



**OIL BASINS** LIMITED

ABN 56 006 024 764

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24 January 2008

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

Dear Sirs

Oil Basins Limited (ASX code **OBL** or **Company**) is pleased to present its December 2007 Quarterly Report.

## **HIGHLIGHTS FOR THE QUARTER**

During the Quarter ended 31 December 2007 the Company performed the following activities:

### **Gippsland Basin**

#### **Vic/P41 (OBL Rights to 12.5%)**

- Initiated and solely funded a geophysical and geological “peer review” of Gippsland Permit Vic/P41, including previously defined 3D cube, PSDM and AVO work so as to assist the Company in seeking Third Party interest in acquiring part of OBL’s interests and/or Farm-In.
- Company is confident that it will attract Third Party interest in this attractive Permit during 2008 and has recently executed an Exclusive Agreement with a Third Party to possibly acquire a part of OBL’s rights.
- Operator has advised that the Joint Venture intends taking advantage of a seismic vessel being mobilized by other Operators within the region and subject to arrangements being finalised, the Joint Venture to bring forward, by one year, the 2009 work program obligation of shooting a new 250km 2D seismic survey during first half 2008. This new seismic will be shot during first half of 2008 over the eastern under-explored area of the permit.

### **Canning Basin**

#### **Blina Back Reef Play Joint Venture Area (OBL Rights to 50%)**

- In conjunction with the Operator, Backreef Oil Limited the Company has initiated and solely-funded the digitising of two existing 2D seismic lines in Blina Back Reef Play Joint Venture. Work continues and todate at least two prospects have been delineated by the digitisation, reprocessing and inversion work (including the original Backreef prospect).
- The focus of this work is to look closely at what Arc Energy Limited has recently achieved in its Canning Basin exploration program and to review the overall prospectivity of OBL’s acreage.
- Overall objective is to finalise the technical work and Farm-Out by way of selling one or more of the Company’s wholly-owned subsidiaries holding 5%, 10% and 15% (thereby mitigating pre-emptives) to interested Third Parties ahead of drilling the well in the first half of 2008.

### Drilling Reservation 9 Selene (OBL Rights to 20%)

- Negotiations on aspects of Native Title and Aboriginal Heritage Protection Agreement approvals continues.
- Subject to all necessary approvals being agreed and permits being granted and finalised, the Operator Backreef Oil Limited has advised that they are now seeking third party farminees for a possible well late in first half 2008.

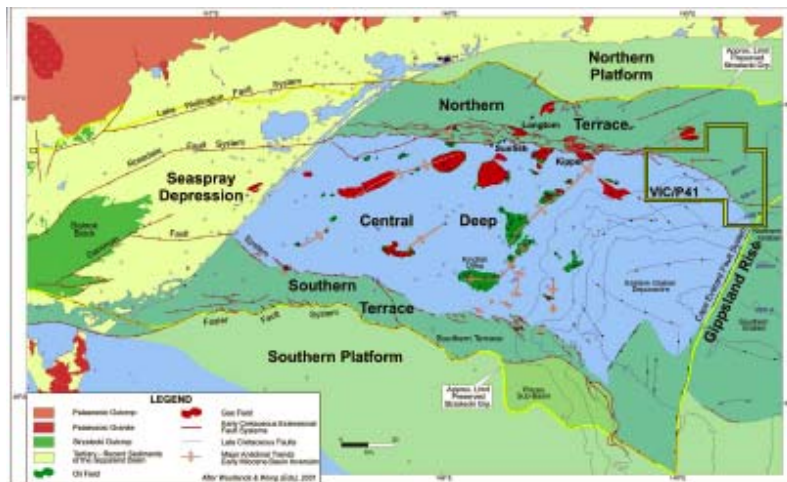
### Application L07-1 (OBL Rights to 50%)

- In conjunction with 50/50 joint venture partner Backreef Oil Limited, OBL was successful in being designated as the preferred party to be granted rights to this attractive Exploration Permit Application (subject to any Native Title and Aboriginal Heritage Protection approvals being formally agreed and all stakeholders being consulted and approving the Application).

