



# OIL BASINS LIMITED

ABN 56 006 024 764

## QUARTERLY REPORT DECEMBER 2008

Oil Basins Limited (ASX code **OBL** or **Company**) is pleased to present its December 2008 Quarterly Report.

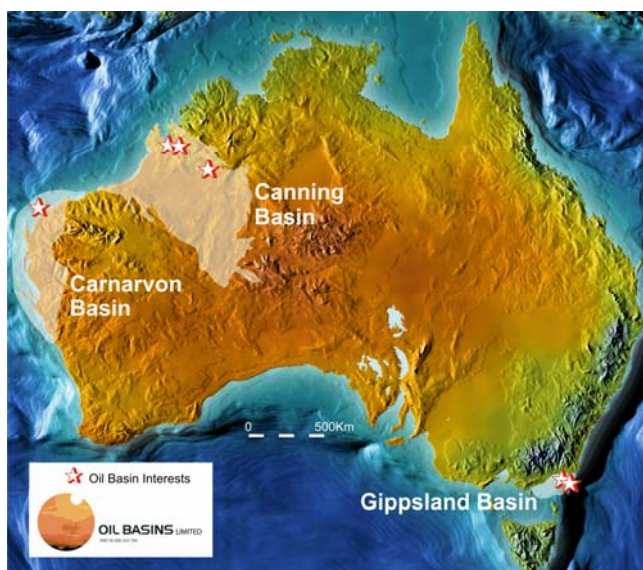
### HIGHLIGHTS FOR THE QUARTER

- **Company satisfactorily Settled all its legal actions against ARC Energy Limited with respect to its interests in the Backreef Area** (formerly known as the *Blina Back Reef Play JV Area*).
- **Company now has attained a 80% beneficial interest in the Backreef Area containing the attractive Backreef Prospect.**
- **Company is pleased to report that Application V07-3, Gippsland Basin has now been awarded as Vic/P66 by the Designated Authority to a consortium which includes OBL, with OBL holding a direct 17% interest.**
- **Late in the quarter, Company entered into a short-term agreement with Strategic Energy Resources Limited (ASX code SER) for the provision of specialist technical services and representation support across all of SER's extensive oil and gas portfolio.**

### COMPANY'S EXPLORATION INTERESTS

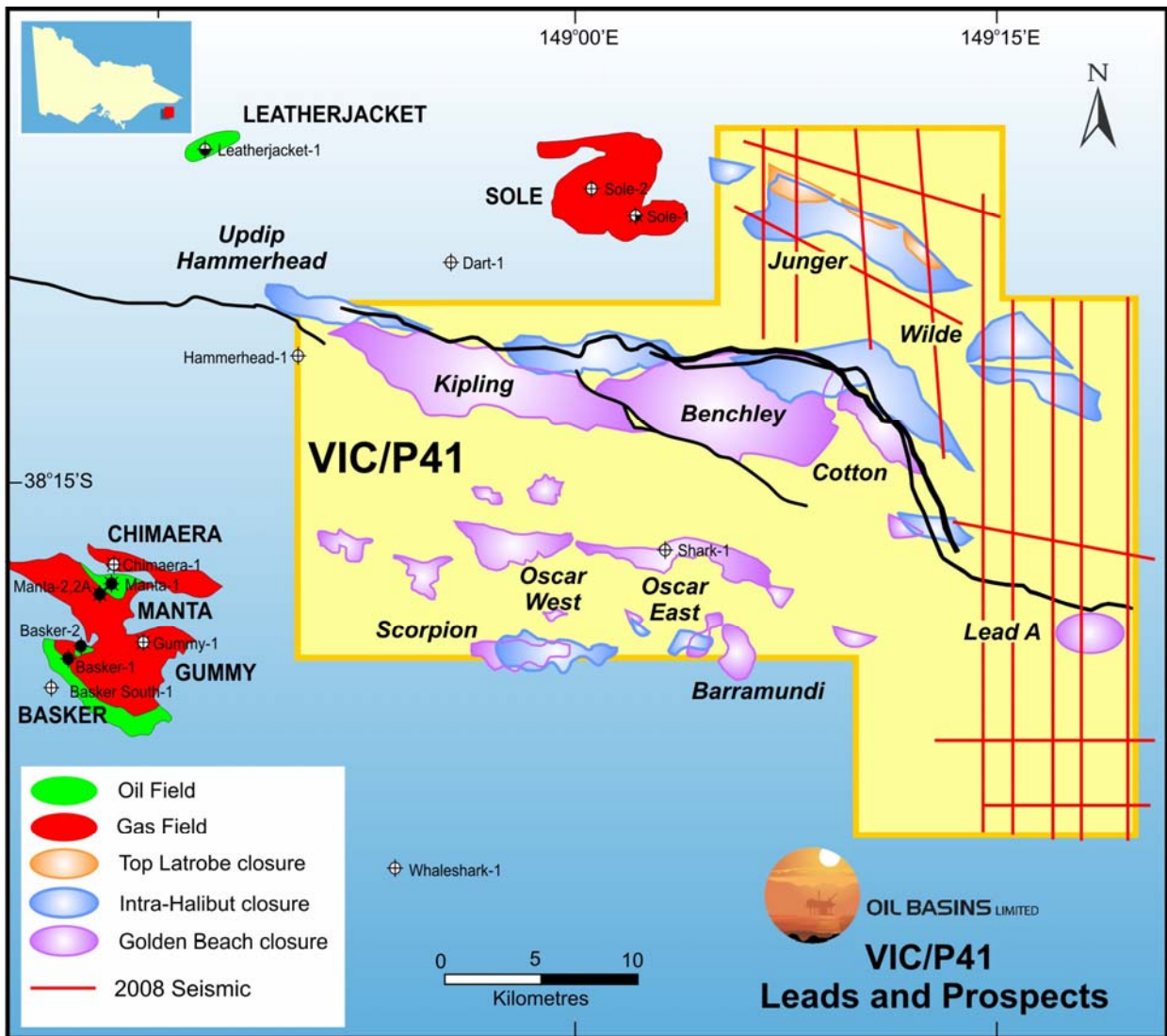
OBL holds rights to interests in three (3) offshore and three (3) onshore petroleum exploration permits in Australia (**Figure 1**), as follows:

