

December 10, 2007

**To: The Shareholders of
Officer Basin Energy Inc.**

Dear Shareholders:

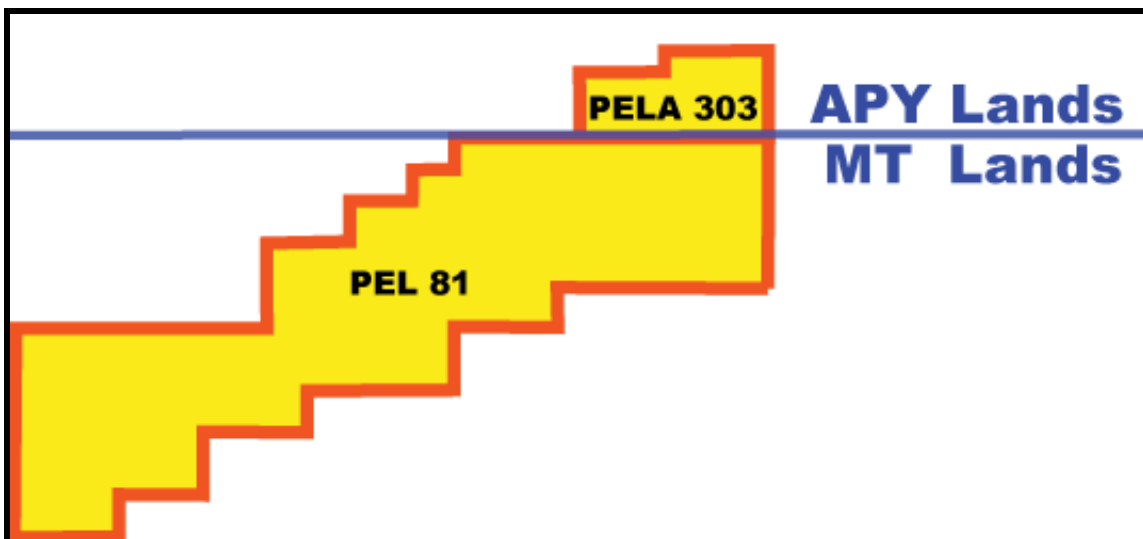
Re: Shareholder Update #2

Officer Basin Energy Inc. (“OBE”) is pleased to provide you with an update on recent activities.

Clarification of Existing Lands - South Australia

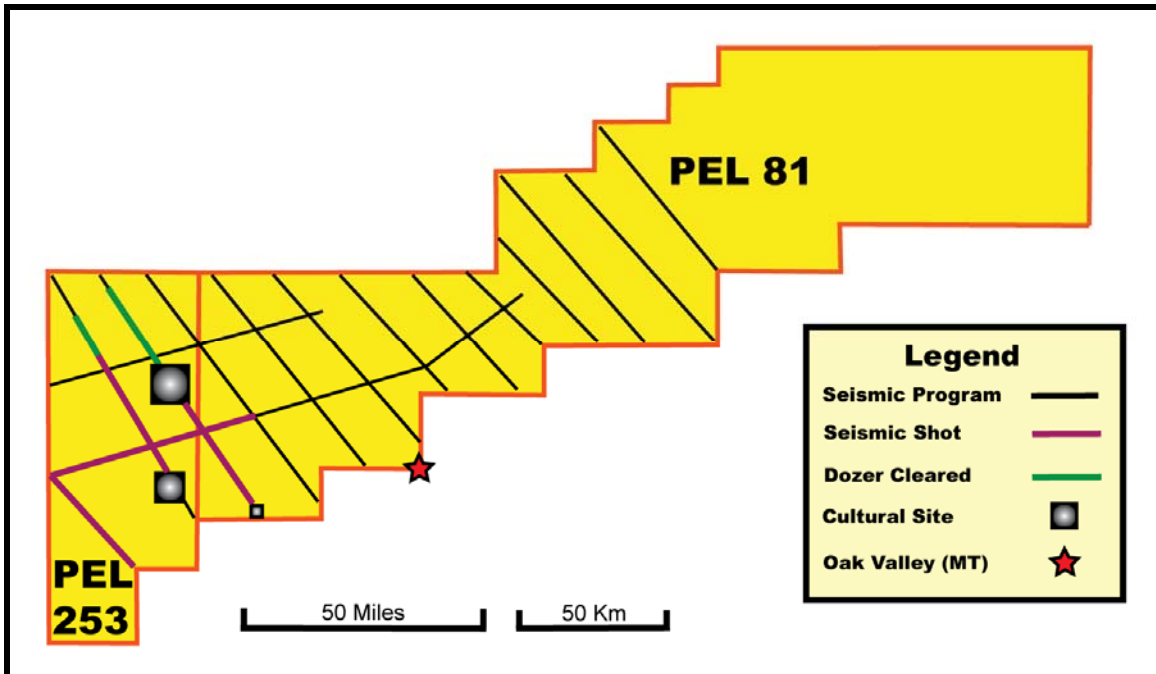
When OBE’s wholly owned Australian subsidiary, Officer Basin Energy Pty. Ltd. (“OBEPL”) successfully negotiated a surface land access agreement with the Maralinga Tjarutja (“MT”) aboriginal people in South Australia, it was granted two Petroleum Exploration Licenses (“PELs”) out of two former Petroleum Exploration Licence Applications (“PELAs”), namely PEL 253 (1,500,000 acres) out of PELA 253 and PEL 81 (5,000,000 acres) out of PELA 81. At the same time, the Government of South Australia took 1,000,000 acres out of former PELA 81 and with these lands created new PELA 303.