## DECEMBER 2007 QUARTERLY ACTIVITIES REPORT

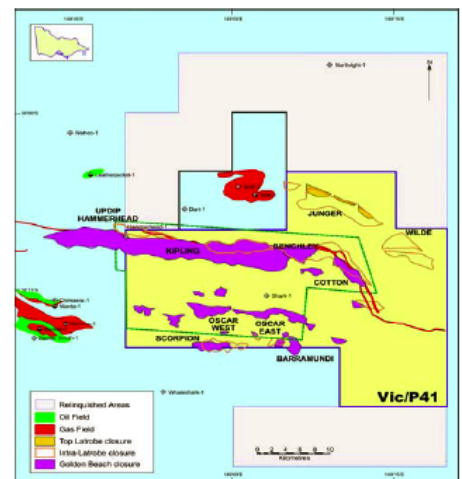
### GIPPSLAND BASIN – VIC/P41 (OBL rights to 12.5%)

#### Location



**Figure 1**

Location of Permit Vic/P41 Offshore Gippsland Basin



**Figure 2**

Permit Vic/P41

#### Ownership

The Vic/P41 Joint Venture consists of:

Bass Strait Oil Company Ltd (ASX code: BAS)	45% and Operator
Moby Oil & Gas Limited (ASX code: MOG)	30% (reducing to 25% - subject to farmin by OBL)
Eagle Bay Resources NL (ASX code: EBR)	25% (reducing to 17.5% - subject to farmin by OBL)
<b>Oil Basins Limited, or nominee (ASX code: OBL)</b>	<b>12.5% (subject to farmouts by MOG and EBR)</b>
Over-riding Royalties	Nil

#### Update

Late in October, the Operator BAS formally advised the Joint Venture of its failure to attract any third party to Farm-In to Vic/P41. Whilst the Operator remains confident of attracting interest, especially when a possible semi-submersible rig "window" may avail during 2009 (with at least two suitable rigs

operating in Gippsland, Bass and Otway Basins); BAS advised the Joint Venture that it proposes to maximise the value from any Vic/P41 farmout via a review of the prospect inventory (with particular emphasis on the potential of the Oscar prospects) and continuing presentations and dialogue with interested parties.

Notwithstanding the above, the Company subsequently has (with access to the complete Oscar 3D cube data set and all Operator assessments) initiated and solely funded a geophysical and geological “peer review” of Gippsland Permit Vic/P41, including previously defined 3D cube, PSDM and AVO work so as to assist Oil Basins interest in seeking Third Party Farminees.

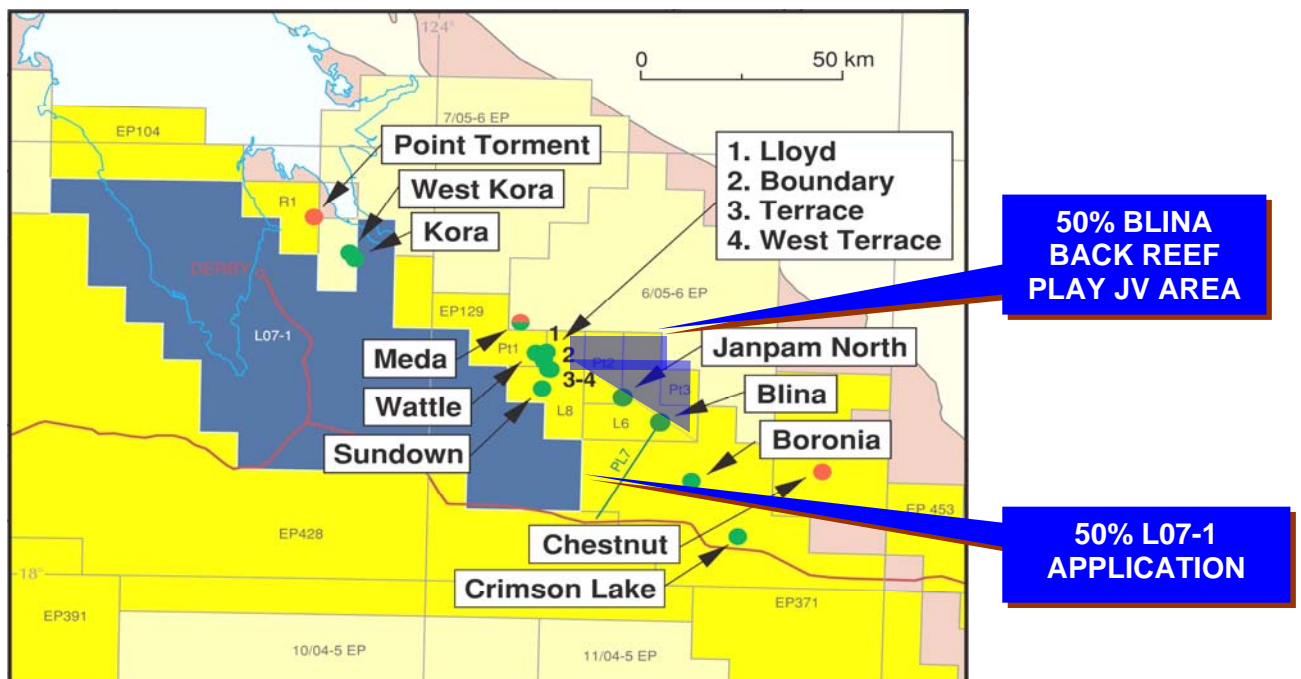
This report for the Company is still being finalised and remains confidential, but reinforces the prospectivity of the Permit. Consequently, the Company is confident that it will attract Third Party interest in this attractive Permit during 2008 and in December 2007 made informal approaches to a number of interested Third Parties.

