



**INCREMENTAL OIL and GAS (asx: IOG)**

**INVESTOR UPDATE  
MAY 2012**

[www.incremental油和gas.com](http://www.incremental油和gas.com)

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This presentation contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

All references to dollars, cents or \$ in this presentation are to American currency, unless otherwise stated.



# Incremental Business model

- A producing oil company with a cash flow focus
- We acquire underperforming oilfields and increase production
- Focus is Onshore USA
  - **Florence** producing oilfield, Colorado (100% WI)
  - **Round Mountain** producing oilfield (100% WI)
  - **Sheep Springs** producing oilfield (100% WI)
  - **Ventura** development project (75% WI)
  - **McDonald Anticline** development project (100% WI)
- We operate all of our projects

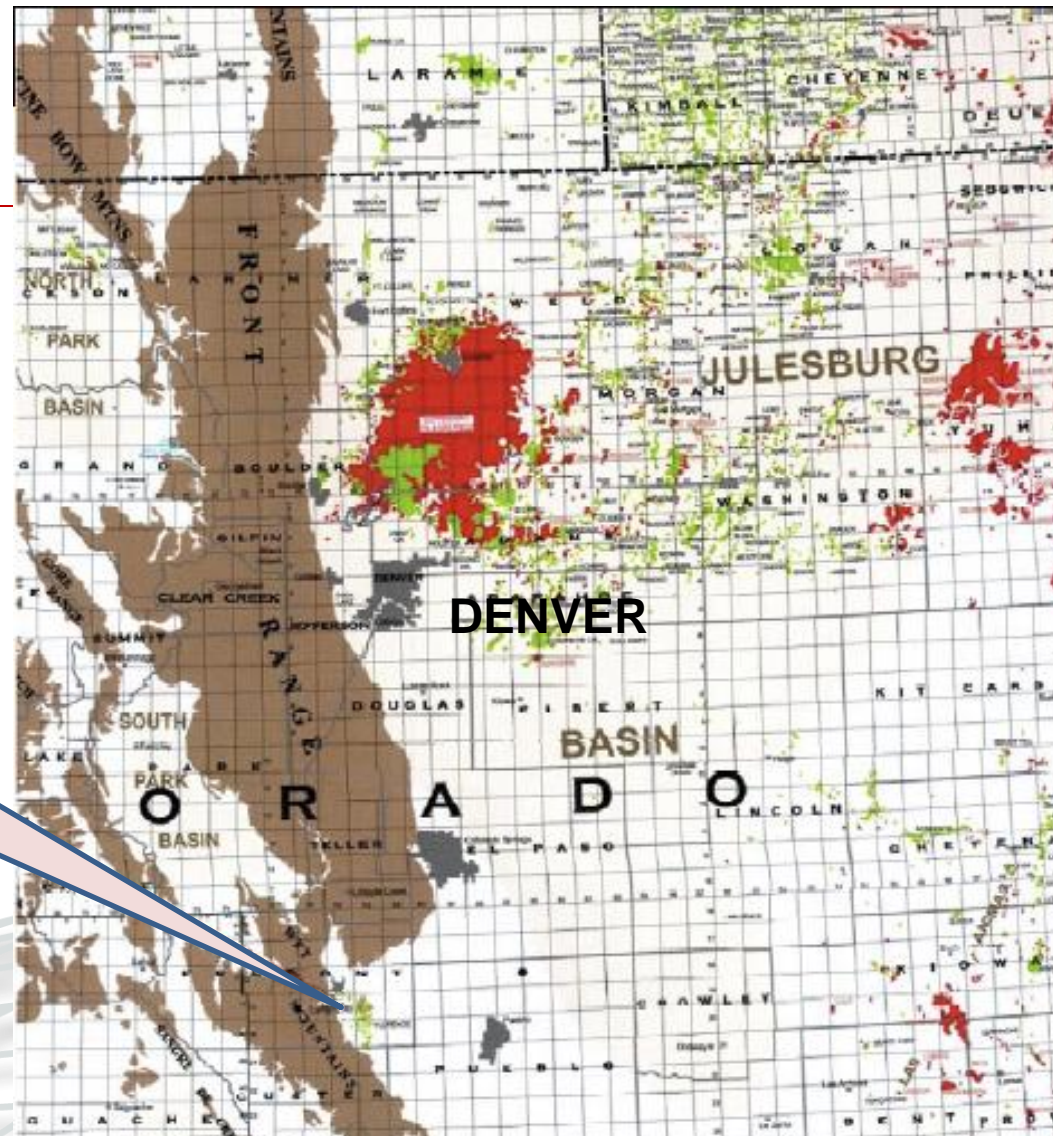
Incremental Oil and Gas, California & Colorado, USA  
Project Location Map





