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The Manager, Companies  
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## **CRUX PROJECT REVIEW**

### **REVISED RESOURCE ESTIMATES CONFIRM ATTRACTIVE INVESTMENT POTENTIAL**

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Please refer to the attached announcement.

Yours sincerely,

**Susan Robutti**  
**Company Secretary**



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## **Crux Liquids Project Review**

### **Revised Resource Estimates Confirm Attractive Investment Potential**

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Nexus Energy Limited ("Nexus") advises that it has completed a preliminary resource evaluation for the Crux field incorporating the results of the Crux-2 well. The company has also undertaken an economic review of the project across a range of development scenarios utilising costs from recently completed front end engineering and design ("FEED") work.

Nexus would also like to report that drilling has recommenced on the "Crux-2 Side Track-1" well following an interruption to operations by tropical cyclone George. The well is currently forecast to reach the reservoir objective by 25 March 2007.

The key results from the technical and economic review are summarised as follows:

- The revised best estimate contingent resource for the field is 55 million barrels within the AC/P23 permit yielding a pre-tax net present value of A\$710 million at a discount rate of 10%\*
- Down hole gas samples recovered from Crux-2 indicates the liquids content of the gas in the Crux field is 30% higher than previously calculated at Crux-1. A 10% increase has been assumed in this revision of the resource evaluation
- The revised low estimate contingent resource for the field is 40 million barrels within the AC/P23 permit yielding a pre-tax net present value of A\$380 million at a discount rate of 10%\*
- The high estimate contingent resource for the field is 71 million barrels within the AC/P23 permit yielding a pre-tax net present value A\$1,100 million at a discount rate of 10%\*
- Two gas recycle cases have been considered and costed based on the recently completed FEED studies, namely;
  - 600 million cubic feet per day recycled (for the low and best estimate contingent resource cases), and;
  - 900 million cubic feet per day recycled (for the high estimate contingent resource case).

These cases yield liquids rates of 19,000 barrels per day and 29,000 barrels per day respectively.

The resource estimates for the field exclude any resources from either the Plover sandstone encountered in Crux-2 or the potential extension of Crux into the recently awarded AC/P41 permit.

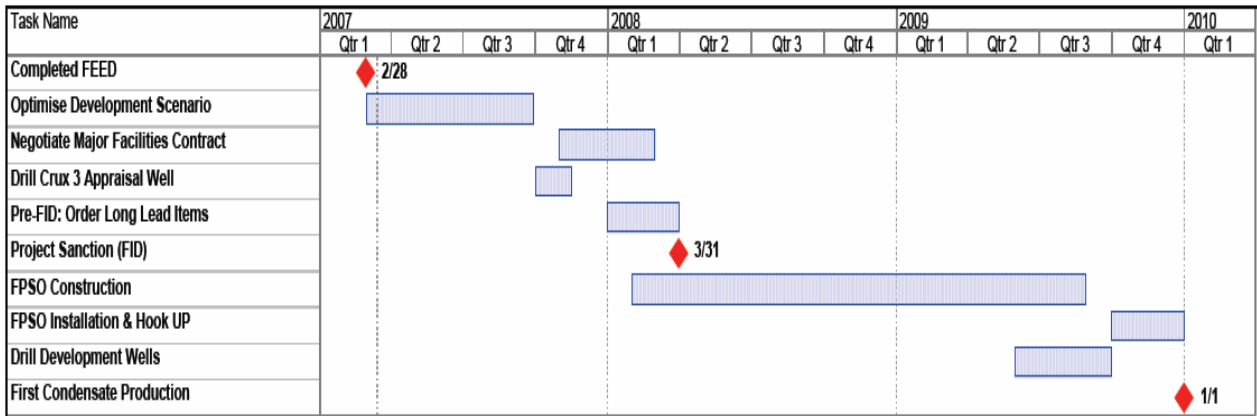
\* Note: Based on Nexus management internal analysis. Technical and economic assumptions are incorporated in the appendix to this release.