The Operator BAS has indicated that it intends to bring forward the 250 sqkm of 2D seismic for Year 3 of the Work Program into Year 2 (ie early 2008) as a suitable seismic vessel is presently mobilised to offshore Victorian waters (thereby considerably defraying standalone Joint Venture mobilisation costs). This 2D seismic survey expenditure is anticipated during the current March 2008 Quarter – gross budget amount \$850,000 with net OBL share \$106,250.

## CANNING BASIN

### (A) Blina Back Reef Play Joint Venture Area (OBL rights to 50%)

#### Location



**Figure 3**  
Oil Basins Canning Basin Interests  
Source WA DoIR

## Ownership

Following the completion of the Backreef-1 well, the joint venture interests will be as follows:

Backreef Oil Limited (“ <b>BOL</b> ”) Note 3	35% (Operator) reducing to 20%
Terratek Drilling Tools Pty Ltd (“ <b>Terratek</b> ”) Notes 1, 2 & 3	30%
<b>Oil Basins Limited</b> (or nominee) Note 3	<b>5% with Rights to increase to 20%</b>
<b>OBL Backreef No.5 Pty Ltd</b> Note 3	<b>5%</b>
<b>OBL Backreef No.10 Pty Ltd</b> Note 3	<b>10%</b>
<b>OBL Backreef No.15 Pty Ltd</b> Note 3	<b>15%</b>

- Note 1 Terratek is now 100% owned by Arc Energy Limited (ASX code: ARQ) but was previously owned by Golden Dynasty Resources Ltd – ARQ acquired this company in April 2007.
- Note 2 Golden Dynasty retains Option to attain net 10% from ARQ and owns a 2% ORRI payable by Arc Energy
- Note 3 European Gas Limited (ASX code: EPG) owns a 3% ORRI and Budside Pty Ltd owns a 1% ORRI over EP129, but excluding L6 & L8 – these royalties are payable by ARQ and OBL (and/or nominee).

## Update

Early in November 2007, OBL in conjunction with Operator Backreef Oil (BOL) has engaged highly experienced technical geophysical consultants to digitize and reprocess two old 2D seismic survey lines – BV 93-17 and H84-22. The former was the basis of the original Farm-in with BOL and Terratek executed on 29 May 2006 and the later is the basis of a prospect identified by Robert Kirk – PESA Distinguished Lecturer.

OBL & BOL been watching with considerable interest the recent exploration results of the nearby EP104 R1 Joint Venture in the drilling of two stratigraphic onlap traps in the Canning Basin – namely Valentine-1 and the subsequent sidetracked Stokes Bay-1 well (both drilled from the same surface location) where vugular limestone has been successfully encountered in the Clanmeyer/Nullara formation equivalents at a depth of some 2,500 metres.