# NEW ACQUISITION

FLORENCE OILFIELD



# Florence Oil Field

Second oldest field in the world

Drilled first in 1862

1000 Shallow wells drilled

15m barrels produced

Produces from fractured shale 1800-3600' deep

Revitalised by seller in last 4 years

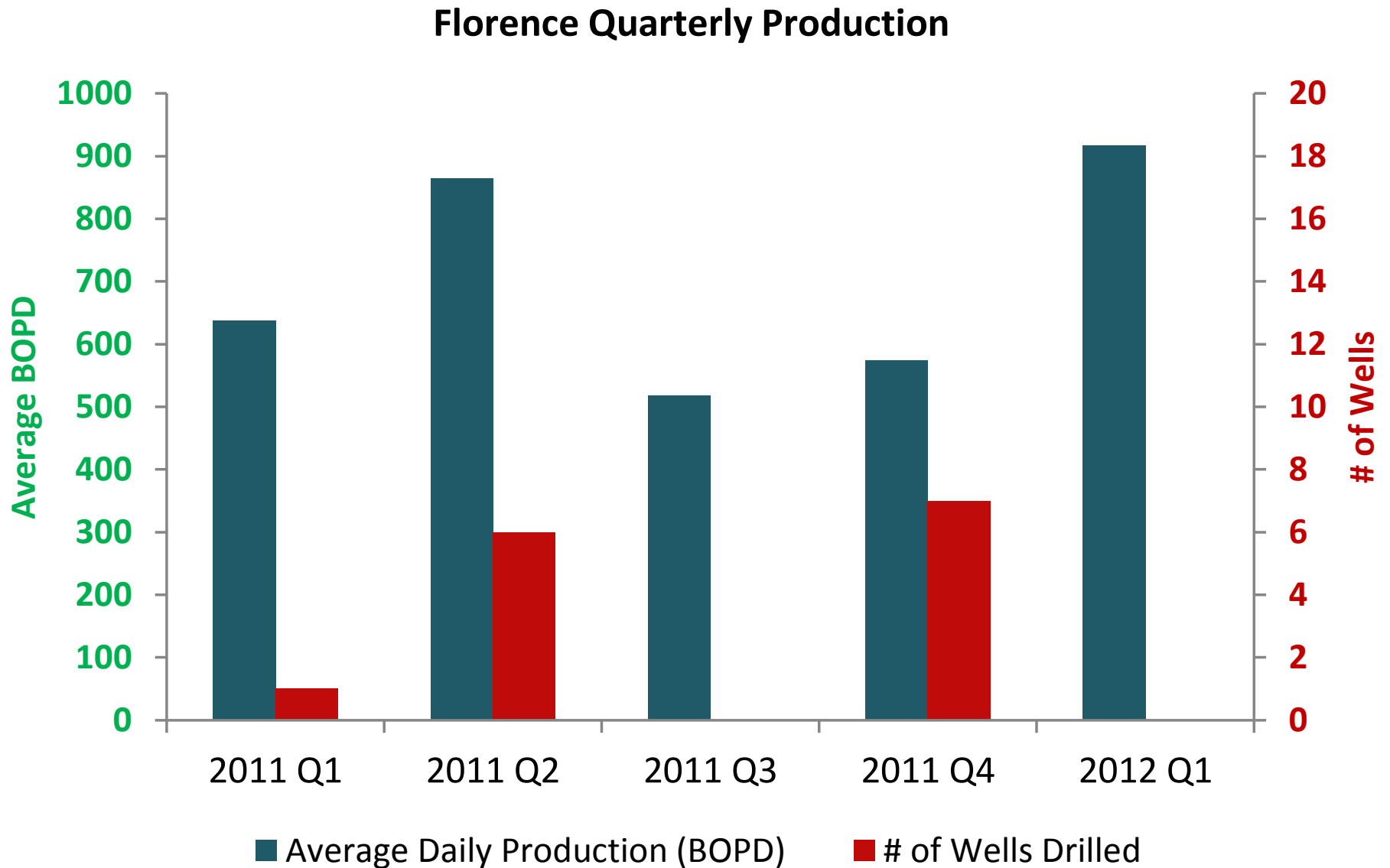
Av 700 bopd over last 2 years



# FLORENCE FIELD

- 21 Producing wells
- High initial rates and quick payout
- Light, sweet crude (WTI-\$7)
- Wells inexpensive, simple
- Wells located from 3D seismic
- Wells can decline quickly
- No water production, low opex
- IOG has over 20,000 acres leased
- 100% WI, av 80% NRI