- **12.5% Rights to Vic/P41 situated in offshore Gippsland Basin,**
- **17% Vic/P66 situated in offshore Gippsland Basin,**
- **80% Beneficial Rights to Backreef Area, onshore Canning Basin,**
- **20% Rights DR9 situated in onshore Canning Basin,**
- **50% interest in EP5/07-8 situated in onshore Canning Basin, and**
- **25% Retention Lease R3 situated in offshore Carnarvon Basin.**



**Figure 1**  
Oil Basins Exploration Interests





**Figure 3**

Permit Vic/P41 illustrating recent additional 295 line km of 2D seismic shot during 2008 and proximity to ROC Oil's Operated Basker-Manta-Gummy Development

While the Vic/P41 3D-defined prospects are ready to be tested (**Figure 3**), the timing of any potential drilling is dependent on the availability of a semi-submersible drilling rig slot in the Gippsland Basin (with current scheduling indicating potential availability in late 2009 ahead of commitment well required by 10 September 2010) and on the progress of farmout negotiations.

### GIPPSLAND BASIN – VIC/P66

#### Ownership (OBL – 17%)

The Vic/P66 Joint Venture will consists of:

Bass Strait Oil Company Ltd (ASX code: BAS)	60% and Operator
Strategic Energy Resources Limited (ASX code: SER)	23%
<b>Oil Basins Limited (ASX code: OBL)</b>	<b>17%</b>
Over-riding Royalties	Nil

## Update

In early April 2008, the Company joined an undisclosed consortium bidding for offshore Gippsland Basin Application Area (V07-3) situated immediately due East and contiguous to Vic/P41 – refer to **Figure 2**).

Company is pleased to report that Application V07-3, Gippsland Basin has during December 2008 been awarded as Vic/P66 to a consortium which includes OBL with a direct 17% interest. The permit is fundamentally under-explored with only one existing vintage seismic line partially diagonally crossing the western section from north-west to south-east.