So as to assist investors, in following this Update, the “**Generalised Stratigraphy & Petroleum Geology of Canning Basin**” is presented in Figure 4.

The EP104 R1 Operator ARQ has recently made the following significant comments with respect to their first well drilled in the Canning Basin:

### **15 November 2007 – Stokes Bay – 1 ASX Announcement** (extract only, refer to complete text).

.....“The first wells at Valentine/Stokes Bay location are extremely encouraging and we have successfully busted the first Canning myth with the Stokes Bay reef play”..... (refer to complete text of ASX Release).

### **16 November 2007 – Annual General Meeting Presentation** (extract only, refer to page 22)

.....“Stokes Bay-1 has found the ‘Holy Grail’ of reef exploration – vugular and cavernous porosity”..... (refer to complete text of ASX Release).

### **15 January 2008 – Open Briefing Interview ARC Energy** (extract only, refer to page 1 & 2)

.....“Stokes Bay-1 has two well defined zones of interest. The first zone of interest is in the Anderson Formation sandstones where there is a probable five metres net oil reservoir.”.....

“The second zone of interest is the Nullara Formation reefal interval. In contrast to the Anderson, where the issue is reservoir quality, this zone is an excellent reservoir where we lost over 10,000 barrels of drilling mud while we were drilling the well. Although we had no drilling fluid returns and hence don’t know what is in the reservoir, pressure data indicates potential for a significant hydrocarbon column. ....” (refer to complete text of ASX Release).

