



FOR IMMEDIATE RELEASE

VAALCO ENERGY ANNOUNCES SECOND QUARTER 2008 EARNINGS

Exploration Program Remains on Track

HOUSTON – August 11, 2008 – VAALCO Energy, Inc. (NYSE: EGY) announced that for the second quarter of 2008, net income was \$13.0 million or \$0.22 per diluted share compared to net income of \$3.7 million or \$0.06 per diluted share for the comparable period in 2007. For the six months ended June 30, 2008, net income was \$14.8 million or \$0.25 per diluted share compared to \$8.3 million or \$0.14 per diluted share in the six months ended June 30, 2007. Discretionary cash flow was up 72% to \$35.0 million for the six months ended June 30, 2008, compared to \$25.4 million in the first half of 2007.

“We are pleased with our second quarter results,” said Robert L. Gerry, III, Chairman and CEO. “The growth largely reflects the increased pricing environment and additional barrels sold during the quarter compared to the same period last year.”

“With rigs arranged and properties identified, VAALCO’s exploration program provides a number of exciting opportunities for continued growth and value creation,” said Mr. Gerry. “We are poised to increase reserves with additional exploration and development wells expected over the next three to eighteen months.”

Exploration Summary

VAALCO currently has six producing wells in offshore Gabon, West Africa: four in its Etame field and two in the Avouma / Tchibala fields. To support continued growth, the Company is planning seven development and exploration wells over the next three to eighteen months, exposing the Company to over 50 million net barrels, or an 8-fold potential increase to VAALCO’s current 6.2 million barrels of proved reserves. These seven wells include:

- **A development well in the Ebouri field.** As previously announced, VAALCO has completed the installation of the production platform for this well, and the platform has been tied back via pipeline to the Floating Production, Storage and Offloading (FPSO) facility that also serves VAALCO’s Etame and Avouma / Tchibala fields. VAALCO remains on schedule to commence drilling the Ebouri development well, with oil production expected in December 2008 at an initial rate of 4,000 to 6,000 barrels per day (bpd).
- **Three exploratory wells in the Etame block,** including an appraisal well (North Ebouri) for possible expansion of the Ebouri field and two wells (North Etame and South East Etame) on newly mapped structures. The jack-up drilling rig, Pride Cabinda, is expected to be on location by late September/early October with drilling to commence shortly thereafter. The wells will be drilled back to back and have combined gross reserve potential additions in excess of 60 million barrels (approximately 15 million net barrels to VAALCO).

- **Two exploratory wells onshore Gabon in the Mutamba concession.** As previously announced, VAALCO remains on schedule to commence drilling the first of these two exploratory wells in December. VAALCO has a 100% working interest in the onshore Mutamba block. Combined potential reserves for these wells are expected to be in excess of 30 million barrels.
- **One exploratory well in Angola.** The Company continues to move forward on the previously announced planning for a well on Angola Block 5 during the first half of 2009 depending upon rig availability. The Company has recommended to the consortium a prospect with three objective zones, both above and below salt layer on the block. Total potential from all three objectives is 150 million barrels. VAALCO has a 40 percent working interest in Block 5.

In addition, VAALCO has a 25% interest in a gas prospect on Block 48/25c in the British North Sea. The Company is participating with Century Exploration on the well, which is an offset to a former Shell gas discovery made in 1987. 3-D seismic data indicates the ability to get higher on the structure than the earlier well, increasing the potential reserves to 60 Bcf. Drilling is anticipated to begin in the fourth quarter of 2008.

Financial Results Discussion

The Company sold 464,000 net barrels of oil equivalent at an average price of \$119.18 per barrel during the second quarter of 2008 for revenues of \$55.4 million, compared to 351,000 net barrels at an average price of \$68.77 per barrel for revenues of \$24.1 million in the second quarter of 2007. Operating income was \$40.7 million in the second quarter of 2008 compared to \$15.2 million in the second quarter of 2007.

