

1st February 2013

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

By: e-lodgement (ASX code: IOG)

Dear Sir/Madam

Florence Field, Colorado – Drilling update

Incremental Oil and Gas Ltd has the following update on the current drilling campaign in its wholly owned Florence Oilfield in Colorado.

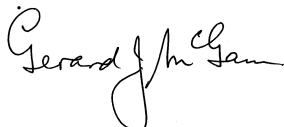
PATTI 32-29 SIDETRACK:

The Capstar 311 rig began operations on 17th January. A hole was milled in the casing of the existing Patti well (which had produced over 300 barrels of oil while drilling the initial well, but was never completed commercially) and a horizontal well drilled through the productive Pierre Formation as per directional plan to a total measured depth of 4367' (3143' true vertical depth). The horizontal section of the well was over 1000' long.

AURORA 24-21 Well

The Aurora well was spudded on 28th January and is a deviated well targetting a seismically defined anomaly. Excellent shows with free oil to surface were encountered below 2910' md. The current operation is finishing the running of 5 ½" casing to the total depth of 3260' (2960' true vertical depth).

Both wells will now be completed with a cheaper workover rig. The nature of naturally fractured reservoirs means that it is not possible to predict the productivity of the wells until they are brought onto production in the coming weeks. Production rates will only be reported once flow rates are stabilized. The Capstar rig will be placed on standby for about a week as we finish building the locations for the third and fourth well in this drilling campaign, with locations shown on the accompanying map.



Gerry McGann
Managing Director