## GENERALISED STRATIGRAPHY & PETROLEUM GEOLOGY OF THE CANNING BASIN

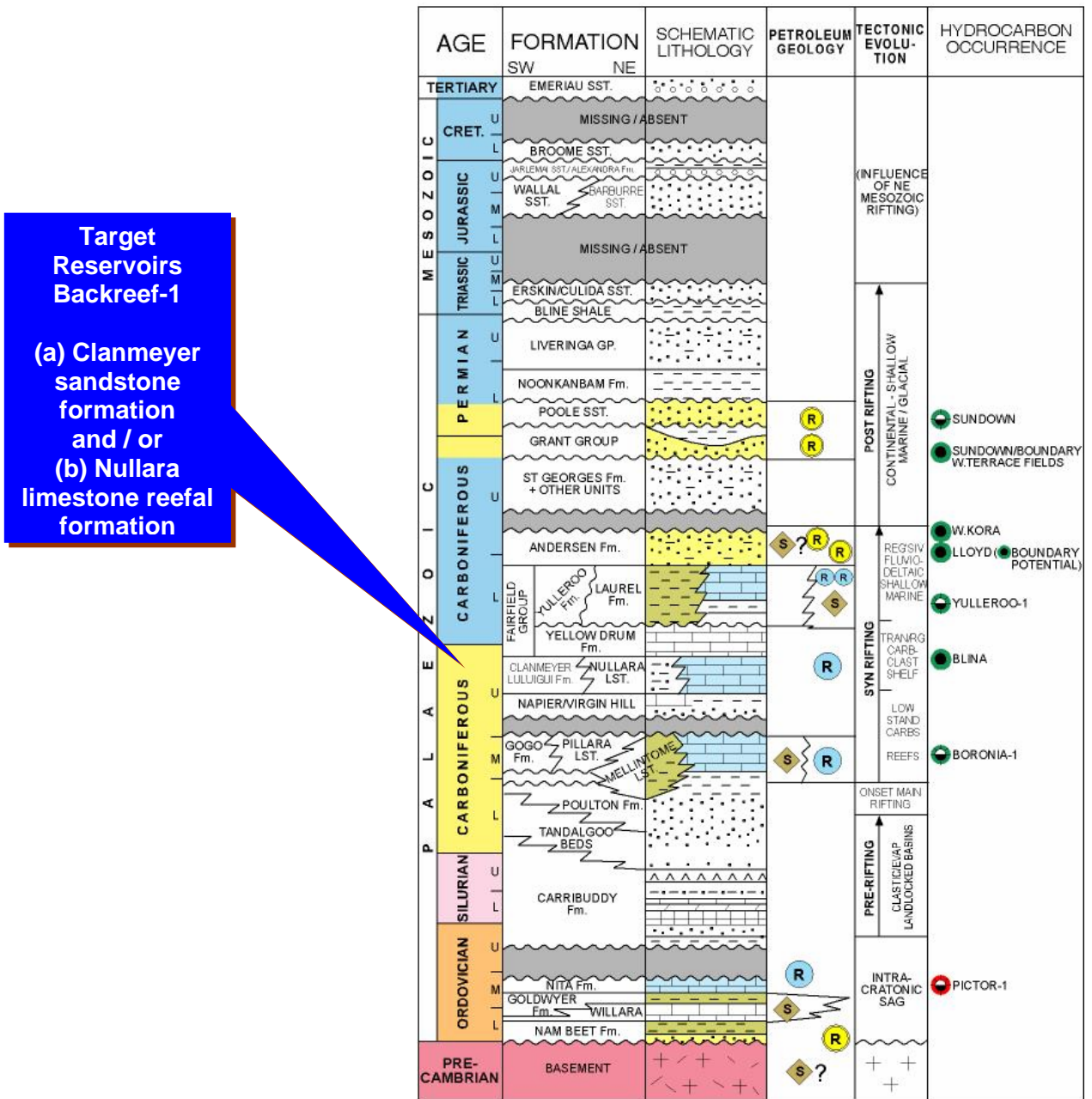


Figure 5  
**Generalised Stratigraphy & Petroleum Geology of Canning Basin**  
 Source - Oil Basins Limited Prospectus Independent Geologist Report (2006)

Consequently, BOL and OBL's specialist geophysical consultants, as part of BOL's and OBL's ongoing technical evaluation, have already identified a similar onlap feature to the Stokes Bay-1 prospect (targeting similar but much shallower Clanmeyer/Nullara formation equivalents).

The new but smaller BOL/OBL prospect is within a similar location to that revealed by earlier work of Dr Robert Kirk on seismic line H84-22 (a 30km line which traverses the Blina-1 and Harold-1 wells). A comprehensive review of the general prospectivity of the area between the Blina and Harold Reefs within a structural geological feature called the "Kimberly Downs Embayment" (which is mostly

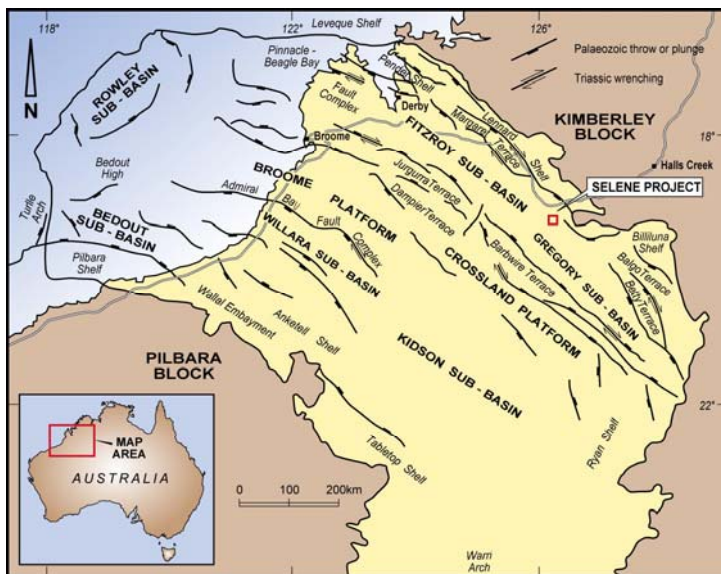
situated within the Company's 505 owned Blina Back Reef Play Joint Venture Area) has been prepared by 2006 PESA Distinguished Lecturer, Dr Robert Kirk (referred to previously in OBL's ASX Announcement dated 29 June 2007).

The 1984 vintage seismic data is of good quality. Currently its is being reprocessed, along with 1993 vintage seismic line BV-93-17 on which a clastic turbidite prospect was delineated. Both prospects will be subject to reprocessing and impedance (inversion) mapping to be conducted by BOL and OBL in January 2008.

Preliminary results todate are very encouraging, especially with respect to digitised and reprocessed line BV93-17 PSTM which has indicated a significant bright spot delineated by BOL/OBL's expert geophysicists as defining a potential prospective hydrocarbon reservoir containing either gas saturated sand (i.e. Clanmeyer sandstone formation) or vugular porosity (i.e. Nullara limestone reefal formation).

