

VAALCO Energy, Inc.
4600 Post Oak Place, Suite 309
Houston, Texas 77027
Tel: (713) 623-0801
Fax: (713) 623-0982

VAALCO Energy Announces Second Quarter 2004 Quarterly Results

HOUSTON - (PR Newswire) – August 13, 2004 – VAALCO Energy, Inc. (EGY – Amex), (the “Company”) announced the second quarter 2004 earnings were \$5.9 million or \$0.27 per basic share and \$0.10 per diluted share. This compared to net income of \$0.5 million or \$0.02 per basic share and \$0.01 per diluted share for the comparable period in 2003. Second quarter 2003 earnings included a one time charge to interest expense of \$1.5 million to amortize the debt issuance discount associated with the loan for the Phase I development of Etame.

Second quarter 2004 revenues were \$11.6 million compared to \$6.9 million in second quarter 2003. The Company sold 339,000 net barrels at an average price of \$34.22 during the second quarter of 2004 compared to 254,000 barrels at an average price of \$27.51 in the second quarter of 2003. The lower oil sales were primarily due to timing differences associated with liftings from the Etame field.

For the six months ended June 30, 2004 the Company earned \$9.1 million or \$0.42 per basic share and \$0.16 per diluted share compared to \$4.4 million or \$0.21 per basic share and \$0.08 per diluted share in the comparable period in 2003. First half oil sales were 603,000 barrels at an average price of \$32.74 per barrel compared to 538,000 barrels at an average price of \$29.31 per barrel. The lower 2003 volumes of oil sales were due to timing differences with liftings from the Etame field, where production is ongoing at approximately 15,000 barrels per day.

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 \$7.5 million for the three months ended June 30, 2004, and \$12.0 million for the six months ending June 30, 2004.

Robert L. Gerry, III, Chairman and CEO stated, “Second quarter earnings benefited from higher realized crude oil prices from the Etame field offshore Gabon. We have almost completed the drilling and completion of the Etame 5H well, which is expected to take production at the Etame field from 15,000 barrels per day to over 20,000 barrels oil per day. The well is currently being tested prior to releasing the rig.”

“We are also actively pursuing development plans for the recently announced Ebouri and Avouma discoveries. Development options and costs are being evaluated in order to submit development plans to the Gabonese government as soon as possible.”

Abbreviated financial results:

(Unaudited - in thousands of dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues	11,608	6,955	19,768	15,312
Operating costs and expenses	<u>3,341</u>	<u>3,534</u>	<u>6,205</u>	<u>7,284</u>
Operating Income (Loss)	8,267	3,421	13,563	8,028
Other Income (Expense)	(43)	(1,632)	(102)	(2,227)
Income tax expense	(1,936)	(1,069)	(3,280)	(2,353)
Income (loss) from discontinued operations	229	(8)	23	(80)
Minority Interest in earnings of subsidiaries	(662)	(247)	(1,096)	(639)
Cumulative effect of accounting change	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,717</u>
Net Income attributable to common shareholders	5,855	465	9,108	4,446
Basic Income per Common Share	\$0.27	\$0.02	\$0.42	\$0.21
Diluted Income per Common Share	\$0.10	\$0.01	\$0.16	\$0.08

Discretionary Cash Flow

Unaudited - (thousands of dollars)

	Three Months Ended <u>June 30, 2004</u>	Six Months Ended <u>June 30, 2004</u>
Net Income	5,855	9,108
Depletion, depreciation and amortization	914	1,727
Other non-cash charges:		
Minority interest	662	1,096
Amortization of capitalized debt issuance costs	<u>42</u>	<u>83</u>
Discretionary cash flow	7,473	12,014

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)	Three Months Ended <u>June 30, 2004</u>	Six Months Ended <u>June 30, 2004</u>
Discretionary Cash Flow	7,473	12,014
Working Capital Changes, net of non-cash	(2,625)	(4,044)
Exploration expense	26	142
Gain on asset sales	<u>(83)</u>	<u>(83)</u>
Net cash provided by operating activities	4,791	8,029

Basic and Diluted shares for 2004 are calculated as follows.

<u>Item</u>	Three months ended <u>June 30, 2004</u>	Six months ended <u>June 30, 2004</u>
Basic weighted average Common Stock issued and outstanding	21,455,060	21,446,406
Preferred Stock convertible to Common Stock	27,500,000	27,500,000
Dilutive Warrants	5,533,993	5,559,913
Dilutive Options	<u>2,071,215</u>	<u>2,078,419</u>
Total Diluted Shares	56,560,268	56,584,738

VAALCO Energy, Inc. will have an investor conference call Tuesday August 17, 2004 at 2:00 pm CDT. Interested parties may participate by calling 1-866-406-3487 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 September 7, 2004 by dialing 1-877-213-9653 and entering pass code 9673710#.

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, 2003 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:

*W. Russell Scheirman
713-623-0801*