



# OIL BASINS LIMITED

ABN 56 006 024 764

## QUARTERLY REPORT June 2011

Oil Basins Limited (ASX codes **OBL**, **OBLOA** & **OBLOB** or **Company**) is pleased to present its June 2011 Quarterly Report.

### JUNE QUARTER HIGHLIGHTS

#### *Operated Assets Highlights*

##### *Carnarvon*

- OBL was advised that on the 4 April 2011 the acquisition of the remaining 75% interest in Retention Lease R3 containing the Cyrano Oil Field was approved by the Western Australian Department of Mines and Petroleum (DMP) and that on 8 April 2011 OBL was formally registered on title as to 100% ownership of Retention Lease R3.
- Following an independent re-assessment of the Cyrano Oil Field within R3, OBL's maiden booked 1C, 2C and 3C contingent resources (SPE Guidelines) in Retention Lease R3 are now 0.54, 1.52 and 3.64 MMbbls of oil adopting conservative recovery factors.
- The Company lodged its R3 Retention Lease Renewal Application with the DMP in early June 2011 and following informal discussions during early July expects to be awarded the R3 Renewal during the September Quarter when a more detailed announcement will be made.

##### *Canning*

- OBL as operator Backreef Area (100% net beneficial rights), commissioned new geophysical and geological (G&G) work to assist with its evaluation and interpretation of the potential new oil play area. During the quarter the Company is pleased to advise that digitisation of the vintage 2D seismic lines (covering some circa 190km of vintage data) was completed and advanced 3D processing techniques PSTM and PSDM were successfully undertaken.
- OBL has recently installed these reprocessed lines onto advanced Schlumberger Petrel software to enable OBL to conduct further inhouse G&G studies. Work continues on the detailed prospect mapping assessment and geological interpretation.

#### *Non-Operated Assets Highlights*

##### *Gippsland*

- Further to the Vic/P41 is due for renewal during the September 2011 quarter. The Joint Venture is currently preparing the renewal application for submission to the authorities.
- The operator advises that discussions with potential Vic/P41 and Vic/P66 farminees are continuing.

#### *Subsequent Recent Events*

- Effective 12 July 2011, OBL was appointed USG operator designate Canning Basin Permit 5/07-8EP. The Company is actively seeking Farm-in interest to this prospective permit.

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# OIL BASINS LIMITED

## OIL BASINS LIMITED

Oil Basins Limited ("OBL" or "the Company", ASX:OBL, OBLOA & OBLOB), is a junior oil and gas company with a portfolio of conventional oil and gas, coal seam gas (CSG) and unconventional shale gas (USG) exploration projects in good hydrocarbon addresses in offshore Gippsland and Carnarvon Basins and the onshore Canning Basin.

## BUSINESS STRATEGY

Since the Company's initial public offering in August 2006, OBL has built up (at modest cost) an attractive portfolio of exploration projects (all assessed or re-assessed with modern technology), all situated in good hydrocarbon addresses and nearby to existing infrastructure hubs (Figure 1).

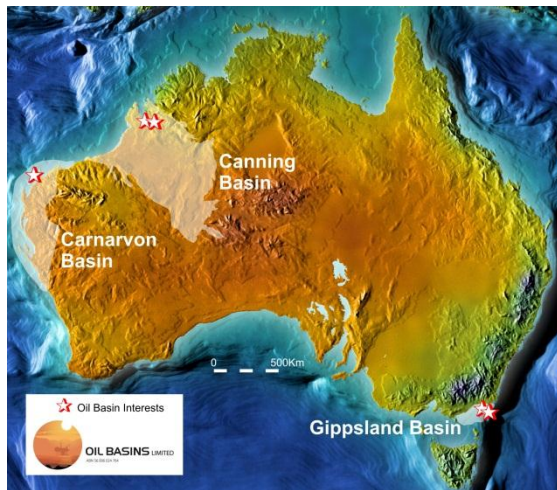


Figure 1

OBL's Australian Interests

## UPSTREAM PROJECTS

Potential Upstream exploration and development projects include:

- 100% & Operator of Retention Lease R3 situated in offshore Carnarvon Basin (containing the undeveloped Cyrano Oil Field).
- 100% Beneficial Rights & Operator to Backreef Area (Figure 2) onshore Canning Basin (containing the untested Backreef-1 well, drilled in October 2010 and presently cased & suspended for future re-entry & possible production testing).
- 12.5% Rights to Vic/P41 situated in offshore Gippsland Basin (six 3D defined drill-ready prospects).
- 17% Vic/P66 situated in offshore Gippsland Basin.
- 50% interest on award Permit 5/07-8 EP (Figure 2) situated in onshore Canning Basin (where the Company as CSG & USG Operator has delineated significant CSG and USG potential). The Company hopes to attract Farm-in interest to this Permit.

The Company believes an immediate re-rating opportunity relates to the recent independent re-assessment of Cyrano Oil Field (where the P50

Gross Oil in Place has been significantly upgraded from 4.36 MMbbls to 10.13 MMbbls and P10 increased to 18.19 MMbbls with contingent 2C & 3C resources now estimated at 1.52 and 3.64 MMbbls respectively and scope for additional improvement with future engineering studies and extension of the nearby Nasutus Oil Field into R3.

The Company believes there is significant potential for a similar contingent assessment at the Backreef Oil Pool and Backreef Area once the new interpretation of the reprocessed vintage 2D seismic is complete during the September Quarter.

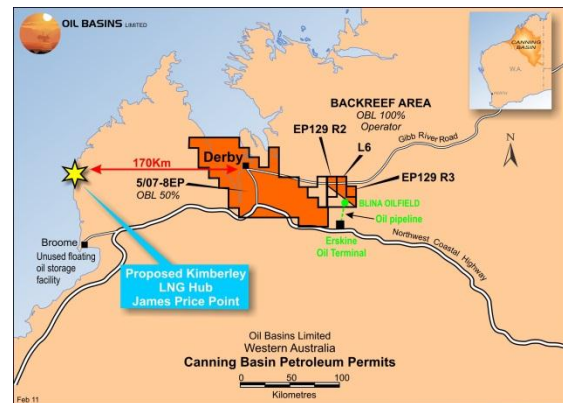


Figure 2

OBL's Canning Basin Interests

- Within Canning Basin Permit 5/07-8EP, an independent assessment of the Company's net risked CSG P50 potential prospective resources potential is over 3.5 TCF and also contains a very large unrisked 136 TCF net assessed USG potential.
- Farmout discussions have commenced.

## DOWNSTREAM PROJECTS

Potential Downstream projects include:

- Due to the delineation of large CSG / USG potential prospective resources in the Canning, the Company on 9 August, 2010 entered into a non-exclusive Strategic Alliance Agreement ("SAA") with Liquefied Natural Gas Limited (ASX code LNG). The Company's core focus is also to delineate large volumes of natural gas within its onshore WA Canning acreage.
- Should large quantities of gas be discovered, the SAA Provides a framework to:
  - Pave the way for the establishment of either CSG or USG sourced liquefied natural gas (LNG) plant feedstock supply to a LNG operated facility; and/or
  - The potential development of a large scale gas to liquids (GtL) synthesis plant situated near Derby.
- OBL will have the right, but not obligation, to invest in any such LNG project up to a maximum of 20% on an at-cost basis, however this maximum becomes 30% should OBL deliver certified 2P gas reserves of at least 1.0 TCF (under SPE Guidelines) within 4 years of work programs commencing in the field.

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**QUARTERLY ACTIVITIES REPORT**

**GIPPSLAND BASIN – 12.5% Rights Vic/P41  
GIPPSLAND BASIN – 17% Vic/P66**

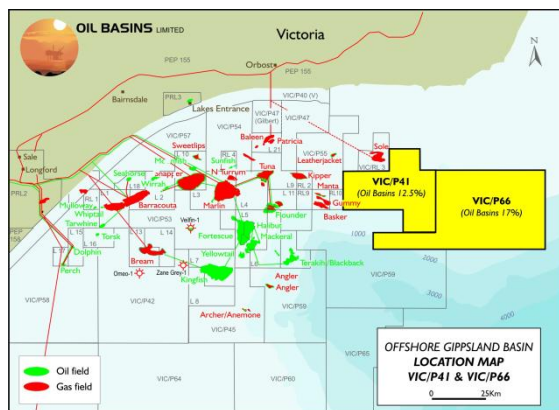
The Company effectively holds a potentially low cost Drilling Option of up to 12.5% of Vic/P41 which is a highly prospective drill-ready permit with gas prospects defined by modern 3D seismic and AVOs and in addition holds a 17% interest in Vic/P66.