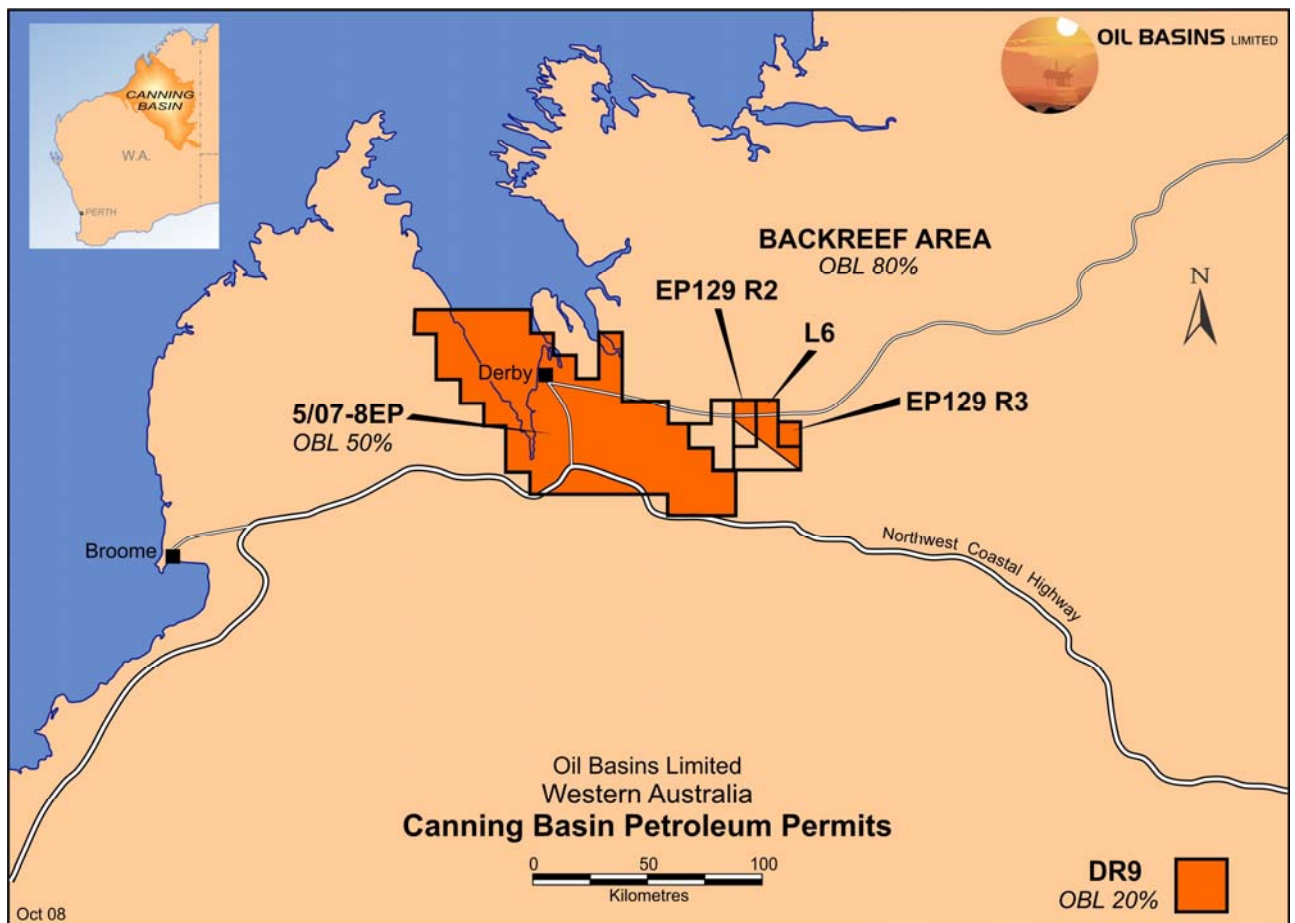
Water depths increase significantly in the eastern and southern sections of the permit, but are considered not outside Gulf of Mexico or offshore Brazil technical exploration limits.

Nonetheless, the Company regards the overall agreed six year work program obligations as modest with data collection (commencing 2 December 2008) and geological and geophysical studies in Years 1 and 2, 400 line km of 2D seismic in Year 3 (ie by 1 December 2011) and should the JV continue, prospect selection in Year 4, further geological and geophysical studies in Year 5, followed by a single well commitment in Year 6 (ie by 1 December 2014).

Preparations are presently underway to finalise the Joint Venture Agreement.