During the six months ended June 30, 2008 the Company sold 910,000 net barrels of oil equivalent at an average price of \$107.06 per barrel, compared to 861,000 barrels of net oil equivalent sold at an average price of \$61.81 per barrel in the six months ended June 30, 2007. Operating income was \$64.8 million in the six months ended June 30, 2008 compared to \$27.5 million in the same 2007 period.

Discretionary cash flow measures the amount of cash generated by the Company that can be 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)	Six Months Ended <u>June 30, 2008</u>	Three Months Ended <u>June 30, 2007</u>
Discretionary Cash Flow	35,004	20,356
Working Capital Changes, net of non-cash	<u>20,248</u>	<u>693</u>
Net cash provided by operating activities	55,252	21,049

Conference Call

As previously announced, the Company has scheduled a conference call on Tuesday, August 12, 2008 at 10:00 a.m., Eastern Time (9:00 a.m. Central Time). Interested parties may participate in the call by dialing 1-888-428-4478 or from international locations 1-612-332-0107. The confirmation code is 956406. An audio replay will be available beginning approximately one hour after the end of the conference call through September 11, 2008 by dialing 1-800-475-6701 (international 1-320-365-3844), access code: 956406.

Summary financial results for the quarter are tabulated below.

Abbreviated financial results:

(Unaudited - in thousands of dollars)	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues	55,354	24,128	97,512	53,259
Operating costs and expenses	<u>14,679</u>	<u>8,940</u>	<u>32,706</u>	<u>25,770</u>
Operating Income (Loss)	40,675	15,218	64,806	27,489
Other Income (Expense)	793	464	909	1,140
Income tax expense	(26,488)	(11,329)	(47,870)	(18,521)
Loss from discontinued operations	--	(24)	--	(51)
Minority Interest in earnings of subsidiaries	<u>(1,953)</u>	<u>(582)</u>	<u>(3,017)</u>	<u>(1,785)</u>
Net Income	13,027	3,717	14,828	8,272
Basic Income per Common Share	\$0.22	\$0.06	\$0.25	\$0.14
Diluted Income per Common Share	\$0.22	\$0.06	\$0.25	\$0.14

Summary Statistics:

(Unaudited)	<u>Three Months Ended June 30,</u>		<u>Six months Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net oil and gas sales (MBOE)	464	351	910	861
Average price (\$/bbl)	\$119.18	\$68.77	\$107.06	\$61.81
Production costs (\$/bbl)	\$9.78	\$8.48	\$9.81	\$8.41
Depletion costs (\$/bbl)	\$11.29	\$11.59	\$11.18	\$10.14
General and administrative costs (\$/bbl)	\$7.69	\$4.19	\$6.10	\$5.01
Capital Expenditures (\$thousands)	3,127	1,740	4,967	7,772
Debt/Proved reserves (\$/BOE)	-	-	\$0.94	\$0.97
Debt/Capitalization (\$/\$)	-	-	\$0.03	\$0.06
Cash and cash equivalents (\$thousands)	-	-	108,583	72,404
Working capital (\$thousands)	-	-	93,246	39,278
Total long term debt (\$thousands)	-	-	5,000	5,000

Basic and diluted shares consist of the following:

Item	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Basic weighted average common stock issued and outstanding	58,878,846	59,124,086	59,107,639	59,082,113
Dilutive options	<u>746,802</u>	<u>1,156,992</u>	<u>592,152</u>	<u>1,273,363</u>
Total diluted shares	59,625,648	60,281,078	59,699,791	60,355,476

Forward-Looking Statements

This document 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 document 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 of 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 10-K for the year ended December 31, 2007 and other reports filed with the SEC which can be reviewed at <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.

About VAALCO

VAALCO Energy, Inc. is a Houston based independent energy company principally engaged in the acquisition, exploration, development and production of crude oil. VAALCO’s strategy is to increase reserves and production through the exploration of oil and natural gas properties with high emphasis on international opportunities. The Company’s properties and exploration acreage are located primarily in Gabon and Angola, West Africa.

Investor Contact

W. Russell Scheirman
713-623-0801

Media Contact

Barrett Golden / Tim Lynch
Joele Frank, Wilkinson Brimmer Katcher
212-355-4449