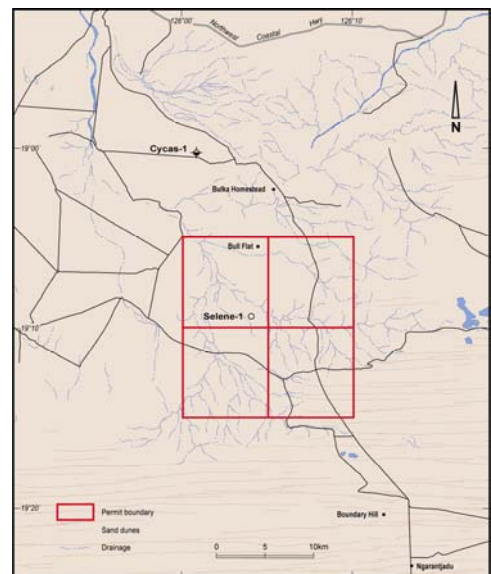
**(B) Drilling Reservation 9 (OBL rights to 20%)**

**Location**



**Figure 5**

General location of Canning Basin & Selene Blocks



**Figure 6**

Drilling Reservation DR9

**Ownership**

Following satisfactorily executing the Farm-In Agreement(s), the joint venture interests will be as follows:

BOL	80% (Operator) reducing to 50% if BRL farms in
Backreef Resources Limited (BRL)	Rights to 30%
<b>Oil Basins Limited (or Nominee)</b>	<b>20%</b>

