



**FOR IMMEDIATE RELEASE**

**VAALCO ENERGY PROVIDES UPDATE ON DRILLING PROGRAM**

**Drilling Results Demonstrate Successful Expansion of Ebouri Field**

HOUSTON – December 31, 2008 – VAALCO Energy, Inc. (NYSE: EGY) today provided an update on the new development well being drilled in the Ebouri field and the new appraisal well (North Ebouri) being drilled in the Etame block. VAALCO commenced drilling these wells in November with the jack-rigs Adriatic 6 and Pride Cabinda, respectively, as previously announced.

For the development well in the Ebouri field, VAALCO announced that it has drilled one pilot hole to the south of the original Ebouri discovery and a second pilot hole to the northeast of the original discovery. Both of these pilot holes were successful in delineating additional Gamba sandstone reservoir above the oil water contact, thereby increasing the acreage and reserves of the Ebouri field. VAALCO is currently completing the development well horizontally on the same orientation as the second pilot hole. First oil production from this well is expected in January 2009.

The Company also announced that it drilled the North Ebouri appraisal well in the Etame block approximately 1.5 miles to the northeast of the Ebouri platform and found 21 feet of oil column, further expanding the Ebouri field. VAALCO is now planning a sidetrack to optimize the location for a potential second horizontal development well. In addition, the Company is planning two exploration wells (North Etame and South East Etame) on newly mapped structures. The wells will be drilled back to back using Pride Cabinda.

VAALCO continues to expect production at a rate sufficient to bring total production from the Etame license area to approximately 25,000 barrels of oil per day (bopd). The Etame license production areas currently produce approximately 20,000 bopd, of which VAALCO has a 28.1% working interest.

“Results from the Ebouri development drilling have exceeded expectations, and we are pleased with the initial results from our drilling program in the Etame block, with more wells to come,” said Robert L. Gerry, III, Chairman and CEO of VAALCO. “We have substantially enlarged the productive acreage of the Ebouri field, thereby greatly enhancing the recoverable reserves. We look forward to continued success with our exploration program.”

Additional wells planned over the coming months include:

- Two exploratory wells onshore Gabon in the Mutamba concession: VAALCO is currently mobilizing the Nabors 864 rig to the first of the two planned drilling locations and expects to commence drilling the first exploratory well in early February 2009. Combined potential reserves for these two wells are expected to be in excess of 30 million barrels. VAALCO has a 100% working interest in the onshore Mutamba block.

- One exploratory well in Angola: The Company expects to move forward on the planning for a well on Angola Block 5 during the third quarter of 2009 depending upon rig availability. The Company has recommended to the consortium a prospect with three objective zones, both above and below the salt layer on the block. Total potential from all three objectives is 150 million gross barrels. VAALCO has a 40% working interest in Block 5.
- Interest in North Sea: 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. Due to a delay in the receipt of the rig from the current operator, VAALCO expects that drilling will begin in January 2009.

VAALCO's development and exploration wells planned over the coming months expose VAALCO to over 50 million net barrels, or an 8-fold potential increase to the Company's current 6.2 million barrels of proved reserves.

### **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.

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions at oil and gas prices in effect at the time of the estimate, without future escalation. We include in this press release an estimate of gross reserve potential that the SEC's guidelines strictly prohibit us from including in filings with the SEC. Investors are urged to consider closely the disclosure in our Form 10-K, available from the SEC at [www.sec.gov](http://www.sec.gov).

### **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.

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