These results support Nexus' appraisal strategy of drilling one additional well later this year.

It is then intended to progress to a financial investment decision ("FID") in early 2008.

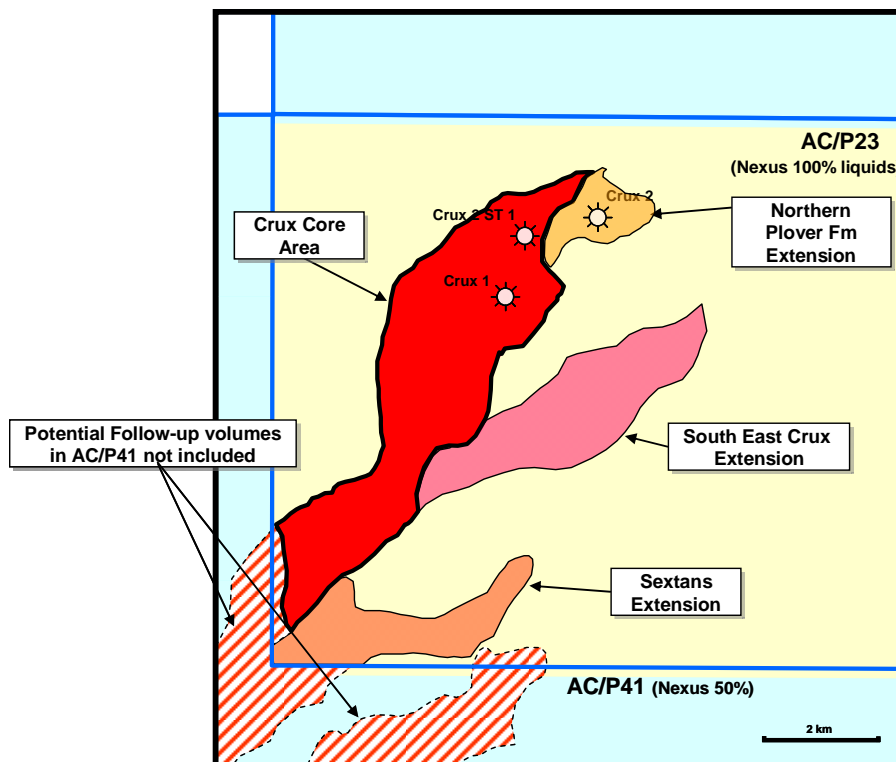
Maintaining this schedule will enable first liquids production in early 2010.

The company is confident that at least the low case resource estimate of 40mmbbl can be achieved in the core of the field surrounding the Crux-1 well, where there is good seismic continuity.



Summary of Liquids Project Schedule

It is expected that the drilling of additional wells in the South East Crux Extension and the Sextans field extension will be drilled post FID. Additional volumes from these extensions would increase the value of the development but are not considered to be critical for the FID. Lower recoveries have been assumed for these extensions on the basis the gas may not be recycled rather reinjected into the core of the field.



Crux Field Top Reservoir Depth Map

Liquids resource estimates have been boosted by a higher than expected condensate content in the gas obtained from six down hole samples recovered and analysed from the Crux-2 well. The average condensate ratio is 30% higher than previously estimated from the drill stem tests conducted on Crux-1 well. These new samples recovered provide a more reliable estimate of condensate gas ratio than were determined previously from surface sampling at Crux-1, however only a 10% increase has been used in Nexus' analysis.

Clearly significant liquids resource upside exists which the company expects to incorporate into its volume estimates after further down hole gas sampling from the Crux-2 Side Track-1 well.

