

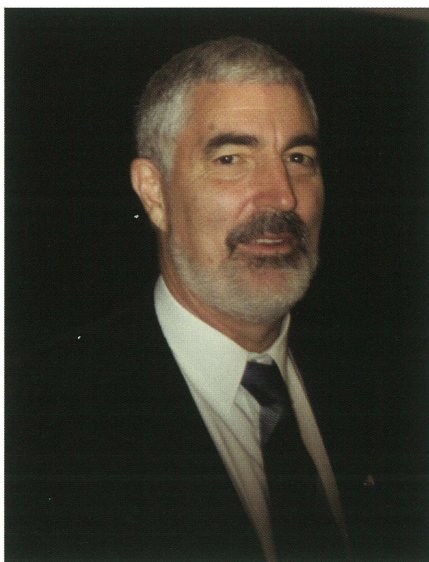
Oil Basins Cans Canning Action

Oil Basins and partner Backreef Oil have pulled out of legal disputes with ARC Energy and its spin off Buru Energy over two permits in the Canning Basin after the companies struck a new agreement covering rights and obligations over the assets.

Oil Basins said all litigation it had started against ARC in the Western Australia Supreme Court had been terminated. None of the parties had admitted any liability and all would bear their own costs.

Oil Basins had disputed ARC's right to spin off the permits into Buru Energy, a vehicle for its Canning Basin assets, ahead of its merger with Australian Worldwide Exploration, which did not include the Western Australian properties.

It claimed this could not be done until execution of a new Deed of Covenant covering the properties and Buru's claims to the permits were premature.



Buru Managing Director Eric Streitberg.

The dispute concerns the Backreef area, which includes parts of the PL production licence and EP 129 exploration permit. Oil Basins had

also accused ARC of breaking confidentiality agreements concerning prospects in the area.

A new Deed of Covenant agreed between ARC and Buru gives Oil Basins and Backreef the right to operate the Backreef area with an 80% and a 20% stake respectively, and the right to drill a well there before 31 October 2010. If they do so they will earn a 100% beneficial interest in the well.

If the well is a discovery, the pair will earn a 100% interest in a new production licence covering the prospect, to be split 80-20 between them. If the well is not a discovery, Oil Basins and Backreef will retain their interest in the area until 31 October 2012 or until the L6 and EP129 permits are relinquished by Buru. They have the right to drill further wells if they wish.

Buru has the right to farm in to a 30% interest in the Backreef area in return for paying 90% of the costs of drilling a well. ■