

VAALCO Energy, Inc.

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VAALCO Energy Announces Completion of Development Drilling Offshore Gabon and Secures Additional Financing for Development Costs.

HOUSTON—(PR Newswire)—August 30, 2002 – VAALCO Energy, Inc. (VEIX – OTC), (Company) announced today that it has completed the third well of the development program for the Etame field offshore Gabon. The ET-1VA well was completed as a vertical well and flowed at a rate of 4,130 barrels oil per day on a 48/64” choke. This follows the completion of the ET-3H and 4H wells, which were each drilled horizontally approximately 1,300 feet through the reservoir, and which tested 7,600 and 9,800 barrels oil per day respectively.

Concurrent with the completion of the drilling operations, the floating production, storage and offloading vessel “Petróleo Nautipa” arrived at the Etame Field location on August 28, 2002. The 1.1 million barrel storage vessel is expected to complete anchoring operations in a few days in 250 feet of water. The “Seamac III”, a dynamically positioned lay barge vessel is currently on location and is in the advanced stages of placing approximately 6 miles of flowlines on the ocean floor. These flowlines will connect the wells to the storage vessel, which will be made ready to receive the flowlines upon completion of the anchoring operations. Separate umbilical lines are also being laid down by the “Seamac III” which will contain hydraulic lines enabling the wells to be controlled from the storage vessel.

Robert Gerry, Chairman of VAALCO said “VAALCO management is excited about the progress of the development project. As a result of the consortium’s preplanning efforts, the various pieces of the project are all coming together at the right time. Upon completion of the flowline installation and mooring of the “Petróleo Nautipa” we anticipate bringing the field onstream at about 15,000 BOPD in September.”

Separately, VAALCO announced that it has successfully secured \$6.2 million in additional financing to help pay for its share of the development project and other planned exploration activities on the Etame Block. The Company has established a new subsidiary VAALCO International, Inc., which will own VAALCO Gabon (Etame), Inc., the subsidiary that owns the interest in the Gabon Production Sharing Contract. An investor has agreed to provide \$3.2 million of equity and \$3.0 million of loans in return for a 9.99% stake in VAALCO International. VAALCO Energy, Inc will own the remaining 90.01% of the stock of VAALCO International.

Pursuant to terms negotiated earlier this year and which are substantially the same as those negotiated with the 1818 Fund II L.P. with respect to its previously

announced loan to the Company, VAALCO issued warrants to purchase 4,500,000 shares of its common stock at \$0.50 per share (subject to antidilution adjustments and adjustments if the loan is not repaid 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 2,250,000 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 2,250,000 of the warrants unexercised. If the loan is not repaid in two years, VAALCO will issue to the investor warrants to purchase 2,250,000 additional shares of Common Stock at \$0.10 per share (subject to antidilution adjustments). Additional details regarding the financing will be filed on report 8-K with the Security and Exchange Commission.

In connection with obtaining the additional \$6.2 million in financing, VAALCO amended its credit arrangements with the 1818 Fund II L.P. entered into in June 2002. Under the new arrangement, \$3 million of the \$10 million line of credit is subject to additional lending conditions. To the extent the entire \$10 million is not drawn by May 1, 2003, a proportionate portion of the warrants received by the 1818 Fund II L.P. in June will be extinguished.

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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