**It is anticipated that both these "gassy" permits will attract considerable Farm-in interest with the onset of the proposed Federal carbon dioxide tax in July 2012.**

Permits Vic/P41 and Vic/P66 are located immediately adjacent in the east of the offshore Gippsland Basin, approximately 40 km south of the Victorian coast. The Operator maps extensions of two productive trends across these East Gippsland permits:

- The eastward extension of the Rosedale Fault system sets up prospects analogous to the Kipper oil and gas field (development drilling in the Kipper field is now completed ahead of first production scheduled for early 2012).
- Further south, a second trend extension is analogous to the Basker / Manta / Gummy oil and gas fields (the FPSO was suspended in late 2010 after nearly 4 years of production)

Vic/P41 contains a number of large prospects defined on modern 3D seismic, notably Kipling, Benchley and Oscar, whereas Vic/P66, while containing part of the 2D-defined 'Lead A' feature, is still at an early stage of exploration with clear potential to further extend the Rosedale trend in to new areas.



**Figure 3**

Location of Gippsland Basin permits with Oil Basins Limited equity, including Vic/P41 & Vic/P66

To further define and 'de-risk' these opportunities two new technical studies have been completed. A simultaneous seismic inversion project (Vic/P41)

analysed both 2D and 3D seismic over the Rosedale trend prospects and leads (i.e. Kipper analogues) for indications of hydrocarbon anomalies and other factors. This work has demonstrated that the seismic inversion signature of these prospects is exactly the same as that for the Kipper Field, greatly reducing the risk associated with drilling.

In addition, a basin modelling project (jointly funded by Vic/P41 and Vic/P66) has defined the nature of hydrocarbon charge in to the east Gippsland area as well as the timing and migration pathways of this charge.

It shows the area immediately south of the permits is mature. It is modelled as having generated and expelled hydrocarbons at a time where they could migrate towards the basin margin and be trapped in the structures identified in Vic/P41 and Vic/P66. The interpretation that the gas in the Sole Field is biodegraded thermogenic gas further enhances the concept of a 'fill/spill chain' through the permit.

Vic/P41 is due for renewal during the September 2011 Quarter. The Joint Venture is currently preparing the renewal application for submission to the authorities.

Discussions with potential Vic/P41 and Vic/P66 Farminees are continuing.

Company obligations for 2010/2011 are relatively modest and have been mostly funded during 2011.

**CANNING BASIN  
– 100% BENEFICIAL RIGHTS BACKREEF AREA**

As previously advised Backreef-1 appears to have delineated a relatively shallow and potentially cheap to drill New Oil Play of some net pay of 39m in the upper zone of some 223m of continuous oil shows. The potential trap is some 230m updip (of similar formations) and 7km due east of the Blina Oil Field (Figures 2 & 4). The final adjusted cost of Backreef-1 was circa \$4.55 million with some previously disputed charges finalised during the June 2011 Quarter. Backreef-1 well completion and site audit / rehabilitation reports were also completed / lodged with stakeholders during the June 2011 Quarter.