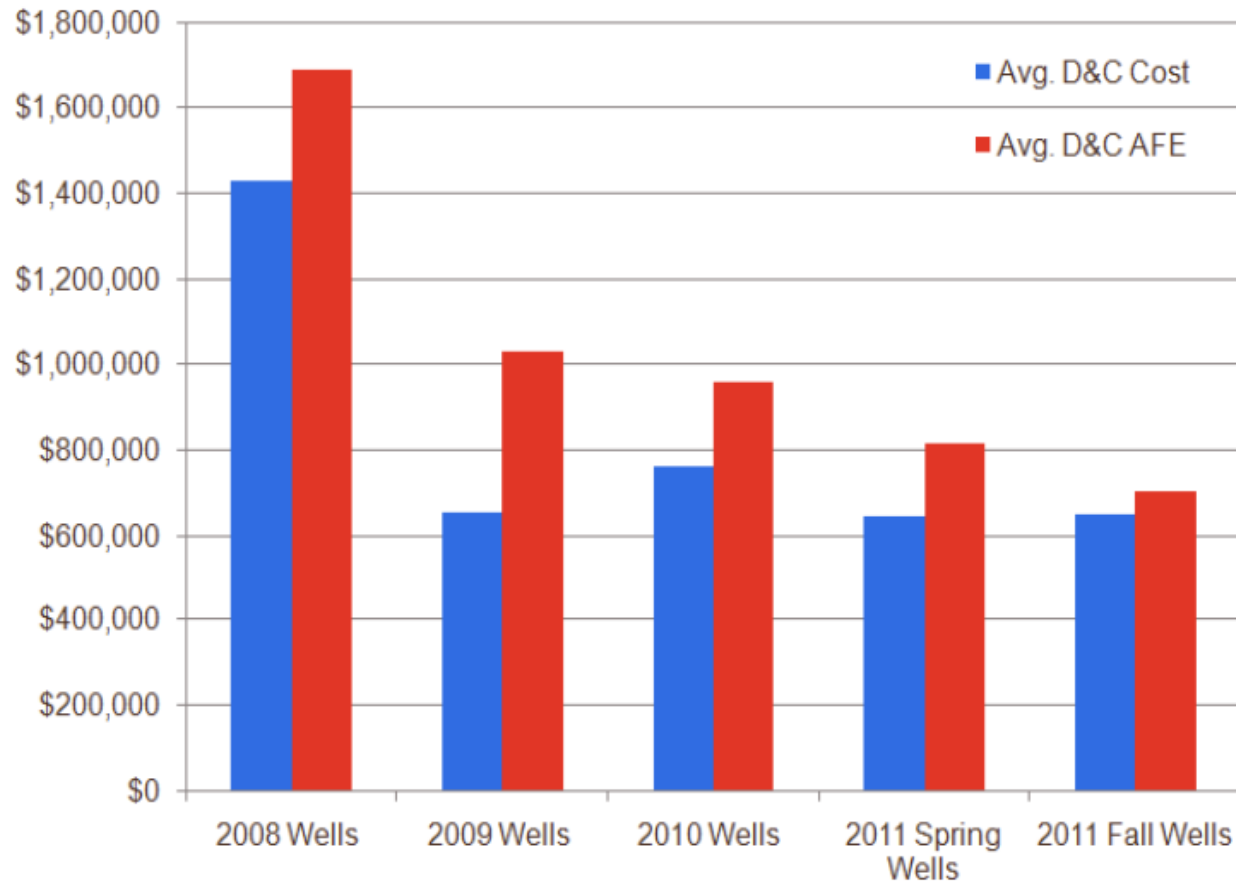
# FLORENCE PRODUCTION





# Well costs have come down substantially

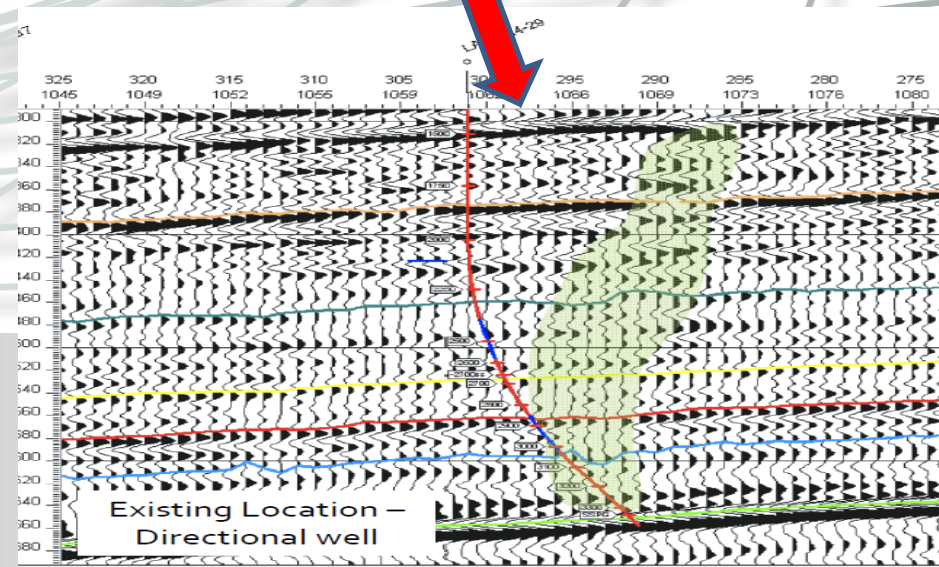
Florence Drilling And Completion Well Costs  
Directional Wells



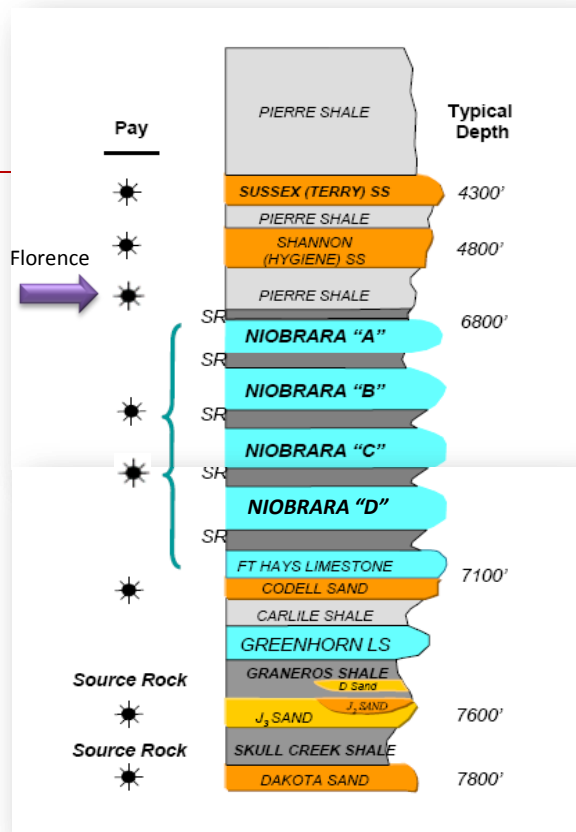
Well Costs  
improved to  
~\$650,000

# PIERRE FM POTENTIAL

- Excellent quality 3D seismic over nearly all the lease
- Fracture zones clearly visible and mappable on seismic
- At least 30 anomalies remain undrilled
- Will need to drill to maintain production
- First three wells planned for Q3 2012
- We have a world class team in developing fractured oilfields





