



OIL BASINS LIMITED

ABN 56 006 024 764

4 August 2008

Company Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
Sydney NSW 2000

Dear Sirs

***BLINA BACK REEF PLAY JOINT VENTURE AREA
DEED OF COVENANT EXECUTED WITH ARC ENERGY LIMITED***

The following release provides an update with respect to Oil Basins Limited's 50% Rights to the Blina Back Reef Play Joint Venture Area and is provided so as to fully inform the market.

This matter is separate to, and the Deed of Covenant executed without prejudice to, the commencement of legal action against Arc Energy Limited announced by Oil Basins Limited on 1 August 2008 and was a matter that only came to Oil Basin Limited directors' attention more than two weeks after the Protocols were signed-off by all Back Reef Play Joint Venture Area participants and subsequently announced to the ASX on 3 July 2008.

Yours faithfully

Kim McGrath
Chairman

Deed of Covenant agreed with Arc Energy Limited

Oil Basins Limited (ASX code **OBL**) wishes to advise the ASX that a formal Deed of Covenant with respect to the Backreef Oil Limited (**BOL**) and Oil Basins Limited farm-ins to the Blina Back Reef Play Joint Venture Area has been duly executed with Arc Energy Limited (ASX code **ARQ**) and BOL which reaffirms both BOL's and OBL's continuing legal rights to the Blina Back Reef Play Joint Venture Area, Fitzroy Trough, Canning Basin (**Figure 1**); refer to OBL's recent Quarterly Report for more information.

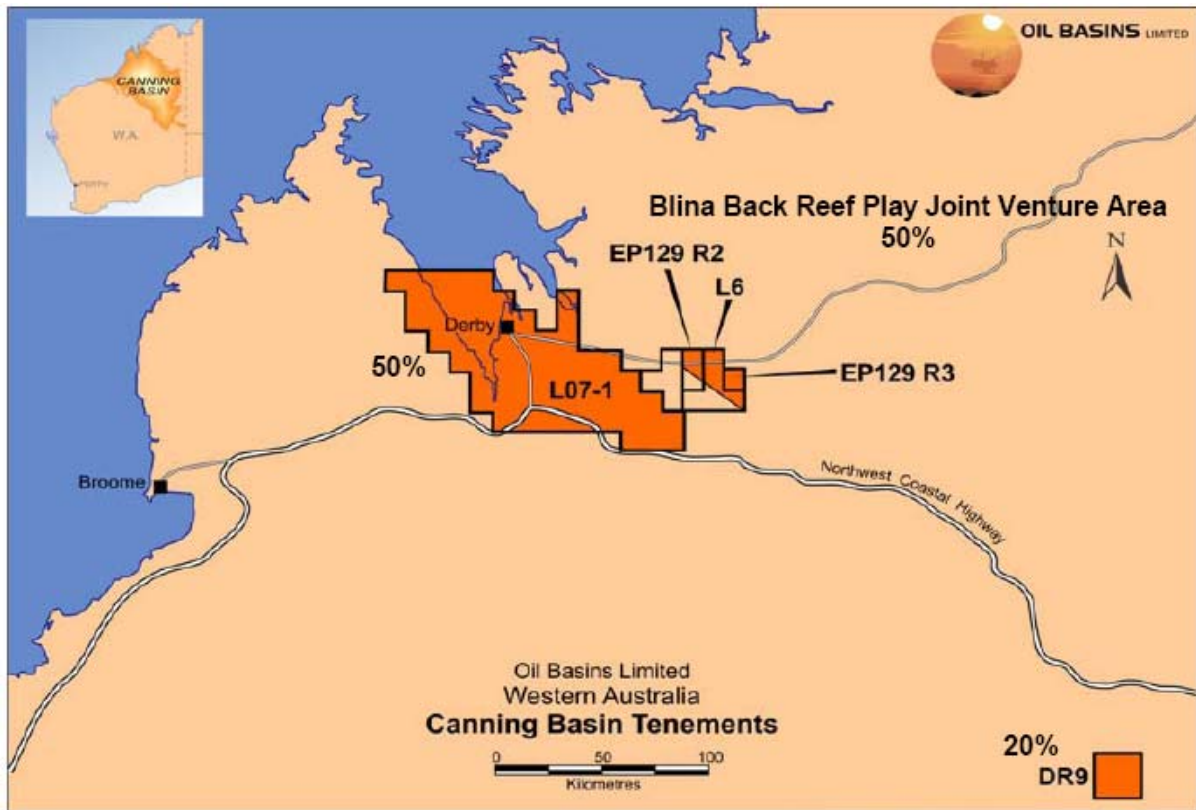


Figure 1
Oil Basins Limited's Canning Basin interests

Recent Title Transfers & Potential Impact of ARQ Scheme

From a search of the WA Department of Industry and Resources (DoIR) Petroleum Titles Register it appears ARQ transferred the L6 and EP129 title interests from its subsidiary Terratek Drilling Tools Pty Limited to itself in January of this year. These transfers were subsequently approved by the DoIR on 30 May 2008. Importantly neither BOL nor OBL were advised of these important transfers. We understand Canning Basin royalty holders European Gas Limited and Golden Dynasty Resources Limited were also affected.

On 7 July 2008 ARQ forwarded to shareholders the Arc Energy Scheme Booklet (the Scheme) dated 1 July 2008 stating that following approval of the 2 for 1 capital reduction and the Scheme by Arc Energy shareholders and the Court, on the Implementation Date ARQ will transfer the Canning Basin Tenements and other assets of the Demerged Business to what will then become the unrelated third party company Buru Energy Limited.

The Arc Energy Scheme Booklet also states:

"In the jurisdictions in which the Merged Group and Buru Energy will operate, both the conduct of operations and the steps involved in acquiring interests involve compliance with numerous procedures and formalities. It is not always possible to comply with, or obtain waivers from, all such requirements and it is not always clear whether requirements have been properly completed, or possible or practical to obtain evidence of compliance. In some cases, failure to follow such requirements or obtain relevant evidence may call into question the validity of the actions taken".

The impact of the ARQ transfer changes, together with the impact of the Scheme and the spin-out of Buru Energy Limited, without the new Deed of Variation would have possibly disenfranchised or made difficult of enforcement both BOL's and OBL's long-established rights in respect of the Blina Back Reef Play Joint Venture Area. OBL is pleased that ARQ have, when the matter was subsequently brought to their attention, agreed the Deed of Covenant in rectification.

One of the important provisions in the Deed of Covenant is:

“ARQ covenants and agrees that it shall not transfer, dispose or assign its title in the Permits without having first procured from the assignee and delivered to Backreef and Oil Basins a signed deed of covenant in such form as Backreef and Oil Basins reasonably requires, wherein the assignee covenants with Backreef and Oil Basins to be bound by this Deed in relation to both the Backreef Farm-In and Deed of Variation as if the assignee had executed this Deed in lieu of ARQ.”

Present Post Farm-In Rights to the Blina Back Reef Play Joint Venture Area

Backreef Oil Limited	20% (Operator)
Arc Energy Limited (interests proposed to be transferred to Buru Energy Limited)	30%
Oil Basins Limited (or nominee)	20%
OBL Backreef No.5 Pty Ltd	5%
OBL Backreef No.10 Pty Ltd	10%
OBL Backreef No.15 Pty Ltd	15%

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