PELA 303 covers a small portion of the North East end of former PELA 81, which is subject to surface land rights held by another group of aboriginal people, the Anangu Pitjantjatjara Yankunytjatjara (“APY”) people of South Australia. PELA 303 will not become PEL 303 until OBEPL successfully negotiates a surface land access agreement with the APY people. Hereafter, when we refer to PEL 81, we refer to the old PELA 81 lands without the acreage now included in PELA 303. As a result, PEL 81 covers only 5,100,000 acres.



Operations - South Australia

OBEPL has contracted Terrex Seismic to shoot approximately 1,250 kilometers of seismic for the “year one seismic program” on the lands covered by PEL 81 and PEL 253. This seismic acquisition program will be conducted in two parts. The first part commenced during the week of October 19, 2007 and finishing on November 19, 2007. During this period, 213 kilometers of seismic were shot at an average of 9.7 kilometers per work day. The second portion of the year one program is scheduled to commence on January 15, 2008 and run through to early April 2007. Below is a map of the current progress of the seismic program, which includes bulldozer line clearing and seismic acquisition to date.



OBEPL will have the first 213 kilometers of data processed and interpreted over the next two months. To date the seismic program is on time and on budget.

The “year two” seismic program is scheduled to begin in mid-2008. The 2008 program will be based off the interpreted 2007 acquisition results. OBE plans to finance the capital budget for the 2008 program through another equity financing.

Below are some pictures from Paul Bennett (OBE President) and Robert Iverach’s (OBE Chairman) trip to the desert in October 2007.



Vibrator truck suspended by vibrator plate.



Steve Tobin (Terrex-President) tells Robert Iverach (OBE Chairman) how the vibrator trucks work. The square in the sand below their feet is the only mark left by the vibrator plate.

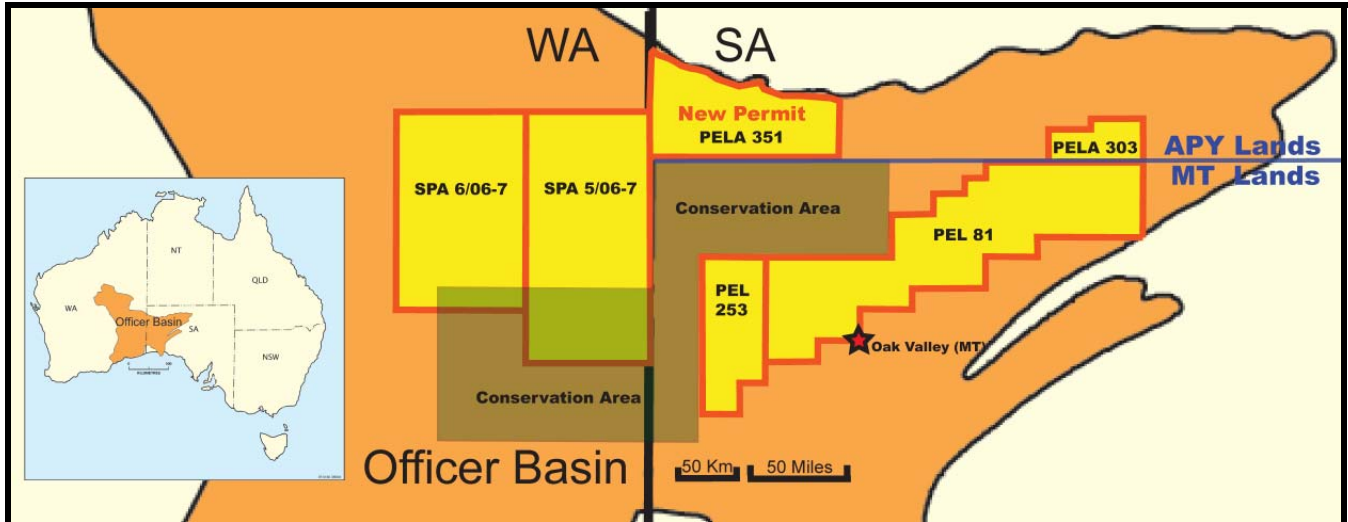


Left to right: Rob McDonald (OBE-Counsel), Paul Bennett (OBE-President), Jim Allender (OBE-VP Exploration), Phoompy (mechanic), and Peter Huff (PIRSA) are staying warm by the fire on a cold dessert night.