## CANNING BASIN – BACKREEF AREA

### Location



**Figure 4**

Oil Basins Limited's Canning Basin interests (*post-successful Settlement of ARC Energy Dispute*)

## Ownership (OBL - Beneficial Rights to 80%)

Following the completion of the Backreef-1 well, the ownership interests in Backreef Area will be as follows:

Backreef Oil Limited (" <b>Backreef</b> ") Notes 1 & 2	20% (Operator)
<b>Oil Basins Limited (ASX code OBL)</b> (or Nominee) Notes 1 & 2	<b>50%</b> (subject to BRU 30% back-in rights)
<b>OBL Backreef No.5 Pty Ltd</b> Notes 1 & 2	<b>5%</b>
<b>OBL Backreef No.10 Pty Ltd</b> Notes 1 & 2	<b>10%</b>
<b>OBL Backreef No.15 Pty Ltd</b> Notes 1 & 2	<b>15%</b>
Titleholder Note 3	Nil% (holds back-in rights to 30% from OBL)

Note 1 Golden Dynasty Resources Ltd retains owns a 2% ORRI payable by Backreef Area JVP's

Note 2 European Gas Limited (ASX code EPG) owns a 3% ORRI payable by Backreef Area JVP's and Budside Pty Ltd owns a 1% ORRI over EP129, but excluding L6 & L8 – these royalties are payable by Backreef Area JVP's.

Note 3 EP129 and L6 Titleholder is Buru Energy Limited.

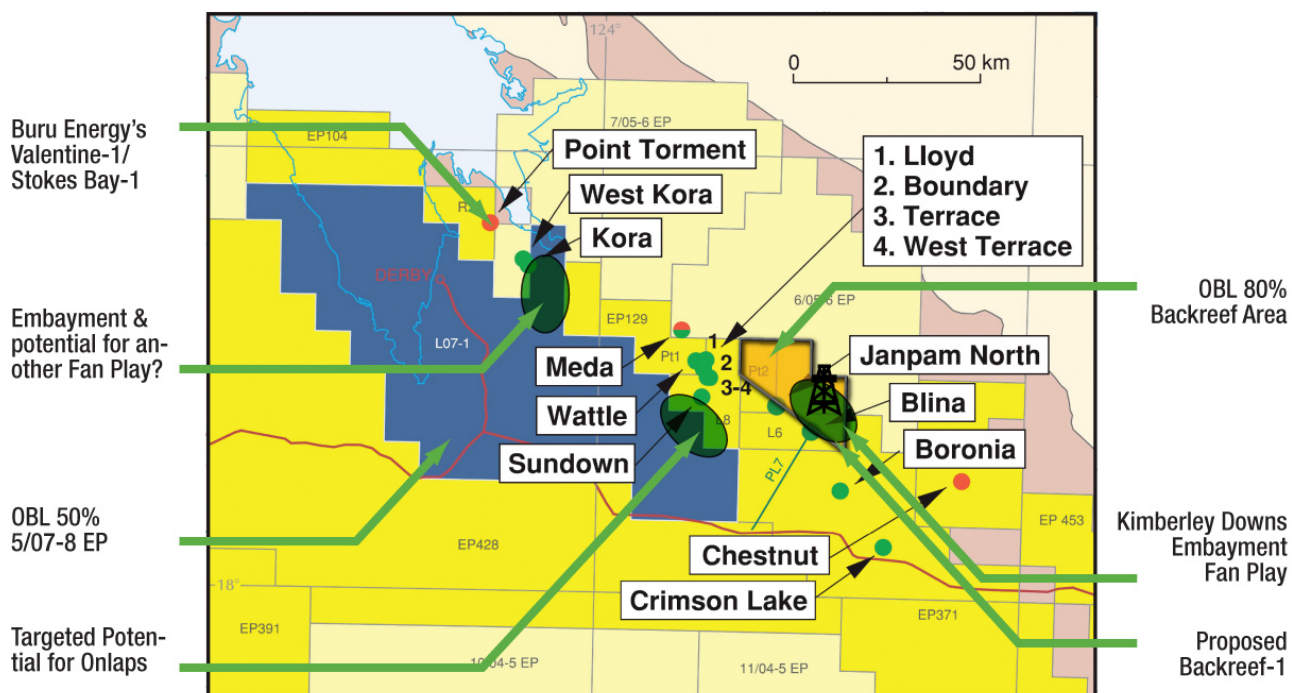
## Update

Settlement of the Ac Energy Dispute occurred on 31 October 2008, and the ASX announcement is repeated in the **Commercial Activities Section** of this Quarterly Report.

Transfers are presently still pending formal registration. As earlier reported the Company has recently commissioned an Independent Geological Assessment of the Backreef Area (**Figure 5**) and due to unforeseen preparation delays the report is now expected for release early in the current Quarter.