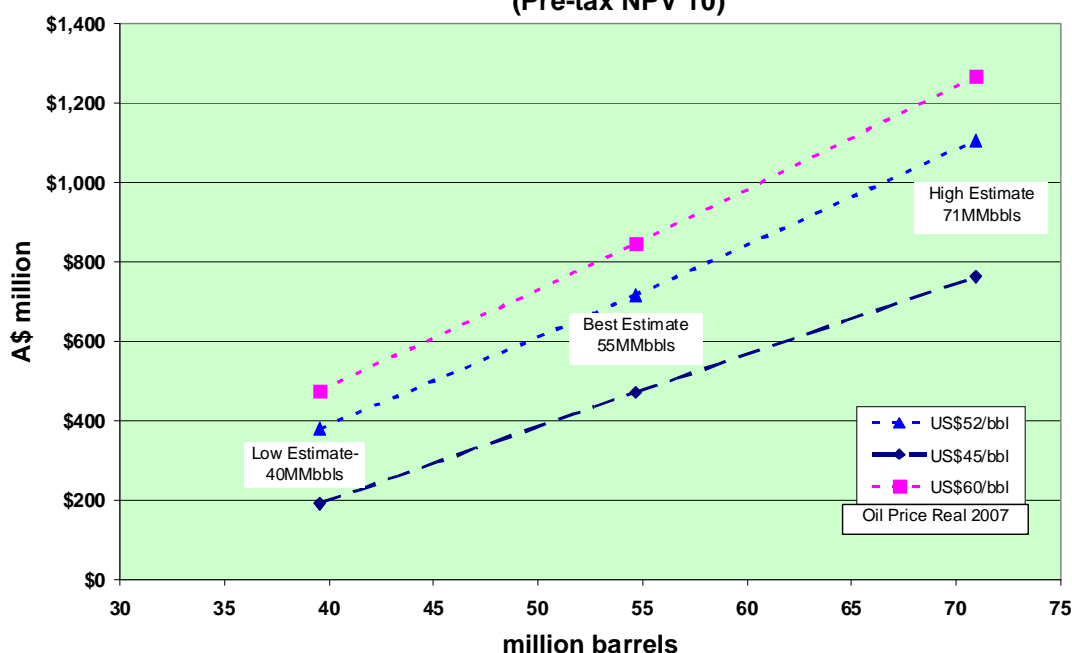
The table below shows the key project parameters for each case. The assumptions are provided in the Appendix.

**Key Project Parameters**

Contingent Resource Confidence	Low	Best	High
Condensate (mmbbl)	40	55	71
No. of Wells	5	6	7
Gas Recycle Rate (MMscf/d)	600	600	900
Peak Condensate Rate (bbls/d)	19,000	19,000	29,000
Total Capital Costs (US\$m)	\$725	\$825	\$890

The project economics for each resource case at various oil prices are shown below.

**Net Present Value vs's Contingent Resource  
 (Pre-tax NPV 10)**



The best estimate (most likely) resource case results in a unit capital cost of US\$16 per barrel, an operating cost of US\$3.60 per barrel during plateau production and a net present value (10%) pre-tax per barrel of US\$10 per barrel (at US\$52 per barrel Real 2007 oil price).

Nexus Managing Director, Ian Tchacos said, "These results illustrate the potential of the Crux liquids project. Nexus is confident that a substantial liquids resource exists at Crux and will continue to aggressively pursue this valuable project in order to bring it to development within 12 months."

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**APPENDIX**

**SUMMARY OF TECHNICAL AND ECONOMIC ASSUMPTIONS**

**ECONOMIC ASSUMPTIONS**

**General**

- FID in Q1 2008
- Discount date 1/1/2007
- Exchange rate US\$0.75/A\$1.00
- CPI of 2.5%pa
- All costs are in US\$ unless otherwise stated
- Past costs (e.g. Crux-2, Crucis 3D, Crux FEED) are taken into account (for taxation calculation)
- FPSO has been assumed as an upfront capital cost and not leased. The company may consider a leased/finance option prior to the FID.
- Abandonment costs are not included as costs are assumed to be covered by sale of FPSO at end of field life
- Production start date 1/1/2010
- Condensate/Gas Ratio of 31bbls/MMscf

