timing differences associated with liftings from the Etame field.

Discretionary cash flow, a non-GAAP financial measure of the amount of cash generated that can be used for working capital, debt service or future investments, was \$4.5 million for the three months ended March 31, 2004.

VAALCO also announced that it has signed an agreement with its former partners in the Philippines to sell all of its assets and interests in Service Contract 14 and Service Contract 6 in the Philippines. The agreement is subject to government approval which is expected by June 30, 2004. The sale of these interests will conclude the Company’s operations in the country. Primary consideration for the sale is the assumption of all abandonment liabilities associated with the assets by the purchasers.

The Company announced that it has spudded the Etame-5H development well in the Etame field. The well will be completed horizontally in the Gamba sandstone reservoir at Etame, and should increase total field production to over 20,000 barrels per day. Upon completion of the Etame-5H well, the Company will commence the drilling of the Avouma No. 1 well, an exploration well on a structure approximately 7 miles south of Etame. An additional development well is planned to commence mid-year 2005.

Robert L. Gerry, III, Chairman and CEO stated, “We are extremely pleased with our financial results for the first quarter and look forward to an active year adding a new development well in Etame and continuing our exploration efforts for additional reserves on the Etame block. The Etame field has produced 9 million barrels in the eighteen months that it has been on production and continues to produce at approximately 15,000 barrels per day.”

On May 4, 2004, the Company filed an Application for Listing with the American Stock Exchange. The Company anticipates that it will take approximately 90 days to process its application through the Securities and Exchange Commission. Although the Company is optimistic that its application will ultimately be approved, it is also aware that events and/or developments beyond its control could adversely affect the timing as well as the approval of its application.

Abbreviated financial results:

(Unaudited - in thousands of dollars)	Three Months Ended March 31,	
	<u>2004</u>	<u>2003</u>
Revenues	8,160	8,549
Operating costs and expenses	<u>3,066</u>	<u>4,023</u>
Operating Income (Loss)	5,094	4,526
Other Income (Expense)	(66)	(586)
Income tax expense	(1,341)	(1,284)
Minority Interest in earnings of subsidiaries	(434)	(392)
Cumulative effect of accounting change	<u>--</u>	<u>1,717</u>
Net Income attributable to common shareholders	3,253	3,981
Basic Income per Common Share	\$0.15	\$0.19
Diluted Income per Common Share	\$0.06	\$0.06

Discretionary Cash Flow

Unaudited - (thousands of dollars)

	Three Months Ended	
	<u>March 31, 2004</u>	Discretionary cash flow
Net Income	3,253	measures the
Depletion, depreciation and amortization	814	amount of cash
Other non-cash charges:		generated by
Minority interest	434	the Company
Amortization of capitalized debt issuance costs	<u>41</u>	that can be
Discretionary cash flow	4,542	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 - (thousands of dollars)

	Three Months Ended	
	<u>March 31, 2004</u>	
Discretionary Cash Flow	4,542	
Working Capital Changes, net of non-cash	(1,240)	
Exploration expense	<u>116</u>	
Net cash provided by operating activities	3,418	

Basic and Diluted shares for 2004 are calculated as follows.

<u>Item</u>	Three Months Ended
	<u>March 31, 2004</u>
Basic weighted average Common Stock issued and outstanding	21,437,752
Preferred Stock convertible to Common Stock	27,500,000
Dilutive Warrants	5,585,159
Dilutive Options	<u>2,084,685</u>
Total Diluted Shares	56,607,596

Total common shares outstanding as of March 31, 2004 were 21,455,060.

Basic shares and diluted shares totaled approximately 21,216,649 and 61,596,603 shares for the quarter ended March 31, 2003

VAALCO Energy, Inc. will have an investor conference Call Wednesday, May 19, 2004 at 10:00 a.m. Central Daylight Time. Interested parties may participate by calling 1-800-640-9765 and identifying the conference host, Russell Scheirman for VAALCO Energy, Inc.

Conference Call replay will be available 1 hour after the conference is over and run through June 2, 2004 by Dialing 1-877-213-9653 and entering pass code 9047585#.

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, or which can be received by contacting VAALCO at 4600 Post Oak Place, Suite 309, Houston, Texas 77027, (713) 623-0801.

For further information contact:

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