

ASX Announcement/Media Release

20 May 2016

## 2.1-3.6 million Barrels of Contingent Recoverable Oil Identified in Silvertip Field

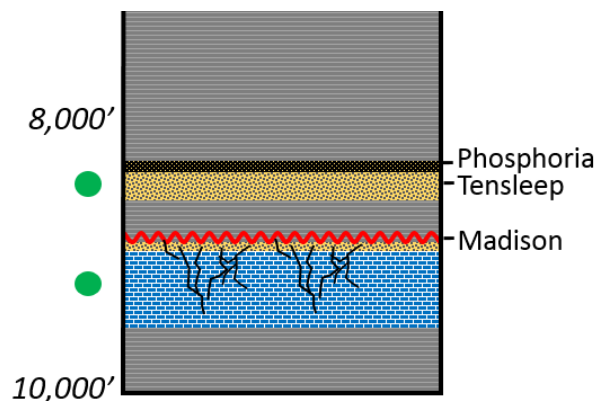
- **Contingent Oil Resources of 2.1 to 3.6 million barrels in the deep Paleozoic reservoirs in Silvertip have been identified from new analyses**
- **Oil production and resources from the Madison Formation in Silvertip may be increased from the recompletion of an existing well**
- **Active search for additional producing oilfield continues**

### Phosphoria/Tensleep Resource

Technical analyses of the older Paleozoic (Phosphoria, Tensleep and Madison) oil horizons below 8,600' in the Silvertip Field have been completed. The Company has estimated that the remaining recoverable oil resource in these reservoirs is between 2.1 and 3.6 million barrels with a best estimate of 2.9 million barrels. Incremental's NRI in this resource is 82.5%. This is classified as a 1C Contingent Resource (Development Unclassified or On Hold).

The Phosphoria/Tensleep Formations have historically produced 3.7 million barrels of oil and 24 billion cubic feet of gas in the Silvertip Field. These, together with the deeper Madison Formation, hold an estimated-initial-oil-in-place (STOIIP) of more than 17 million barrels. The oil produced from the Phosphoria/Tensleep formations is light (45° API) "sour" crude which receives a lower price than sweet light crude produced from other formations in the field.

Development of these resources will require the implementation of a secondary recovery program due to reduced reservoir energy caused by past production. IOG will continue to explore the best practices to potentially monetize these resources in the future. Furthermore, economic modelling will be performed to determine the commercial feasibility.



*Silvertip Field stratigraphic column diagram (deep formations only)*

The assessment of this Contingent Resource has been based on interpretations of historical production, core data, and petrophysical analysis from wells and seismic within the field.

### **Madison Recompletion**

The Madison Formation produces light sweet oil and has produced from 2 wells in the Silvertip Field, one of which remains in production. These 2 wells have together produced over 300,000 barrels.

The potential for increasing oil production from the Madison Formation will be tested through a recompletion of an existing Madison well which has cumulative production of over 200,000 barrels. This recompletion will involve the perforation of three additional intervals within the Madison Formation.

If the recompletion is successful, an existing Frontier Formation well may be deepened to intersect the Madison Formation to explore productive limits.

### **Recompletion Program**

Preparation for the scheduled Phase II, 24 well recompletion program is continuing with permitting, well design and contractor tendering in progress. This work program is expected to produce over 3BCF of natural gas from the Meeteetse and Mesaverde Formations which are at a depth of between 2000 and 3000 feet (600-900 meters). Existing well bores that were drilled through these formations to the Frontier Formation will be perforated, and acid stimulation used to produce the gas at an estimated cost of \$25,000 - \$35,000 per well.

### **Oilfield Acquisitions**

The continued acquisition of additional producing assets (such as Silvertip) with upside potential is a key component of the Company's long term strategic growth plan. Incremental is evaluating numerous producing projects and will continue to use its expertise to capture high value assets at attractive prices.

**ENDS**

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## About the Company:

Incremental Oil and Gas Ltd is an USA onshore focused oil and gas development and production company. The Company's strategy is to identify and acquire low risk, underperforming oil and gas fields and apply modern technology and expertise to increase production and enhance hydrocarbon recovery, and increase net cash flow to grow the business.