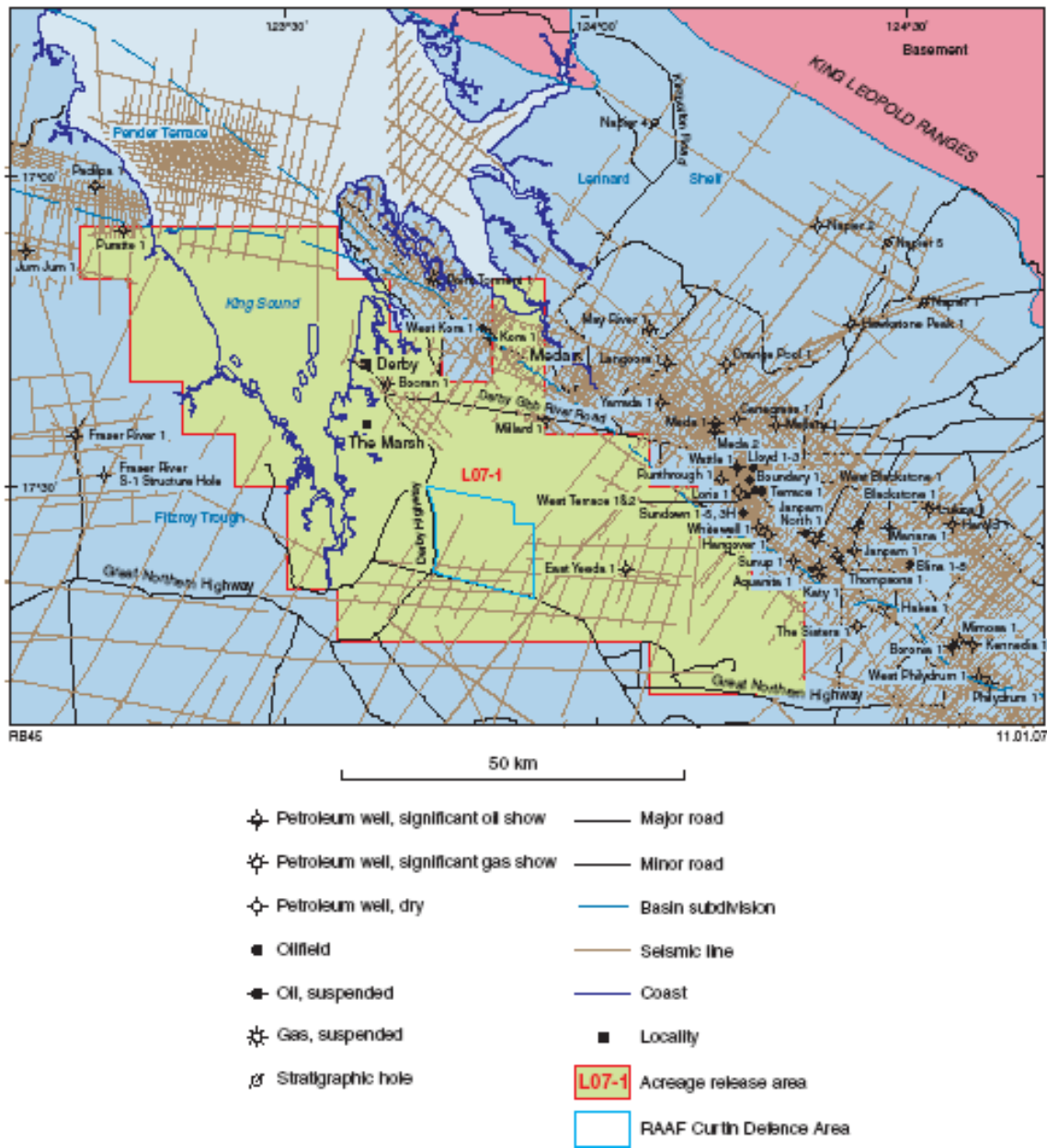
**Update**

No significant activity occurred during the Quarter. BRL was unsuccessful in its bid to raise \$8.0 million by way of ASX Initial Public Offering but is now understood to have withdrawn its prospectus.

It is anticipated that approaches will be made to the Kimberly Land Council with the possibility of finalising remaining Aboriginal Heritage Protection Agreements, drilling application and stakeholder issues during the first half of calendar year 2008.

(C) Application L07-1 (OBL rights to 50%)

Location (refer also to Figure 3)



**Figure 7**  
**Application L07-1**  
 Source WA DoIR

**Pending Ownership** (subject to all Stakeholder Approvals being formally Granted)

Backreef Oil Limited  
 Oil Basins Limited

50% (Operator)  
 50%

### **OBL Wins L07-1 Bidding Application Round**

On 19 December 2007, the Company announced to the ASX that it and its 50/50 Joint Venture Partner Backreef Oil Limited have been notified by the Western Australia Department of Industry and Resources (“DoIR”) of success in applying for the attractive permit Application Area L07-1.

The DoIR has been formally notified by the Operator BOL on behalf of the Joint Venture that it wishes to proceed and commence negotiations on the Native Title Claim on the application area.

This is expected to take some time to conclude with the Kimberley Land Council and no significant expenditures anticipated to occur until approval from all relevant stakeholders and authorities are attained.

Area L07-1 is approximately 5,062 square kilometres in surface area (refer to Figures 3 and 7) and is close to the previous oil finds at Kora and West Kora and proximate to the present well being tested at Stokes Bay.

In light of recent drilling by Arc Energy, (i.e. Stokes Bay-1 and Valhalla-1 exploration wells which are presently both suspended and waiting for testing/completion during 2008), Application Area L07-1 is considered a highly attractive block for petroleum exploration and further complements OBL’s existing interests in the Canning Basin – especially the Blina Back reef Play Joint Venture Area.

### **(d) Canning Basin Portfolio**

<b>Permit / Drilling Reservation / Application for Permit</b>	<b>Oil Basins Net Interests</b>	<b>Gross Permit Area (sq km)</b>
<b>Blina Back Reef Play Joint Venture Area</b>	50% (direct & indirect)	<b>354</b>
<b>Drilling Reservation 9</b>	20%	<b>400</b>
<b>Application L07-1</b>	50%	<b><u>5,062</u> 5,812</b>

Table 1

### **LIKELY DEVELOPMENTS**

At the Company’s Annual General Meeting held in Melbourne on 6 November 2007, the Company reiterated the Company’s stated strategy and intention to “sweat the assets” by way of Third Party farmouts, asset swaps and simple straight-forward cash trades so as to monetise the Company’s significant leverage across its entire assets.

As its assets include 8 drill-ready prospects situated within both the Gippsland and Canning Basins, the Company maintains that these are very attractive to future Farm-Ins in the current unprecedented US\$90/bbl crude pricing environment.