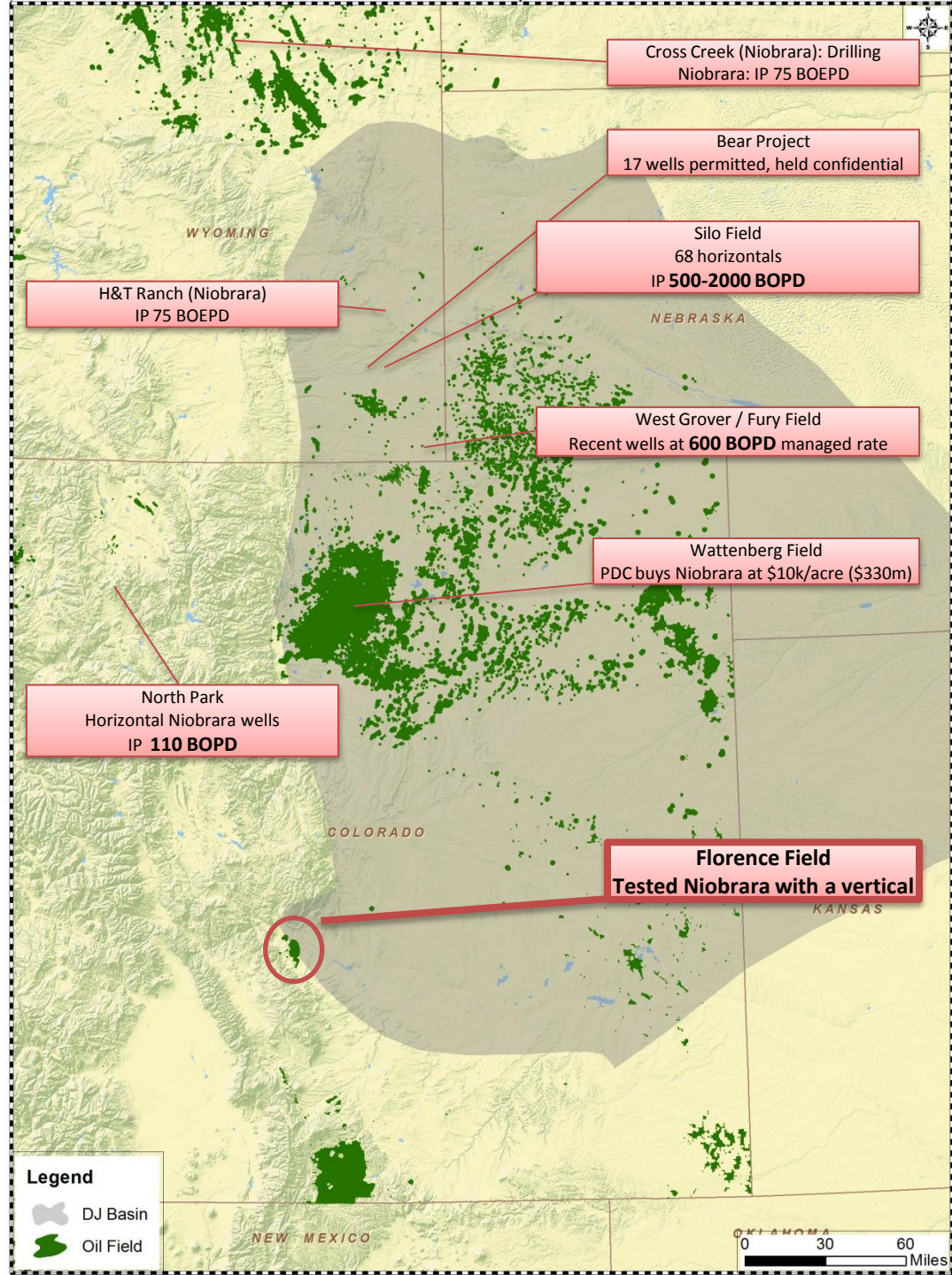


## Niobrara

- Niobrara is the source of much of the DJ basin's oil
- Four Niobrara limestones over large area
- **Florence same depth and maturity as areas being drilled**

## Well Economics (Devon)

- Drill & complete cost: \$5m
- EUR: 200-300 MBOE
- IP: 250-300 BOEPD



# Florence Funding

- **Purchase price US\$12.25m**
- **Settlement 29 June**
- **IOG receive net revenue from May 1 (estimate \$2.6m for May & June)**
  - **\$2m cash from reserves**
  - **Debt funding from large bank**



# IOG Capital Structure

- Formed 2009 as Private Company
- Listed January 2011 after raising \$5.3m at 30 cents.
- 459 shareholders
- 135.6m shares (Directors and management 43%)  
92.8m unlisted options<sup>1</sup>
- Market cap about \$35 million
- NO DEBT

	2010	2011
<b>REVENUE</b>	\$6.06m	\$7.72m
<b>EBITDA</b>	\$2.40m	\$3.04m

1. Options exercisable at \$0.20 on or before 1 November 2014

# IOG TEAM

From left:

**Adams: 20 years Accountant.**

**MacDonald: 13 years in Senate, LLB**

**Cronin: No 2 in Woodside (23 years)**

**Stowell: Founder of Anvil and Mawson West, CA**

**McGann: 40 years geologist worldwide, CPG**



**USA**

**M Pet Eng,  
Over 30 years  
experience**

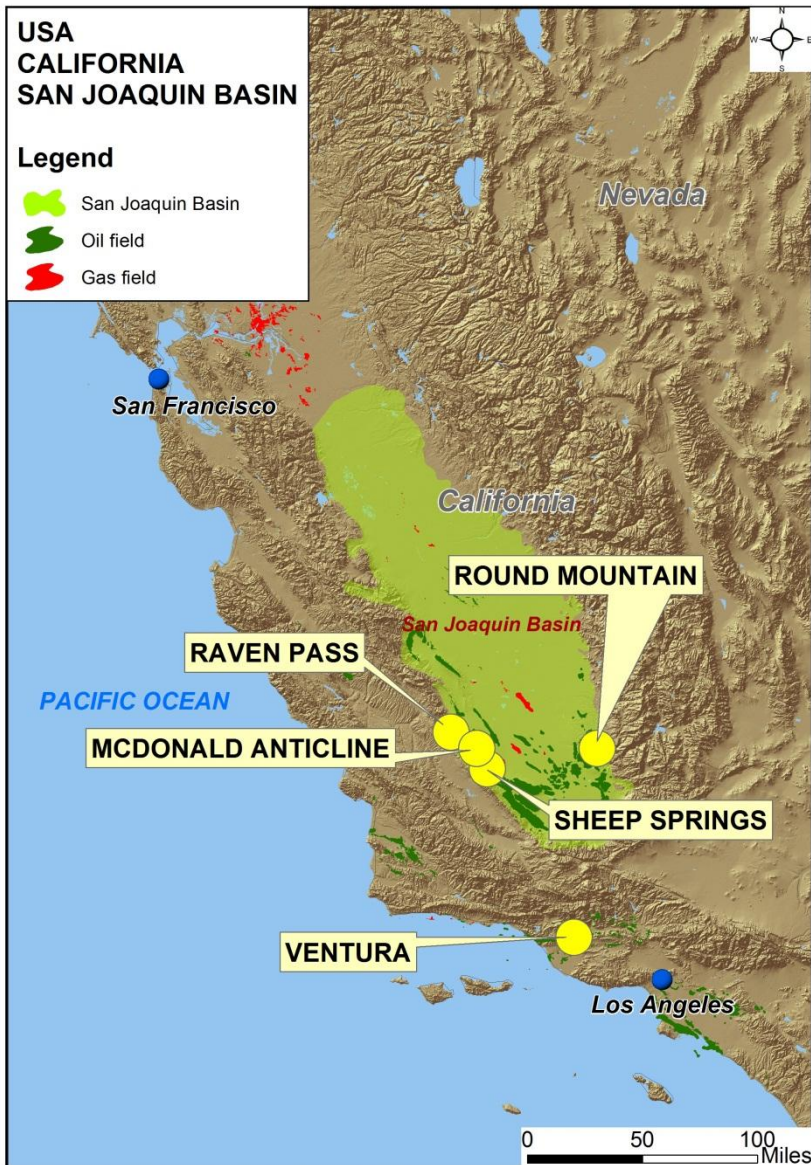
**CFO**

**DIRECTORS**



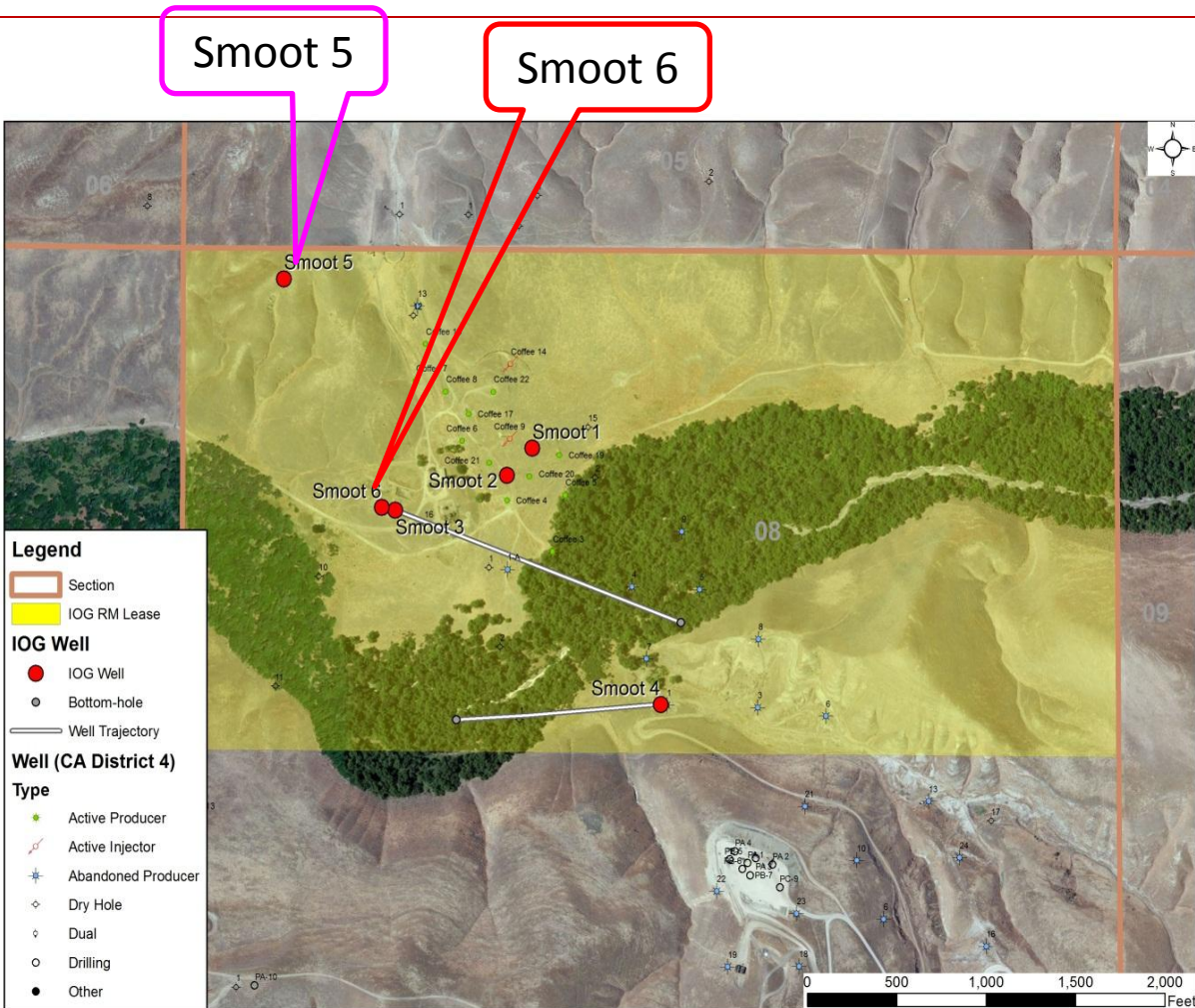


# Incremental Projects, California



- Producing **ROUND MOUNTAIN**
- Producing **SHEEP SPRINGS**
- **VENTURA** Development
- **M<sup>c</sup>DONALD A/C** Development
- **RAVEN PASS** Exploration