The Company believes that this Report together with the Settlement Agreement will greatly assist in the successful farmout of a partial interest in the Backreef Area during 2009.

Post-Settlement of the Arc Energy Dispute, the Company has the right but no the obligation to complete this well on agreed terms by 31 October 2010.



**Figure 5**  
Oil Basins Limited's Fitzroy Trough, Canning Basin interests highlighting the Backreef Area and its proximity to discovered oilfields and hydrocarbon shows.

## CANNING BASIN – DRILLING RESERVATION 9

### Ownership (OBL - Rights to 20%)

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

Backreef	80% (Operator)
<b>Oil Basins Limited</b> (or Nominee)	<b>20%</b>

**Update**

No significant activity occurred during the December Quarter. As earlier reported the Company has recently commissioned an Independent Geological Assessment of the DR9 but as earlier reported on Backreef, due to unforeseen preparation delays the report is now expected for release early in the current Quarter.

The Company has the right but no the obligation to complete this farmin by 31 March 2009.

## CANNING BASIN – PERMIT 5/07-8 EP

### Ownership (OBL - 50%)

Following satisfactorily executing stakeholder and authorities agreements, the joint venture interests will be as follows:

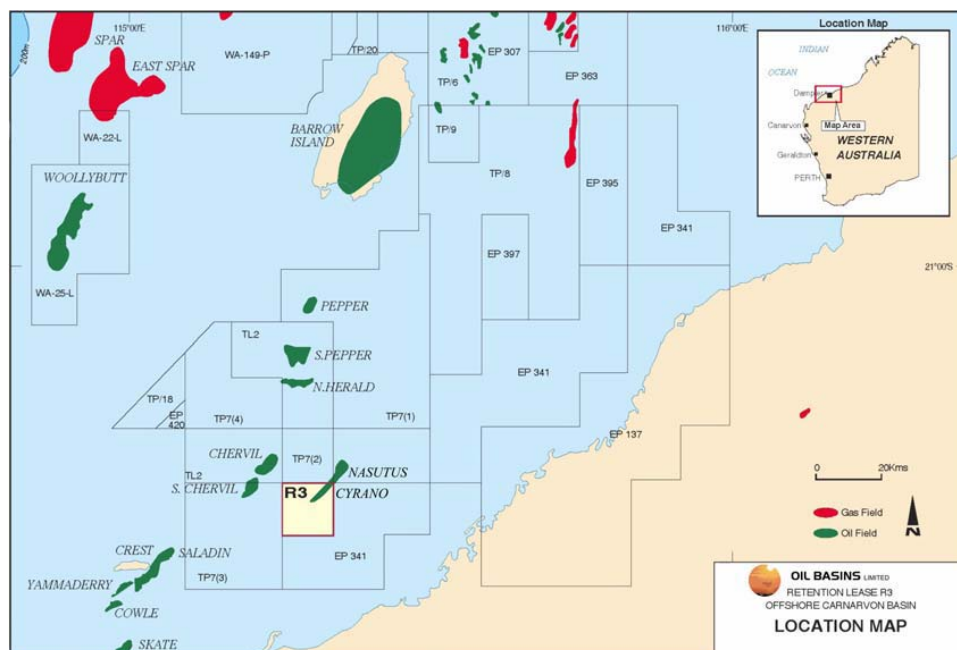
Backreef	50% (Operator)
<b>Oil Basins Limited</b> (or Nominee)	<b>50%</b>

### Update

During the quarter the operator Backreef met again with the Kimberley Land Council with respect to Native Title discussions. No significant expenditures are anticipated to occur until approval from all relevant stakeholders and authorities are attained (late 2009).

## CARNARVON BASIN – RETENTION LEASE R3

### Location



**Figure 6**  
Location of Retention Lease R3 (Cyrano), Offshore Carnarvon Basin

## Ownership (OBL - 25%)

Post joint venture and regulatory approvals on both transactions, the new R3 lease holders will be:

Tap (Shelfal) Pty Ltd ("TAP Oil", a wholly owned subsidiary of Tap Oil Limited)	75% (Operator)
<b>Oil Basins Limited</b>	<b>25%</b>

## Update

As earlier announced, on 9 September 2008 the Company advised the ASX that as both transfers have now attained all joint venture partner consents and formal lodgement and registration with the West Australian Department of Industry and Resources (**DoIR**) has occurred.

OBL subsequently finalised the agreed payments with all vendors (for an overall gross OBL cash expenditure of \$66,667 and the issue of 833,333 new OBL ordinary shares at 11 cents per share).

