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MILESTONE GAS CONTRACTS AWARDED

Incremental Petroleum (IPM) and Otto Energy (OEL) are pleased to announce that two contracts have been awarded for engineering design for future gas production in the Edirne Concession, Western Turkey.

The contracts let are:

- ENGINEERING PLANT DESIGN
- PIPELINE ROUTING and DESIGN

The front end and detailed design contract for the project has been awarded to Uhde Shedden in Australia. Bids were received from 4 international companies and 4 Turkish companies. Uhde have previously designed the gas processing plant for the Amity (now Zorlu) gas plant in the Thrace Basin, some 70 km from the Edirne concession. Uhde Shedden will also be involved with some of the equipment procurement.

Boral, a Turkish company, has been awarded the contract for Pipeline design and routing, plus some additional consultancy related to local permits and approvals. Boral has undertaken many similar projects in the past.

Additionally, the Energy Market Regulatory Authority (EMRA) has advised that Incremental, acting on behalf of the Joint Venture, has fulfilled all of the requirements necessary to be granted a wholesale gas licence. This is one of the prerequisites of producing gas in Turkey, and a major milestone in getting full regulatory approval to produce gas into the national grid.

The Edirne Joint Venture will be the first in Turkey to produce and sell onshore Turkish gas directly into the extensive "Botas" gas distribution network, which enables the JV to sell gas anywhere in Turkey for the best possible price. The current Botas gas price was recently raised to YTL519 per thousand cubic meters, which equates to about US\$14.70/mcf. Local gas producers negotiate a sale price at a discount to Botas in order to induce industrial consumers to buy local gas rather than the easily accessible Botas gas.

Partners in the Edirne Joint venture are Incremental Petroleum (55% and operator), Otto Energy (35%) and Petrako Energy (10% and joint operator)

Gerard McGann
Managing Director

About Incremental Petroleum

Incremental was formed by a syndicate of petroleum industry experts in 2003 and listed on the ASX on 20 October 2005.

Its key strategy is to acquire low risk oil and gas assets and apply world class technical expertise to develop the assets and their productivity.

Incremental's major producing asset is the Selmo oilfield in Turkey, the second largest oilfield in Turkey by cumulative production. The field has estimated oil initially in place of approximately 500 million barrels, with a low recovery factor (about 83 million barrels produced to date).

There are 47 wells at Selmo, 22 of which are still producing. The oil is sold at the field gate and sent by truck to a refinery 40km away.

There is considerable scope for improved production and recovery at Selmo – an oilfield which has a long life and provides an excellent net cash flow.

A second major asset in Turkey is the Edirne gas project in which Incremental has a 55% interest. Seven gas discoveries have been made in seven wells drilled in 2007 and 2008. The project is proceeding rapidly to commercialisation.

In May 2008 Incremental trebled its project portfolio with the acquisition of interests in five projects, totaling more than 19,000 acres in the prolific hydrocarbon region of the San Joaquin Basin in central California, USA. Two of the projects are advanced, one in oil and gas production, proceeding rapidly into a major development phase, with scope for massive increases in reserves. Another has proven gas, but undeveloped in which Incremental is operator and holds a 50% interest, and is proceeding to drill and develop.

Other assets in Turkey include a major exploration project of 30,000 acres, with defined exploration targets of 1 Tcf gas, 150mmbbl oil and second target area of 500mmbbl oil. These are located in the Tuz Golu basin south of Ankara.

Incremental is a profitable dividend paying company with net profits of \$10.8m last year, and dividends of 6 cents per share declared in the past 12 months.

Incremental has offices in Perth in Western Australia and in Istanbul and Ankara in Turkey, and in California USA.

More information available on www.incrementalpetroleum.com or contact the company on +61 8 9481 8696.

