



OIL BASINS LIMITED

ABN 56 006 024 764

31 October 2008

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

Dear Sirs

TERMINATION OF ALL LEGAL DISPUTES WITH ARC ENERGY LIMITED

Oil Basins Limited (ASX code **OBL**) today announces that OBL and Backreef Oil Limited (**Backreef**) have executed a Deed of Covenant in respect of the transfer of ARC Energy Limited's (**ARC**) interests in the Canning Basin permits L6 and EP129 to Buru Energy Limited (**Buru**).

Buru, OBL and Backreef have subsequently entered into a new agreement (**Backreef Agreement**) to govern the parties' rights and obligations in respect of the **Backreef Area**, (which consists of part of production licence L6 and permit EP129). The Backreef Agreement replaces all existing arrangements between the parties in respect of the Backreef Area.

The key terms of the Backreef Agreement are:

- OBL and Backreef will together earn a 100% beneficial interest in the Backreef Area if they drill the Backreef 1 well by 31 October 2010.
- OBL will hold 80% and Backreef will hold 20% of the Backreef Area.
- OBL or Backreef will operate the Backreef Area (in so far as this satisfies DoIR requirements) and will be responsible for all approvals and operational matters, including the drilling of the Backreef 1 well and dealing with DoIR. OBL and Backreef will fully indemnify Buru against OBL's or Backreef's performance as operator.
- If the Backreef 1 well is a discovery, OBL and Backreef will together earn a 100% interest in a separate production licence that will cover that part of the Backreef Area that contains the discovery, subject to regulatory approval of the licence. Subject to the approval of the Department of Industry and Resources, OBL will hold 80% and Backreef will hold 20% of the production licence.
- If the Backreef 1 well is drilled but is not a discovery, then OBL and Backreef will still earn a 100% beneficial interest in the Backreef Area in the proportions set out above. OBL and Backreef will hold their interest in the Backreef Area subject to the drilling of an additional well in the Backreef Area by 31 October 2012 or until L6 and EP129 are relinquished by Buru.

However, if Buru intends to relinquish either of L6 or EP129 then Buru must give Backreef and OBL 60 days notice of first refusal over the relinquishment. While OBL and Backreef hold their interest in the Backreef Area they may drill additional wells in the Backreef Area after the Backreef 1 well. To the extent any one of these additional wells is a discovery then OBL and Backreef will earn 100% of the resulting production licence.

- If the Backreef 1 well is not drilled by 31 October 2010 the Backreef Agreement will terminate and OBL and Backreef will lose their right to earn any interest in the Backreef Area.
- Buru has a right to earn a 30% interest in the Backreef Area by paying 90% of the costs of the Backreef 1 well, within 90 days of the drilling of the Backreef 1 well, in which case Buru will hold 30% of the production licence.

OBL also advises that all litigation commenced by OBL against ARC in the Supreme Court of Western Australia has been withdrawn and the relevant parties have entered into a Deed of Release in respect of that litigation. None of the parties have admitted any liability in respect of the litigation and each party will bear their own costs.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim W. McGrath', written in a cursive style.

Kim W. McGrath
Chairman