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Company Announcements Office
Australian Stock Exchange Limited
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Dear Sirs

**CANNING BASIN OPERATIONS UPDATE
BACKREEF-1 DRILLING REPORT NO.9 (FINAL REPORT)
BACKREEF-1 CASED & SUSPENDED**

The Directors of Oil Basins Limited (**OBL**, ASX codes **OBL**, **OBLOA** and **OBLOB**, or the Company) make the following ASX announcement relating to drilling and completion operations at Backreef-1, Backreef Area Canning Basin, onshore Western Australia (**WA**):

1. Backreef-1 was evaluated by Baker Atlas Quad-combo wireline logs and the FMT tool between Thursday 28 October and Saturday 30 October 2010. Using external expert petrophysical advice, preliminary pre-FMT assessment of the Quad-combo logs indicated a potential gross 77m oil column between 917mRT and 994mRT within the Yellow Drum Equivalent and Gumhole formations, with an implied potential net 40m oil column with up to 25% porosity. A number of thin zones of potential interest were also evident in the Basal Grant Sandstone, Lower Laurel Member and deeper within the Gumhole Formation.
2. The initial FMT was miss-run on Thursday evening and the tool became differentially stuck at 966.1mRT. The FMT tool was recovered by a shot-over attached to drill pipe and FMT evaluation recommenced early on Saturday 30 October. Some 44 pressure seats were recorded, with 25 valid tests. All of the Grant formation sandstones appear to be water saturated. However, only three valid pressure tests were obtained within zones of interest in the Yellow Drum and Gumhole formations. Consequently reservoir assessment in these formations remains in doubt.
3. Due to the uncertainty of reservoir evaluation it was decided to run casing and suspend the well.
4. Backreef-1 is currently being cased and suspended for possible future evaluation, pending a detailed petrophysical re-assessment of the geological, wireline log and FMT data. The scope of this evaluation may result in production testing and possible reservoir stimulation (including the possibility of acidising to improve limestone/dolomite formation permeability) utilising a fit-for-purpose work-over rig.
5. With the prior approval of the WA Department of Mines and Petroleum, the Backreef-1 well was over the weekend plugged back to 1155mRT and at the time of this report 178mm (7 inch) diameter casing was being cemented at 1155mRT, ahead of rig-release.
6. The occurrence of hydrocarbons within the Yellow Drum and Gumhole formations was not previously prognosed. The occurrence of such an extensive zone fluorescence is very encouraging for future oil exploration with the Backreef Area and the indicates the need as a priority for more modern seismic to be carried out to select potential attractive shallow depth drilling sites within the Kimberley Embayment.

7. Backreef-1 was the first well in nearly 20 years drilled in the eastern quadrant of Production Licence L6 delineated a number of “new plays” in the Kimberley Downs Embayment area contained within the Backreef Area.
8. The first is a new oil play in the within the Yellow Drum Equivalent and Gumhole Formations circa 900mRT to 1100mRT within the Kimberley Embayment away from the Blina Oil Field.
9. The second is an assessment of the previously undrilled, thick, interbedded, marine limestone/claystone/siltstone deposits of “Clanmeyer clastics” from 1275mRT to the revised total depth of 1800mRT. The prognosed low velocity units within the Kimberley Embayment are now understood to be related to the reflectance of the thick claystone sequences and not sandstones previously prognosed. The well was deepened specifically to gain valuable stratigraphic information to further assess this new play.
10. Pending further evaluation, the Kimberley Embayment region would now appear to be a highly prospective and attractive region for both conventional oil exploration and Unconventional Shale Gas (**USG**) exploration.
11. The updated Backreef-1 time versus depth curve is attached (**Figure 1**).

By funding 100% of the drilling and completion costs of Backreef-1, OBL is earning up to 90% of Backreef-1 and the Backreef Area.