Additional Acreage in South Australia

In our first shareholder update (dated October 4, 2007), we discussed a large seismic anomaly which management had identified on open lands in the Officer Basin in South Australia. Early indications from the very limited seismic data available in the public domain showed seismic amplitude anomalies that may, under the right circumstances, be indicators of hydrocarbon entrapment. On September 26, 2007, OBEPL applied for a PELA on 2,400,000 acres covering this seismic anomaly. On October 29, 2007 OBEPL learned that it had received PELA 351, which grants OBEPL the right to obtain PEL 351 once OBEPL has successfully negotiated a land access agreement with the APY people. On November 14, 2007, the Minister of Resource Development granted OBEPL approval to negotiate land access with the APY people for both PELA 303 and PELA 351. PELA

351 is subject to an area of mutual interest agreement (“AMI”) with EnSearch Petroleum Pvt. Ltd. (“EnSearch”) entitling EnSearch to a 25% working interest in the lands on an unpromoted basis.



Operations - Western Australia

OBE’s has a 75% working interest in two Special Prospecting Authorities (“SPAs”) in Western Australia titled SPA 5/06-7 AO and SPA 6/06-7 AO. In the previous shareholder update (dated October 4, 2007), we discussed our desire to fly aero-gravity and aero-magnetics over these SPA’s after obtaining permission from the Spinifex aboriginal people who occupy these lands. On November 4, 2007, the Spinifex people lodged an objection to the granting to OBEPL of rights to conduct aero-gravity and aero-magnetics survey over the SPA’s until such time as OBEPL agreed to some basic conditions. On November 11, 2007, OBEPL agreed to the requested conditions of the Spinifex people and on November 20, 2007 the Spinifex objection was withdrawn and permission was granted to OBEPL to conduct the aero-magnetics and aero-gravity survey over the SPA’s.

On November 28, 2007, OBEPL contracted BHP Billiton’s Falcon system to fly the aero-magnetics and aero-gravity program over the SPA’s. The program has a budget of approximately \$1,76MM USD and is scheduled to commence in early December.



Falcon’s system is a complete potential field airborne geophysical survey system using both gravity & magnetics.

**Farmout to EnSearch**

OBEPL's farmout partner, EnSearch, has agreed to pay 50% of the cost of our total two-year seismic program on PEL 81 and PEL 253 and will earn an undivided 25% interest therein. In late October of 2007, OBEPL received the balance (\$4,200,000) of EnSearch's year one payment.

Summary of Landholdings to Date

	Gross Acres (expressed in millions)	Net Acres (expressed in millions)	Net Acres Post EnSearch Earning (MM)
South Australia			
PEL 81:	5.1	5.1	3.8
PEL 253:	1.5	1.5	1.1
PELA 303:	1.0	1.0	1.0
PELA 351:	2.4	1.8	1.8
South Australia Total:	10.0	9.4	7.8
Totals Converted to Km²:	40,541	38,100	31,448

	Gross Acres (expressed in millions)	Net Acres (expressed in millions)	Net Acres Post EnSearch Earning (MM)
Western Australia			
SPA 5/06-7 AO	4.3	3.2	3.2
SPA 6/06-7 AO	3.4	2.6	2.6
Western Australia Total:	7.7	5.8	5.8
Totals Converted to Km²:	31,185	23,389	23,389

	Gross Acres (expressed in millions)	Net Acres (expressed in millions)	Net Acres Post EnSearch Earning (MM)
Summary of South/Western			
South/Western Total:	17.7	15.2	13.5
Totals Converted to Km²:	71,726	61,489	54,837

As shown in the table above, OBEI has increased its controlled acreage in Australia to 17.7 million gross acres from the 15.3 million gross acres reported in the October 2007 Shareholder Update.

Interim CFO

At the present time, OBE has retained the services of Gary Lobb, C.A. (of Calgary, Alberta), to act as its Chief Financial Officer.