# Round Mountain



## Drilled 6 wells in 2011

## All successful

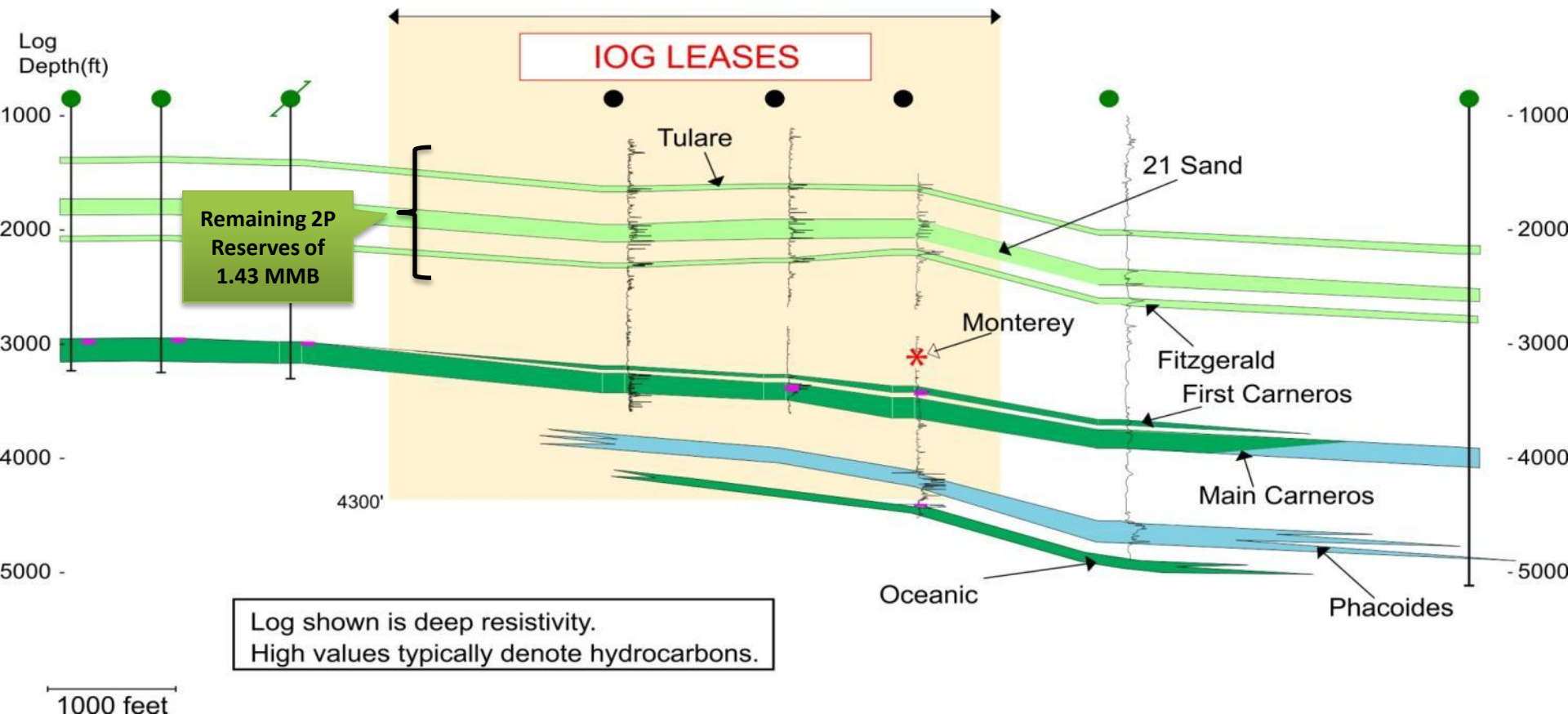
## Production about 90 bopd

## Six additional locations



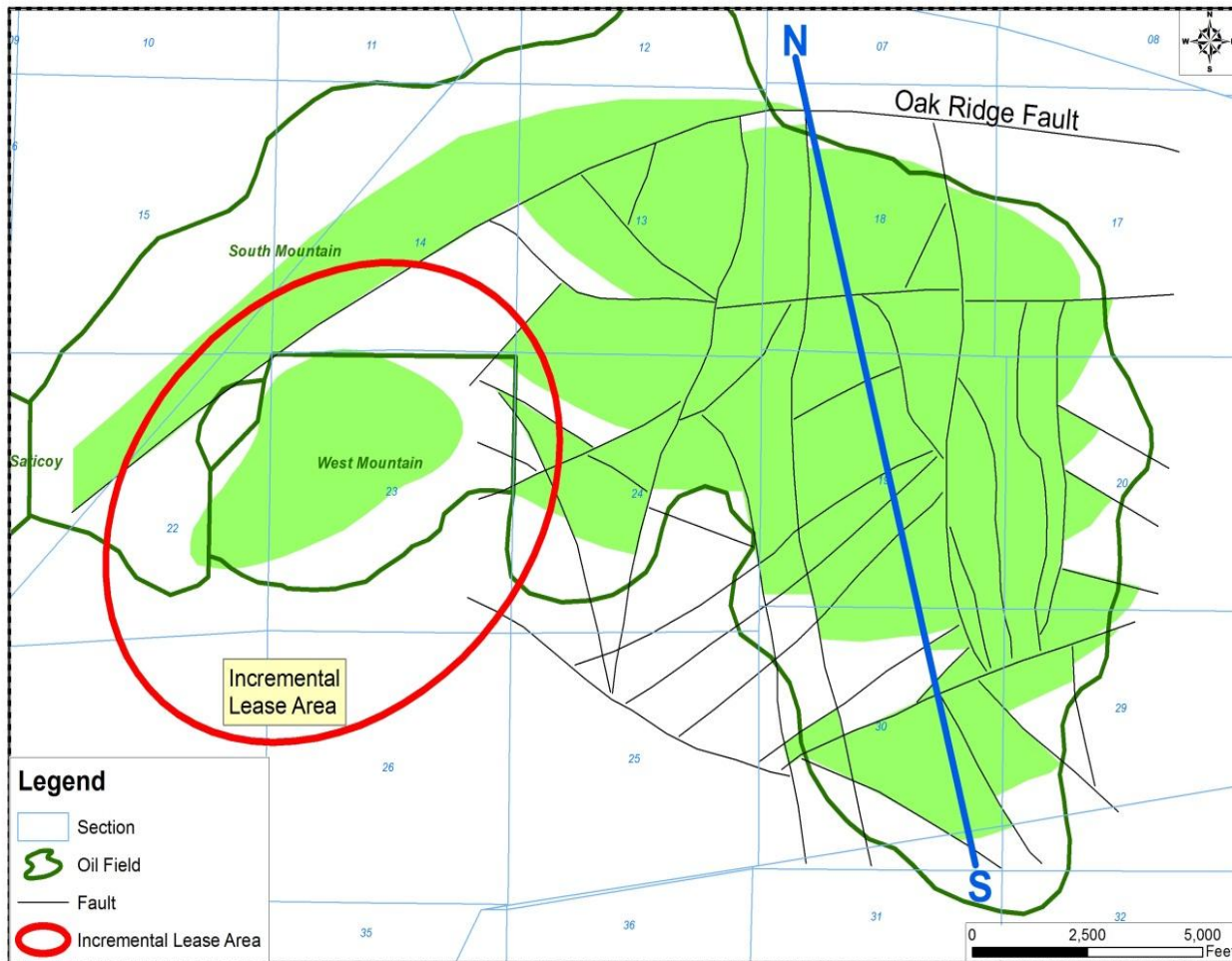
# Sheep Springs Oilfield

**STILL PRODUCING 120 BOPD. LOW OPEX**





# Ventura Project



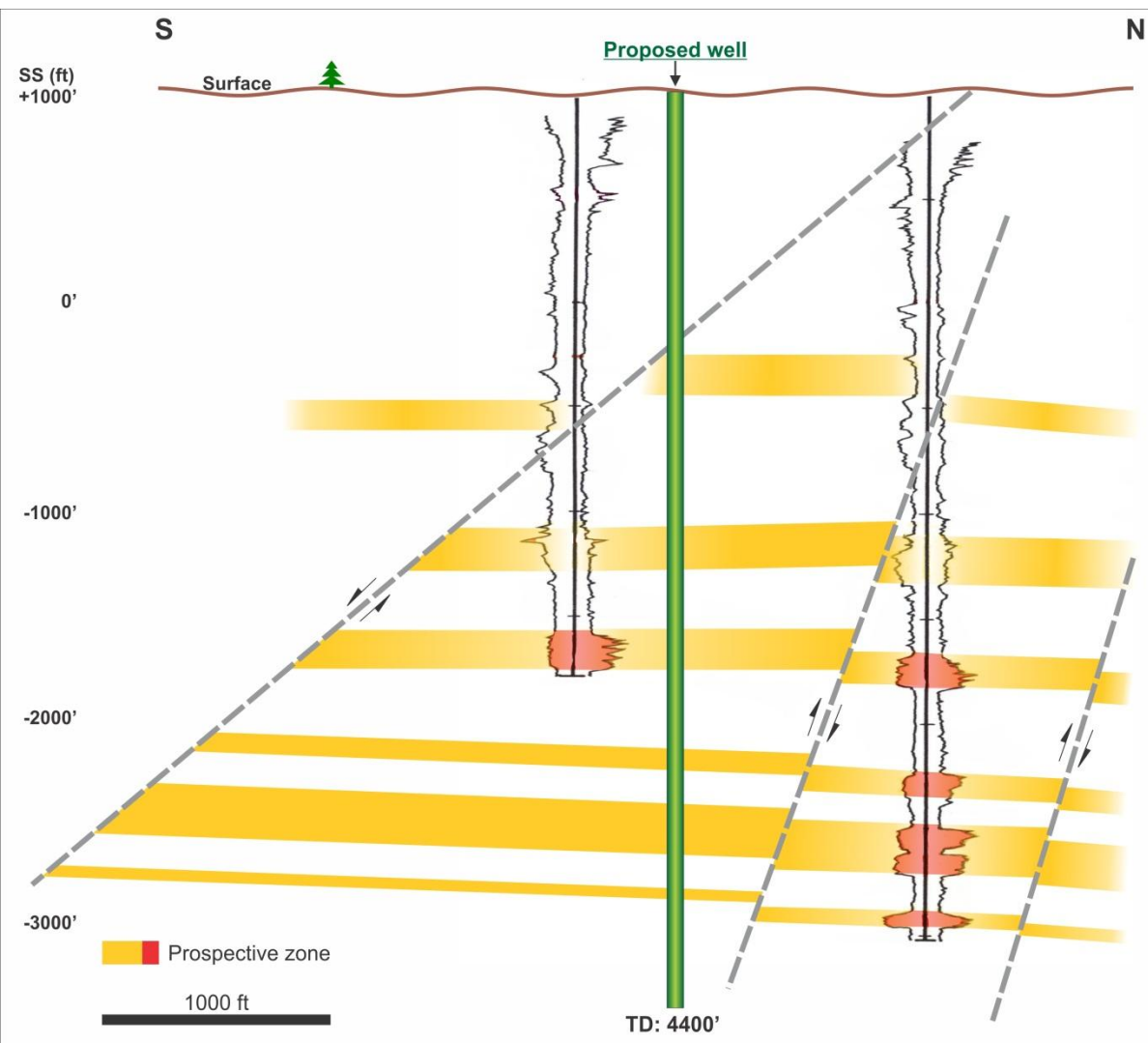
Area produced over 160 million barrels

Very thick oil columns

West Mountain inadequately developed

**Drilling in Q3**

# McDonald Anticline



**Produced 22 million barrels**











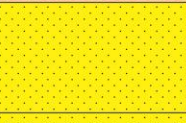
