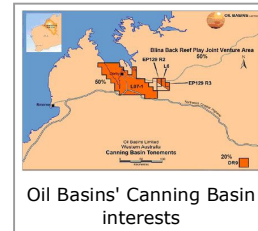


Blina Back Reef partners settle dispute

Monday, 3 November 2008

OIL Basins and Arc Energy have settled their legal spat over the Blina Back Reef Play joint venture in Western Australia's Canning Basin after reaching a new agreement.

OBL and Backreef Oil have executed a deed of covenant for the transfer of Arc's interests in L6 and EP 129 to Buru Energy and have also signed an agreement to earn a 100% interest in the two blocks (the Backreef Area) by drilling the Backreef-1 well by October 31, 2010. OBL will hold 80% of the area while Backreef will own the remaining 20%.



Should the well be a discovery, OBL and Backreef will also earn a 100% stake in a separate production licence covering the part of Backreef Area that contains the discovery.

In the event that the well is unsuccessful, the two companies will be required to drill an additional well in the area by October 2012 to retain their interest or until Buru Energy relinquishes the permits.

Buru has the right to earn a 30% stake in the Backreef Area by paying 90% of the costs of the Backreef-1 well.

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