Letter to the Industry from Primary Industry Resources South Australia (“PIRSA”)

Attached hereto as Schedule “A” is an excerpt from a letter from the Dave Cockshell, Acting Director, Petroleum & Geothermal for PIRSA, which was recently prepared for the Minister for Mines And Energy. In it, he speaks enthusiastically about OBEPL’s activities in South Australia.

Our activities to date in South and Western Australia have gone according to plan and are on budget. We also have received tremendous state government encouragement.

Have a relaxing holiday season and a Happy New Year. We will provide you with more news in early 2008.

Yours sincerely,

A handwritten signature in black ink that reads "Paul J. Bennett". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Paul Bennett
President



Schedule "A"

With the current world price for oil, the matter of oil and gas exploration and supply is very topical. Several weeks ago there was an announcement of a major oil find in the Cooper Basin by Innamincka Petroleum - potentially one of the largest finds in the whole Cooper Basin. This was, of course, most welcome news for the explorer and the State as well. Not only does the State benefit from royalties and jobs but the find stimulates further interest in the basin and the State for further oil search.

Over the past several decades there has been little on-the-ground exploration for oil and gas outside the Cooper Basin in the northeast of the State or the Otway Basin in the southeast of the State. Whilst there have been some 30 applications for petroleum exploration licences outside these basins, over the past few years there has been limited action in getting arrangements in place to grant these licences and get action on-the-ground. Some of the delays have been for commercial reasons where prior economic conditions were not essentially favourable to exploration in such frontier petroleum basins.

However, over the past twelve months, there has been a significant change in this situation. In the past year, eleven applications have been finalized and licences granted following successful negotiation for land access with native title parties or traditional land owners where applicable. These cover parts of the Officer Basin in the far west, the Arckaringa Basin in the far north and the St Vincent Basin north of Adelaide. In these basins there has been no petroleum exploration for over 20 years or more. So, it is really pleasing to see this changing, as I speak.

Officer Basin Energy was granted two licences in the Officer Basin in June this year in Maralinga Tjarutja Lands. This followed successful ground breaking negotiation of an access agreement for petroleum exploration and development between OBE and Maralinga Tjarutja people.

The agreement involves business opportunity for the Maralinga Tjarutja, particularly focused on their capacity for earthmoving. Maralinga Tjarutja owns a bulldozer, grader and other earthmoving equipment and has skilled people to operate such. They were keen to be able to competitively bid for tenders for site works.

The first phase in Officer Basin Energy's exploration program involves 1250 kilometres of seismic surveying. Most of this requiring preparation of new but temporary access tracks for seismic trucks. Maralinga Tjarutja was successful in bidding for the line preparation for this program.

This exploration program started on 4 October following cultural and environmental inductions of the crew. The seismic recording crew started acquisition of seismic data on these lines on 25 October and it will take several months for this program to be completed.



Not only does this represent a substantial business contract for Maralinga Tjarutja and a track record for future work, but it is a major employment and training opportunity for many Maralinga Tjarutja people from the local community.

While it is recognized as a rank frontier province, the Officer Basin is also recognized as Australia's onshore petroleum province with the greatest potential for major oil and gas resources. Officer Basin Energy, has committed around \$30 million for exploration in its two licences. In its first year, Officer Basin Energy is undertaking 1250 kilometres of seismic surveying. A similar amount is committed in the second licence year to define drilling targets. In the third year a well is programmed to be drilled.

In all these phases, Maralinga Tjarutja has opportunity to be involved in commercial business undertakings, such as earthmoving contracts. Each of these activities also involves a 'Work Area Clearance' by a cultural heritage team of Maralinga Tjarutja people lead by an anthropologist, to ensure that cultural sites are avoided by the exploration activities. With the extent of the considerable seismic programs in the first two years, such clearances requires a substantial amount of time and effort to undertake, for which the clearance team is reimbursed for by Officer Basin Energy. These clearances also provide a wide scope for the documentation of their heritage and cultural sites for the benefit of Maralinga Tjarutja people, in addition to direct employment opportunities as part of the cultural heritage team.

Under the Maralinga Tjarutja Land Rights Act 1984, there is provision for allocation of prescribed royalties for mineral and petroleum resources that may be developed. One third of prescribed royalties goes to the Maralinga Tjarutja community directly, one third of prescribed royalties goes to the Minister for Aboriginal Affairs and Reconciliation for the health, welfare and advancement of the Aboriginal community in the State generally, and the remaining royalty goes to the State. Hence there is a significant incentive for the Maralinga Tjarutja community to want the explorer in their lands to be successful. I certainly wish Officer Basin Energy well in its exploration program and look forward to a successful drilling program in the future and that will hopefully lead to significant benefits to the explorers, the Maralinga Tjarutja community directly, and the State in general.

Regards

Dave Cockshell
Acting Director Petroleum & Geothermal