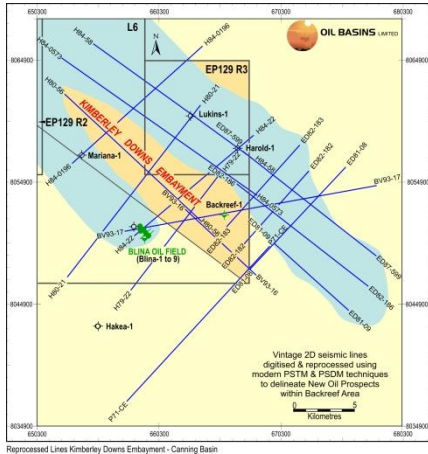
- In early 2011, after OBL was duly appointed as operator Backreef Area (100% net beneficial rights), OBL commissioned new geophysical and geological (G&G) work to assist with its evaluation and interpretation of the Backreef Oil Pool and the potential new oil play area.
- During the quarter the Company is pleased to advise that digitisation of the vintage 2D seismic lines (covering some circa 190km of vintage data) was completed and advanced 3D processing techniques **PSTM** and **PSDM** were successfully undertaken.
- OBL has recently installed these reprocessed lines onto advanced Schlumberger **Petrel**

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**Software** to enable OBL to conduct further inhouse G&G studies.

- Work presently continues on the detailed prospect mapping assessment and geological interpretation.



**Figure 4**

Vintage 2D seismic lines digitised and reprocessed within Backreef Area – OBL 100% Rights

- Once the detailed prospect mapping is complete, the Company will advise its intended work program after first consulting stakeholders.
- The Company's objective remains to Farmout an interest in the Backreef Area and the challenge is to drill cheaper exploration wells (circa \$1.0 million), with smaller rig equipment, taking advantage of the shallow oil play total depth of between 800m to 1000m.
- Shareholders are reminded that the Company has no work program obligations during 2010 with an exploration well possibly to be drilled (at OBL's sole discretion) by 31 October 2012.
- Nonetheless, subject to suitable rig availability and test equipment availability and stakeholder consents, the Company considers it feasible to now immediately plan for a cased well production test of Backreef-1 during the late December 2011 Quarter.
- The Company will make a detailed announcement at an appropriate time during the September 2011 Quarter.**

### **CANNING BASIN – 50% Rights 5/07-8EP**

During the June 2011 Quarter, both the Operator Backreef Oil Pty Limited and the Company attended compulsory mediation proceedings with the relevant stakeholders.

A number of meetings have progressed over the period 12 May 2011 to present and the Company is very pleased with the progress to date.

No significant expenditures are anticipated to occur until approvals from all relevant stakeholders and authorities are attained.

### **CARNARVON BASIN – 100% R3 (Cyrano)**

- OBL was advised that on the 4 April 2011 the acquisition of the remaining 75% interest in Retention Lease R3 containing the Cyrano Oil Field was approved by the Western Australian Department of Mines and Petroleum (**DMP**) and that on 8 April 2011 OBL was formally registered on title as to 100% ownership of Retention Lease R3.
- Following an independent re-assessment of the Cyrano Oil Field within R3, OBL's maiden booked 1C, 2C and 3C contingent resources (SPE Guidelines) in Retention Lease R3 are now 0.54, 1.52 and 3.64 MMbbls of oil adopting conservative recovery factors.
- Additional geological and geophysical studies (particularly relating to the estimate of recovery factors and the extension of the R5 Nasutus Oil Field into the north-eastern corner of R3) will be included in the basis of the new work program of the R3 Renewal Application.

- The Company lodged its R3 Retention Lease Renewal Application with the DMP in early June 2011 and following informal discussions during early July now expects to be awarded the R3 Renewal during the September 2011 Quarter when a more detailed announcement will be made.

### **CORPORATE**

During the June 2011 Quarter, the Company

- Has established a new special purpose wholly owned subsidiary Oil Basins Royalties Pty Limited,
- Made a modest seed investment in UK registered Anglian Resources Plc, and
- Continually seeks new investment and/or Farm-in opportunities

### **CASH POSITION**

Apart from modest administration expenses and ongoing technical assessments the Company has no significant capital exposures during 2011. The Company's cash & near cash balance as at 30 June 2011 was circa \$0.3 million (details as follows):

Cash at 30 June 2011	\$263,381
ATO cash receivable*	<u>\$75,000</u>
<b>Balance cash &amp; near cash</b>	<b>\$338,381</b>

\*This ATO payment is due imminently

**Neil Doyle SPE  
Director & CEO  
29 July 2011**

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## GLOSSARY & PETROLEUM UNITS