Incremental has a portfolio of oil and gas producing projects in Wyoming, Colorado and California, USA.

Incremental is the operator of the Silvertip (WY), Florence (CO), Sheep Springs (CA) and Round Mountain (CA) Fields with 100% of the working interest and NRIs between 78.5 - 87.5%.

Gross production in Q1 2016 was 734 boepd.

## GLOSSARY

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|                                       |   |
|---------------------------------------|---|
| 1C -                                  | 90% probability (P90) that the quantities recovered will equal or exceed the low estimate   |
| Bbl -                                 | One barrel of crude oil, 42 US gallons volume liquid  |
| BCF -                                 | One Billion cubic feet (natural gas volumetric measurement)   |
| BOEPD -                               | Barrels of oil equivalent per day, a measure of the rate of flow of oil and other hydrocarbons where gas is converted to an oil equivalent at 6Mcf natural gas to one barrel of oil   |
| Contingent Resource -                 | Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. |
| Development Unclassified or On Hold - | A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay. This is a reference to the project maturity in the reserve classification based on SPE-PRMS definitions. |
| Mcf -                                 | Thousand cubic feet   |
| MM -                                  | Million   |
| NRI-                                  | Net Revenue Interest  |
| Paleozoic -                           | Reference to the age of the rock formations pertaining to an era occurring between 570 million and 230 million years ago  |
| Recompletion -                        | The completion for production of an existing wellbore in another formation from that in which the well was previously completed   |
| Secondary recovery -                  | techniques that involve maintaining or enhancing reservoir pressure to displace hydrocarbons toward the wellbore by injecting water, gas, CO2 or other substances into the formation.   |
| Sour crude oil -                      | crude oil containing high amounts (more than 0.5%) of the impurity sulfur.  |
| WI -                                  | Working Interest  |

**Resource disclosure:**

The estimated quantities of petroleum that are defined in this report and which may be potentially recovered by the application of future development project(s) an associated risk of development. Further exploration appraisal and evaluation is required to determine the most appropriate extraction methodology of these hydrocarbons.

The information in this announcement that relates to petroleum resources is based on information compiled by or under the supervision of Mr Gerard McGann. Mr McGann has over 45 years' experience in the exploration and production of oil and gas and is a certified petroleum geologist (#5702) with the Professional division of the American Association of Petroleum Geologists. Mr McGann consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears. Mr McGann is a non-executive director of Incremental Oil and Gas.

The assessment of the Prospective Resources has been undertaken using deterministic resource estimation for the Madison, Tensleep and Phosphoria formations in the Silvertip field. This methodology incorporates a range of uncertainty relating to each of the key reservoir input parameters to predict the likely range of outcomes. This approach is consistent with the definitions and guidelines in the Society of Petroleum Engineers (SPE) 2007 Petroleum Resources Management System (PRMS).

The date of this prospective resource assessment is 15 May 2016. The Silvertip field contingent resources have not previously been assessed or reported by the company.

Incremental is the holder of title to the tenement/leases held covering the fields which are the subject of the Resources assessed in this report. Incremental is the operator and holds a 100% WI in the leases and approximately 82.5% NRI. The Silvertip field has approximately 105 existing wells on leases that are operated covering 5,200 net acres.

**Forward Looking Statements**

This document may contain certain statements that may be deemed forward-looking statements. Forward-looking statements reflect the Incremental's views and assumptions with respect to future events as of the date of this presentation and are subject to a variety of unpredictable risks, uncertainties, and other unknowns that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. Actual and future results and trends could differ materially from those set forth to various factors, many which are beyond our ability to control or predict. Some of the risk and other factors that could cause results to differ materially include but are not limited to: industry conditions, including fluctuations in commodity prices; governmental regulation of the oil and gas industry, including environmental regulation; economic conditions in the US and globally; geological, technical and drilling results; predicted production and reserves estimates; operational delays or unanticipated operating event; physical, environmental and political risks; liabilities inherent in oil and gas exploration, development and production operations; fiscal and regulatory developments; stock market volatility; industry competition; and availability of capital at favourable terms.

Given these uncertainties, no one should place undue reliance on these forward-looking statements attributable to Incremental, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this presentations sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.