**Shallow, light oil**

**Multi reservoirs**

**Plan to drill 2012**

**At least 3 well locations**

# Raven Pass

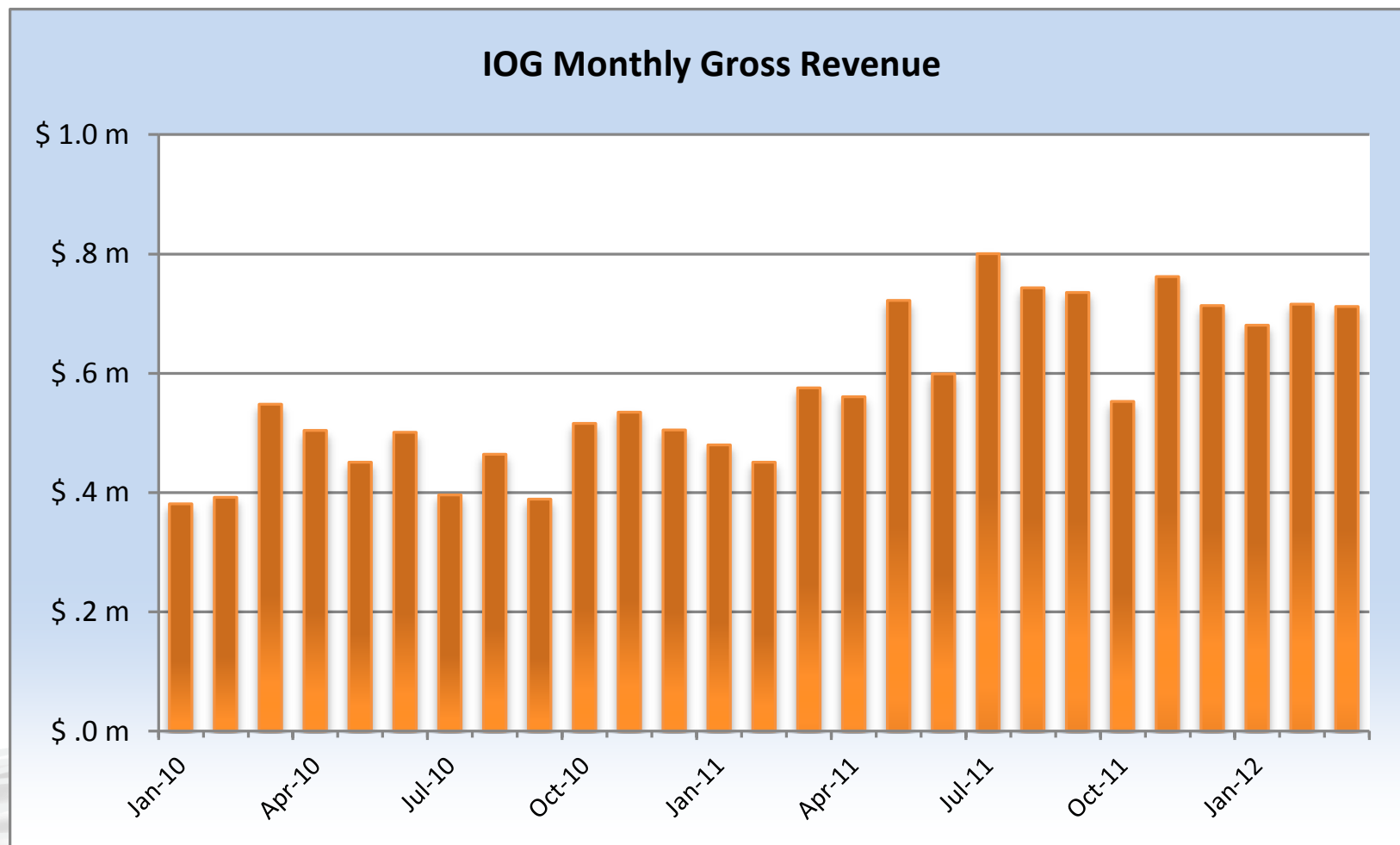
AGE		LITHOLOGY	FORMATION
TERTIARY	LATE MIOCENE		McLure shale
	EARLY & MIDDLE MIOCENE		Temblor sandstone
	LATE EOCENE		Point of Rocks sandstone
	MIDDLE EOCENE		Avenal sandstone
CRETACEOUS	LATE CRETACEOUS		Moreno shale
			Red Man sandstone
			Moonlight silty shale
			Serpiente sandstone
			Aguila sandstone
			Johnson Peak shale
	EARLY CRETACEOUS		Risco shale
			Badger shale