M	Thousand
MM	Million
B	Billion
bbl	Barrel of crude oil (ie 159 litres)
PJ	Peta Joule (1,000 Tera Joules (TJ))
Bcf	Billion cubic feet
Tcf	Trillion cubic feet (ie 1,000 Bcf)
BOE6	Barrel of crude oil equivalent – commonly defined as 1 TJ equates to circa 158 BOE – approximately equivalent to 1 barrel of crude equating to 6,000 Bcf dry methane on an energy equivalent basis)
PSTM	Pre-stack time migration – reprocessing method used with seismic.
PSDM	Pre-stack depth migration – reprocessing method used with seismic converting time into depth.
AVO	Amplitude versus Offset, enhancing statistical processing method used with 3D seismic.
TWT	Two-way time
FMT	Formation testing (pressure & sampling) tool
TD	Total depth
GIP	Gas in Place
CSG	Coal seam gas (CSG) or alternatively known as coal seam methane (CSM) is natural gas sourced from coal. Methane = CH <sub>4</sub> = H-H-C-H-H, which is the same as: conventional gas, landfill gas, peat gas. CSM is produced during the creation of coal from peat. The methane in CSM is adsorbed onto the surface of micropores in the coal. The amount of methane adsorbed increases with pressure. CSM is expelled from the seam over geologic time because coal has the capacity to hold only about a tenth of the methane it produces. Apart from power station applications, high quality methane can be used as a valuable feedstock for petrochemical plants such as urea, ammonia, ammonium nitrate, gas to liquids (diesel) and LNG production.
USG	Unconventional shale gas.
STOIPP	Stock tank oil in place (stabilized crude at atmospheric conditions) – also commonly referred to as Oil in Place (OIP).

## DISCLAIMER – GENERAL

Prospective Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. Investors should not infer that because “prospective resources” are referred to that oil and gas necessarily exist within the prospects. An equally valid outcome in relation to each of the Company’s prospects is that no oil or gas will be discovered.

Technical Reserves in this preliminary assessment are considered similar to the definition of Contingent Resources (ie Low Estimate and High Estimate) with the following important caveat - it must be appreciated that the risked volumes as reported in terms of undeveloped Contingent Resources and Prospective Resources are risk assessed only in the context of applying ‘Geological Chance of Success’. This degree of risk assessment does not incorporate the considerations of economic uncertainty and commerciality and consequently no future development as such can be assured.

The technical information quoted has been compiled and/or assessed by Company Director Mr Neil Doyle (from a number of sources) who is a professional engineer (BEng, MEngSc - Geomechanics) with over 30 years standing and a continuous Member of the Society of Petroleum Engineers since 1981 (SPE 25 Year Club Member) and by Mr Geoff Geary who is a professional geologist (BSc – Geology) with over 27 years standing and who is also a Member of the Petroleum Exploration Society of Australia. Both Mr Doyle and Mr Geary have consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear.

Investors should review the ASX materials and independent expert reports previously quoted and the important definitions and disclaimers attached.

## DISCLAIMER – CSG PROSPECTIVITY AND CSG RESOURCES POTENTIAL

There are numerous uncertainties inherent in estimating quantities of prospective and economic CSG resources, including many factors beyond OBL’s control. Estimates of economically recoverable CSG natural gas reserves are based upon a number of factors and assumptions, such as geological and engineering estimates and judgments (which have inherent uncertainties and risks), the assumed effects of governmental regulation and access to the Browse LNG Hub and estimates of future domestic gas and export-LNG commodity prices and operating costs, all of which may vary considerably from actual results and/or future negotiations.

Specifically, no claims are made by BOPL/OBL JVPs, Directors, and their Technical & Independent Consultants as to the CSG / CSM prospectivity of the Canning Basin Permit 5/07-8 EP at this early and preliminary stage. Prospective CSG Resources are those quantities of CSG which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. Investors should not infer that because “prospective resources” are referred to that CSG necessarily exist within the Permit. As this work is preliminary in nature, an equally valid outcome in relation to the CSG Study Area is that no CSG will be discovered, or be in fact commercial.

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