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The Manager Companies  
Company Announcements  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

By: e-lodgement (ASX code: IOG)

Dear sir/madam

### **APPROVAL TO DRILL SMOOT #1 GRANTED**

I am pleased to announce that the Division of Oil, Gas, and Geothermal Resources (DOGGR) in California has granted approval for Incremental Oil and Gas to drill a new well on its Round Mountain Lease.

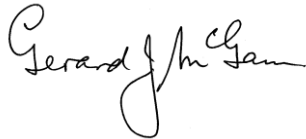
Smoot #1 is programmed to drill to a total depth of 2000 ft (609 m). The main targets are the Pyramid Hill and Vedder Formations at 945 ft (288m) and 1115 ft (340m). The Vedder has produced the bulk of the 100 million barrels of oil from the Round Mountain Field, predominantly in the 1930's and 1940's. The Pyramid Hill Formation was not exploited by early oilmen as the underlying Vedder reservoir was more attractive. In recent years, however, new horizontal wells have resulted in other operators producing significant volumes of oil from the Pyramid Hill Formation.

Smoot #1 will be drilled as a vertical well to gather data. The existing nearby wells were drilled more than 60 years ago and provide only basic records. The Pyramid Hill Formation will be cored and an array of geophysical tools will be deployed to determine reservoir and fluid characteristics. These data will then be used to plan a multi-well field development, to be undertaken later in 2011. Smoot #1 will be drilled so that it can be completed as a producer but its main role is to gather information. The Smoot well is named after a historical grazing family in the area.

The well is expected to spud later this week, take about 5 days and should cost \$534,000. Much of this cost is for coring and logging.

In Incremental's H & P #2 well, the rig was released at 0500 on 11 February 2011 after successfully running and cementing casing to bottom. The well was \$83,000 below budget and will be completed as a producer in the coming weeks.

Yours sincerely



Gerry McGann  
Managing Director

## ABOUT INCREMENTAL OIL and GAS LTD

Incremental Oil and Gas Ltd (IOG) is a producing oil and gas company. Our strategy is to identify and acquire underperforming oil fields and to increase production and recoveries. IOG's primary focus is production rather than high risk exploration, with a strong emphasis on positive cashflow.

The Board and Executive of IOG have a proven track record. They are the same team that acquired and substantially increased oil production in the Selmo oilfield in Turkey through the formerly ASX-listed Incremental Petroleum. This company was subsequently sold in March 2009 to TransAtlantic Petroleum in an \$86.5 million transaction.

IOG was launched in mid-2009 and has been profitable over its first year of operations.

IOG's focus is onshore California. The company has four current projects which are detailed on the website ([incrementaloilandgas.com](http://incrementaloilandgas.com)). These projects range from the producing Sheep Springs Oilfield to low risk development projects at Round Mountain and Gujarral Hills and an exploration project at Raven Pass. IOG's strategy is to develop these and other new and yet to be secured projects into a substantial production base.



Incremental Oil and Gas project locations.

For additional information see [www.incrementaloilandgas.com](http://www.incrementaloilandgas.com)