Kim McGrath
Chairman

Backreef-1

Time vs Depth Curve

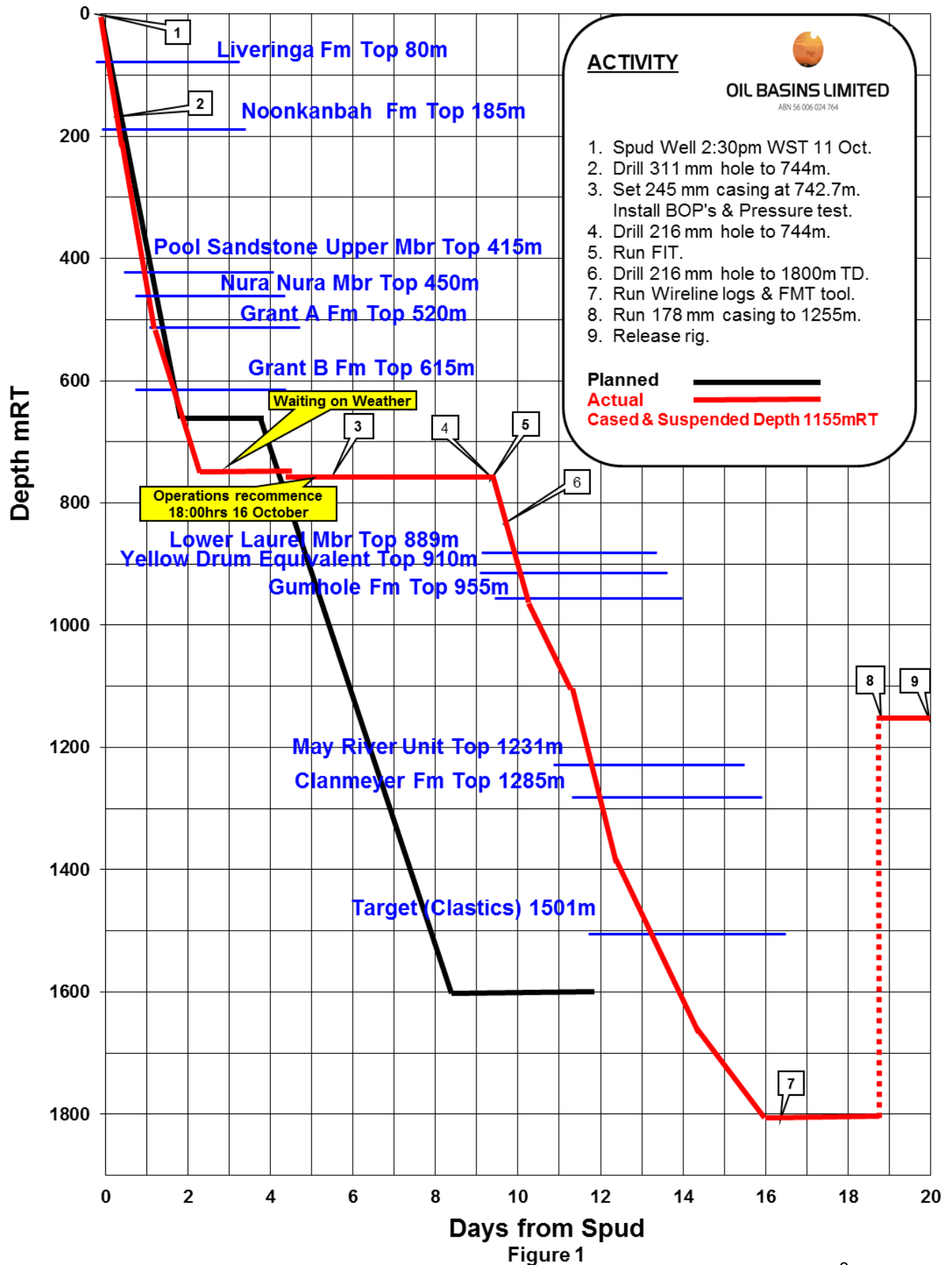


Figure 1