The Company is still awaiting the formal notice of DoIR registration of 25% interest R3 to OBL.

No new work has been reported by the Operator, Tap Oil (ASX code TAP) during the quarter.

## B. COMMERCIAL ACTIVITIES

### SETTLEMENT OF LEGAL DISPUTES WITH ARC ENERGY LIMITED

On 31 October 2008 the Company announced that it and Backreef Oil Limited (Backreef) have executed a Deed of Covenant in respect of the transfer of ARC Energy Limited's interests in the Canning Basin permits L6 and EP129 to Titleholder 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 (refer to **Figures 4 and 5**).

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 (to be wholly funded by OBL).
- 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 BRU 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 BRU. However, if BRU intends to relinquish either of L6 or EP129 then BRU 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.
- BRU 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 BRU will hold 30% of the production licence.

OBL also advised on 31 October 2008 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.

OBL is pleased with the outcome which has resulted in the Company attaining an 80% beneficial interest in the Backreef Area and which has significantly increased from the original 35% conditional farmin interest at the time of the OBL IPO on 23 August 2006.

Overall asset holding costs (including pre-payments and geological and geophysical assessment) incurred since 2006, including legal costs incurred regaining the Backreef Area are estimated at circa \$300,000.

## **TECHNICAL SERVICES AGREEMENT WITH STRATEGIC ENERGY LIMITED**

On 29 December 2008, the Company entered into short-term agreement with Strategic Energy Limited (ASX code **SER**) whereby OBL agrees to immediately provide technical services and representation services to the Company across its entire oil and gas portfolio in both the Gippsland and Cooper Basins, namely:

- **37.6% PEL182, Cooper Basin**
- **25% (reducing to 17.5%) Vic/P41, Gippsland Basin**
- **25% Vic/P47, Gippsland Basin**
- **100% Vic/P65, Gippsland Basin, and**
- **23% Vic/P66, Gippsland Basin**

The initial duration is for a period of three months, which may be extended at SER's discretion. Mr McGrath, being Chairman of both companies, was not involved in either the negotiation or approval of this agreement.

This agreement gives the Company access to OBL's specific oil and gas expertise including proprietary work done in respect of Vic/P41 and its retained and contracted experts in geology, geophysics, seismic processing and analysis, with special experience in the Gippsland and Cooper Basins.

Confidential Agreements between both companies were finalised in early January and preliminary work has already commenced.

## **CASH POSTION**

Cash held at 31 December 2008 was \$0.141 million.

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

13 January 2009

## 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.

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 26 years standing and 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 26 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 note the ASX materials previously quoted and the important definitions and disclaimers attached.

## 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
BOE <sub>6</sub>	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

## ABOUT OIL BASINS LIMITED

Oil Basins Limited (**ASX codes OBL & OBLO**) is an ASX listed E&P junior and highly leveraged development company, founded in mid-2006 and lead by a highly experienced team of energy professionals with a fairly unique skills set combining:

- Energy sector investment banking (capital raising/project financing, acquisition & divestment and corporate mergers & acquisitions).
- Comprehensive operational experience in all facets of upstream and downstream energy sectors – upstream includes all facets of offshore (platform, subsea and FPSO) and onshore oil and gas developments – downstream includes LPG, LNG, CNG and power generation.
- Key focus areas are Australia, New Zealand, Papua New Guinea and Indonesia where OBL has particular in-house strengths and the experience and skills set to conduct Basins Studies
- OBL regularly screens new acreage and farmin opportunities.
- Since listing in August 2006 with a modest initial capital raising of \$2.528 million, OBL has successfully executed a number of farmin agreements with independents and has steadily built up a portfolio of assets containing over 330MMBoe prospective potential resources (ie attained at a cost of less than 0.8 cents/Boe overall capital employed, or based upon total ordinary shares outstanding of 34.717107 million representing potential leverage of circa 9.5 Boe/share
- After conducting its own technical peer reviews during 2007/2008, OBL is presently focussing on farming out a number of its interests in both the Gippsland and Canning Basins.

## DIRECTORS & MANAGEMENT

Kim McGrath	Chairman
Neil Doyle SPE	Director
Graeme Menzies	Director
Melanie Leydin	Company Secretary
Geoff Geary	Technical Consultant

## WEBSITE

[www.oilbasins.com.au](http://www.oilbasins.com.au)