### **Gippsland Basin – Vic/P41**

In early January 2008 using the results of the Company initiated and financed peer review, the Company is pleased to advise it has recently entered into a formal Exclusivity Agreement with an interested Third Party.

Whilst negotiations continue and presently remain confidential, a positive outcome cannot be assured. Nonetheless, the Company will immediately advise the ASX at an appropriate juncture (unlikely to be no earlier than the end of the current March 2008 Quarter under the terms of the Executed Agreement, unless extended/amended by mutual consent) either by when all aspects of technical, commercial and legal due diligence are either satisfactory completed or even earlier should the interested Third Party terminates discussions and interest.

### **Canning Basin – Blina Back Reef Play Joint Venture Area**

The OBL funded geophysical interpretation work on Blina Back Reef Play Joint Venture Area continues with an inversion analysis commencing in January 2008. Once interpretation is complete and all joint venture parties including Terratek have been formally consulted (expected to now occur during mid-late February 2008) it is anticipated that a fuller ASX announcement will be made with respect to selected target prospectivity.

Upon reaching agreement subject to the terms of the Farm-In, the Operator BOL will then take the necessary steps to prepare formal submissions to the relevant authorities and Kimberley Land Council for access. Subject to weather constraints (the 2007/2008 rainy season continues throughout the region), BOL will then arrange for a road to be prepared and site cleared in readiness for a drilling rig, which is now expected in June 2008.

The Company remains confident that following the Company initiated and financed geophysical and geological assessment of the two attractive prospects delineated by BOL/OBL to date, that a satisfactory Farm-Out effected by way of a Sale and Purchase Agreement of one or more of its special purpose subsidiaries can be negotiated with a Third Party (and prior to drilling the prospect).

## **FORECAST 2008/2009 OPERATIONS ACTIVITY**

The Company's present forecast operations activity is presented in Table 2.

## **CASH POSITION**

Cash held at 31 December 2007 was \$0.798 million.

During the current March 2008 Quarter, the Company presently estimates its net overall Canning Basin expenditures at around \$30,000 – some of which is pre-paid in the mid-2006 \$50,000 Farm-In deposit with BOL. Geological and geophysical costs incurred with respect to commissioned Gippsland studies are expected to be less than \$20,000. As previously mentioned the net costs of funding the new Gippsland 2D seismic survey in Vic/P41 are estimated at \$106,250 (timing still unclear but may be in the current Quarter).

## **FURTHER INFORMATION**

For further information or to discuss OBL's Farm-In Opportunities, please contact:

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Email [n.doyle@oilbasins.com.au](mailto:n.doyle@oilbasins.com.au)

This release will be available on the Company's website at: [www.oilbasins.com.au](http://www.oilbasins.com.au)

## **DISCLAIMER**

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.

The technical information quoted has been compiled and / or assessed by Company Director Mr Neil Doyle who is a professional engineer (BEng, MEngSc - Geomechanics) with over 26 years standing and Member of US Petroleum Engineers since 1981 (SPE 25 Year Club Member) and by Mr Geoff Geary who is a professional geologist (Bachelor Science – Geology) with over 26 years standing and who is also a Member of 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.

## **GLOSSARY & PETROLEUM UNITS**

M	Thousand
MM	Million
B	Billion
bbbl	Barrel of crude oil (ie 159 litres)
PJ	Peta Joule (1,000 Tera Joules (TJ))
Bcf	Billion cubic feet
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 circa 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.




BASIN	PERMIT	CURRENT FORECAST OPERATIONS ACTIVITY											
		2008F						2009F					
		Qrt to 31/03	Qrt to 30/06	Qrt to 30/09	Qrt to 31/12	Qrt to 31/03	Qrt to 30/06	Qrt to 30/09	Qrt to 31/12	Qrt to 31/03	Qrt to 30/06	Qrt to 30/09	Qrt to 31/12
Gippsland	Vic/P41												
			250 sqkm 2D seismic Brought forward from 2009 WP										
Canning	Back Reef Play JV Area												
			Back reef-1 Earliest available Drilling Rig										
Drilling Reservation 9	Application L07-1												
				Selene-1									No operations activity can commence until Native Title finalised and all necessary Permits awarded by stakeholders

Table 2