- Flowed light oil in 1942. Not drilled since
- Reservoir, seal, trap all demonstrated
- 200 m barrel potential
- True wildcat





# Gross Revenue



# Microcredit Project

**First Rotary Microcredit project in the developed world.**

**\$230k pilot project, IOG supported with \$10k**

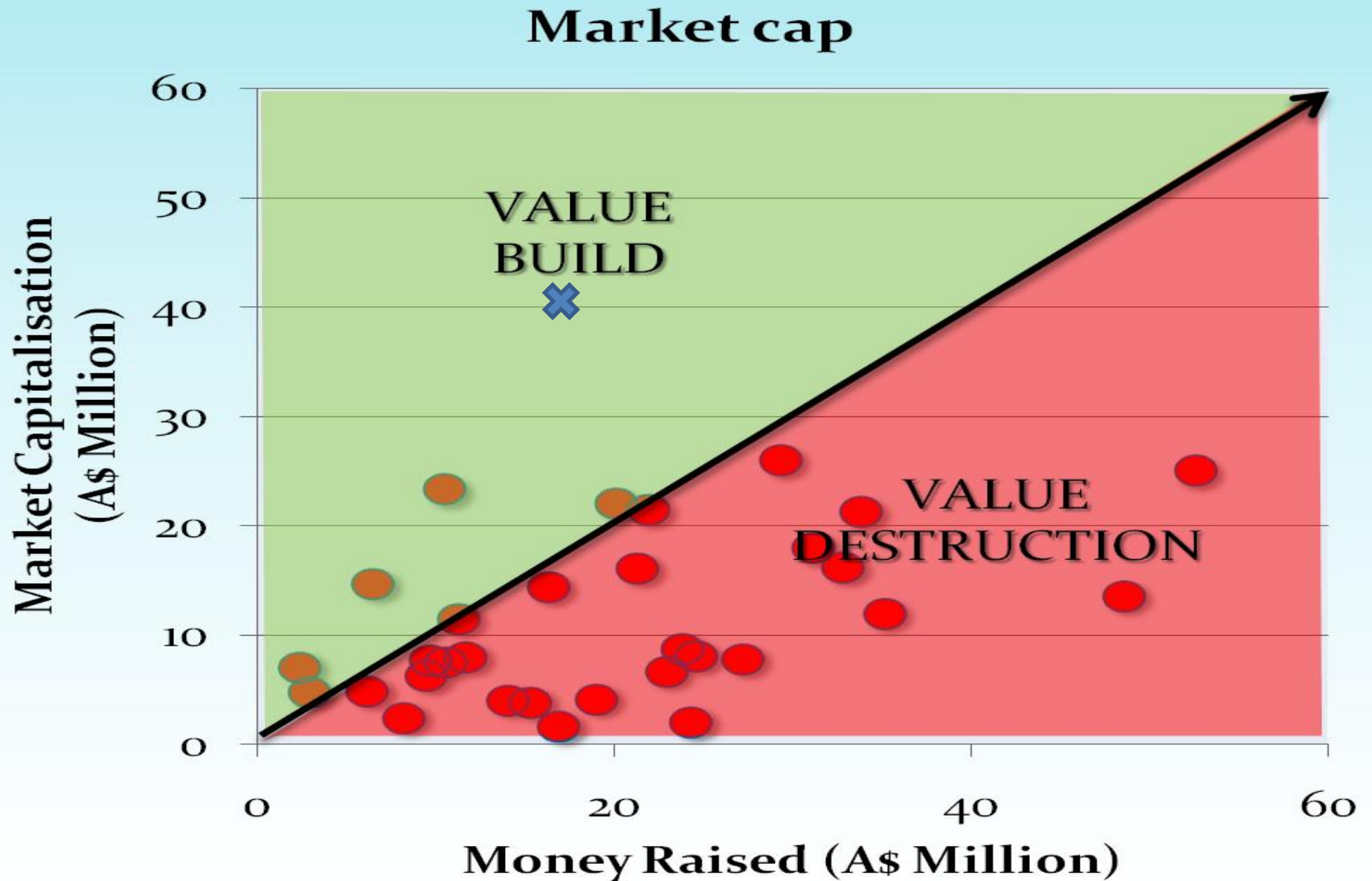
**80% hispanic population**

**>20% unemployment**



# MICROCAPS (<\$50m)

## MONEY RAISED vs MARKET CAPITALISATION





# 2012 Projected News Flow

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- Complete Florence Deal
- Drill 1-2 wells, Round Mountain...June
- Drill 1-2 wells, Ventura Project .....Q3
- Drill 3 wells, Florence Field..... Q3
- Drill 2-3 wells, McDonald Anticline
- Declare another after tax profit