

VAALCO Energy, Inc.

4600 Post Oak Place, Suite 309

Houston, Texas 77027

Tel: (713) 623-0801

Fax: (713) 623-0982

VAALCO Energy Announces Increase of Production

HOUSTON - (PR Newswire) – September 2, 2004 – VAALCO Energy, Inc. (EGY – Amex), (the “Company”) announced today that the recently completed development well, ET-5H, in the Etame Field, offshore Gabon is now producing oil at the rate of 9,200 barrels per day.

Robert L. Gerry, III, Chairman and CEO stated “Our ET-5H infield development well has cleaned up quickly with no apparent problems and we have been able to stabilize production at approximately 9,200 barrels per day. This brings total production from the Etame Field to approximately 23,500 barrels per day. We continue to carefully monitor all aspects of our operations to ensure reservoir stability at this higher production level.”

VAALCO’s subsidiary VAALCO Gabon Etame, Inc. operates and owns a 28.07% interest in the Etame Field. Other field partners are PanAfrican Energy Gabon Corp. (31.36%), Sasol Petroleum West Africa (Ltd.) (27.75%), Sojitz Etame Limited (2.98%) and PetroEnergy Resources Corp. (2.34%) 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, 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