

VAALCO Energy, Inc.

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VAALCO Energy Announces Update on Progress of Etame Drilling Program

HOUSTON - (PR Newswire) –June 10, 2004– VAALCO Energy, Inc. (VEIX – OTC), (the “Company”) announced today that it has completed running 9-5/8 inch casing on the Etame 5H development well offshore Gabon in preparation for drilling the horizontal lateral in the Gamba formation. The Gamba sand was first penetrated via a pilot hole and successfully encountered the forty five foot thick Gamba sand with oil as originally planned. The well was then plugged back and redrilled to nearly horizontal and the casing landed at the top of the Gamba sand. The rig has now temporarily move off the location to allow for the installation of the flowlines and control umbilicals which will tie the well back to the floating production, storage and offloading facility (“FPSO”) moored at the field.

While the flowlines and umbilicals are being installed, the rig has moved to drill an exploration well named the Avouma No. 1, which is approximately ten miles south of the Etame field. This is the second of two commitment wells required under the current exploration phase of the production sharing contract with the Republic of Gabon. The target for the Avouma well is the Gamba sandstone, with Dentale sandstones as secondary targets. It is anticipated that the rig will move off the Avouma well, back to the Etame 5H development well after the flowline installation is completed. It will then require a fifteen day program to drill and gravel pack the horizontal lateral in the Etame 5H well, at which time the well can commence production to the FPSO. Commencement of production from the Etame 5H well in July is expected to increase total production from the Etame field to over 20,000 barrels oil per day.

After completing the Etame 5H well, the rig will finalize the drilling of the Avouma No. 1 well.

VAALCO’s subsidiary VAALCO Gabon Etame, Inc. operates and owns a 28.07% interest in the Etame Field. The Etame field was placed on production in September 2002 and has produced between 14,500 and 15,000 barrels per day since startup. Other field partners are PanAfrican Energy Gabon Corp. (31.36%), Sasol Petroleum West Africa (Ltd.) (27.75%), Sojitz Etame Limited (2.98%), PetroEnergy Resources Corp. (2.34%) and 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, 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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