

VAALCO Energy, Inc.

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**VAALCO Energy Announces Completion of
Loan Agreement with 1818 Fund II, L.P.**

HOUSTON—(PR Newswire)—June 21, 2002 – VAALCO Energy, Inc. (VEIX – OTC),

VAALCO Energy, Inc. (Company) announced today it has completed loan agreements for a \$10.0 million loan from 1818 Fund II, L.P. (managed by Brown Brothers Harriman & Co.) Proceeds will secure a loan of like amount from the International Finance Company (IFC) to the Company's wholly owned subsidiary.

The IFC loan will be used to finance a portion of the Company's ongoing development program offshore Gabon, West Africa. VAALCO is currently conducting completion operations of the three wells in the Etame Field. The first completion of the ET-3H tested 7,630 barrels per day on a 42/64" choke. Full field production is expected to commence September 1, 2002 at a rate of approximately 15,000 BOPD.

In connection with the loan agreement, VAALCO issued warrants to purchase 15,000,000 shares of its common stock at \$0.50 per share, (subject to antidilution adjustments and adjustments if the loan is not repaid in within 18 months). The warrants are exercisable for a period of five years from the date of issuance. If the loan is repaid in full prior to 18 months from the loan date, VAALCO will receive back 7,500,000 of the warrants unexercised. If the loan is repaid in full after 18 months but prior to two years, VAALCO will receive back a portion of 7,500,000 of the warrants unexercised. If the loan is not repaid in two years, VAALCO will issue to the 1818 Fund II, L.P. warrants to purchase 7,500,000 additional shares of Common Stock at \$0.10 per share, (subject to antidilution adjustments).

VAALCO received a fairness opinion from Torch Capital Corporation with respect to the terms of the 1818 Fund II, L.P. transaction

VAALCO is an independent oil and gas exploration and production company with oil and gas assets in Gabon, the Philippines and Texas.

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, 2001 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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