

24 May 2011

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

By: e-lodgement (ASX code: IOG)

Dear Sir/Madam

New well produces 102 bopd

Incremental's Smoot 1 in its Round Mountain Lease has been producing oil over the last ten days at an average rate of 102 barrels of oil per day (bopd) with no water. The well is on a beam pump and the gravity of produced oil is 20° API. The oil is sold at near world-parity pricing.

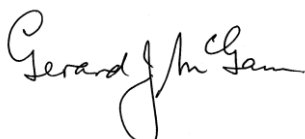
Incremental has modified the completion of Smoot 1 over the last 6 weeks to maximize oil and minimize water production.

These excellent production rates lend encouragement to the upcoming Round Mountain drilling programme which is expected to start next week as previously announced. Two inclined/horizontal wells and one vertical well will be drilled. The programme is expected to take 15-20 days and cost about \$1.5 million.

This early production success is extremely positive. If the well continues to produce at the present rate, Incremental could generate about US\$250k of net revenue a month from Smoot 1 and recover the well costs in less than two months.

Although the production levels in Smoot 1 show little sign of decline at present, investors should be aware that all oil wells suffer natural decline and the future production stream in this and any well is by no means guaranteed.

Yours sincerely



Gerry McGann
Managing Director

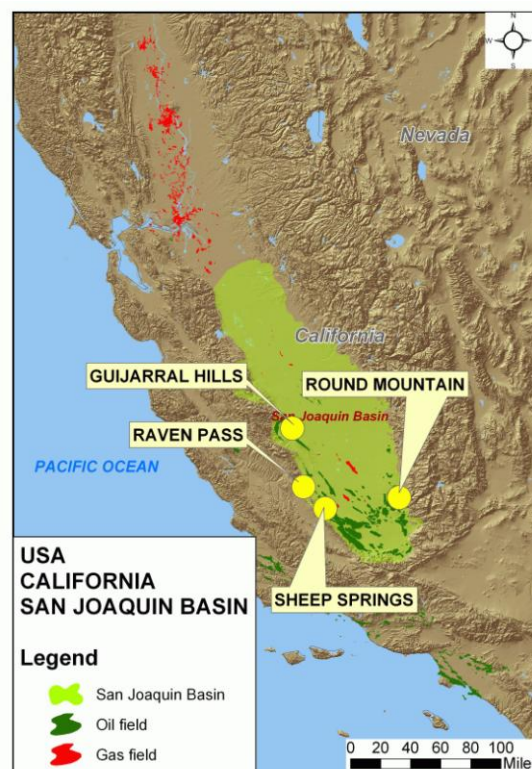
ABOUT INCREMENTAL OIL and GAS

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). These projects range from the producing Sheep Springs and Round Mountain oilfields to the low risk development project at 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