**Capital Costs**

<b>Capital Costs (US\$ million) - Nominal</b>			
<b>Contingent Resource Confidence</b>	<b>Low</b>	<b>Best</b>	<b>High</b>
Condensate (million barrels)	40	55	71
<b>Facilities Capital Costs</b>	<b>\$555</b>	<b>\$615</b>	<b>\$640</b>
<b>Total Drilling Costs</b>	<b>\$170</b>	<b>\$210</b>	<b>\$250</b>
<b>Total Capital Costs (US\$ millions)</b>	<b>\$725</b>	<b>\$825</b>	<b>\$890</b>

**Operating Costs**

- Operating Costs

<b>OPEX (US\$ millions) - 2007 Real Dollars</b>			
<b>Contingent Resource Confidence</b>	<b>Low</b>	<b>Best</b>	<b>High</b>
Condensate (million barrels)	40	55	71
Gas Recycle Rate (MMscf/d)	600	600	900
<b>G&amp;A, Insurance, FPSO Support etc., (US\$ p.a.)</b>	<b>\$25</b>	<b>\$25</b>	<b>\$27.5</b>
<b>Well Intervention Cost</b>	<b>\$20</b>	<b>\$40</b>	<b>\$40</b>

- Well Intervention
  - A well intervention cost of \$US20million is assumed in year 5 of field life in the low case.
  - Two well interventions are assumed in year 5 of field life in both the best and high cases. A total cost of \$US40 million has been assumed.

**DEVELOPMENT ASSUMPTIONS**

- Reservoir properties observed at Crux-1 were assumed for A and B sand areas of the field.
- Sand thickness was interpreted from seismic character with thickness not exceeding that observed at Crux-1 in the best (most likely) case
- A full field reservoir simulation of the current most likely geological model has not yet been run. Condensate recovery factors have been estimated on the basis of previous simulation models of the field.
- The condensate gas ratio derived from the reservoir samples taken from Crux-2 (~36bbls/MMscf) is some 30% greater than that seen in Crux-1 (28bbls/MMscf). A condensate gas ratio of 31bbls/MMscf is assumed (10% greater than Crux-1).
- The number of wells required depends on the resource volume (the larger the resource volume then more wells will be required). For the current best case contingent resource (55MMbbls) three producing wells and three re-injection wells are estimated to be required.

Crux Development Scenarios	Core Area + SE Extension	Core Area + SE Extension + Sextans	
		Best	High
Contingent Resource Confidence	Low	Best	High
Condensate (million barrels)	40	55	71
No. of Wells:			
Core Area*	4	4	5
South East Extension	1	1	1
Sextans	-	1**	1**
Total	5	6	7
Gas Recycle Rate (MMscf/d)	600	600	900
Peak Condensate Rate (bbls/d)	19,000	19,000	29,000

\* Inclusive of Crux-2 ST1

\*\* Sextans well drilled in Year 4

- Well costs were estimated from current data.
- Facility development costs were derived from the recently completed Front End Engineering and Design, (FEED) study. The base case gas processing technology has been changed from the Twister Technology to conventional turbo-expander equipment.
- Operating costs have been estimated to increase from US\$20 million pa to US\$25 million pa reflecting the change to more standard gas processing technology for the best estimate case.

## **DEVELOPMENT SCENARIOS**

It is expected that an appraisal well drilled in the core area, Crux-3, prior to FID, will firm up the economic resource in the core area of the field for the Crux Gas Recycling Project. The well is assumed to be retained for the field development.

On the low case contingent resource (40MMbbls) the development is expected to consist of five wells, three producers and two injectors within the core area and the South East Extension.

On the best case contingent resource (55MMbbls) the development is expected to consist of six wells with three producers and three injectors within the core area, the South East Extension and the Sextans area.

On the high case contingent resource (71MMbbls) the development is expected to consist of seven wells with four producers and three injectors within the core area, the South East Extension and the Sextans area

Note: The category of contingent resources with low, best and high estimates are in accordance with the resource definitions adopted by the Society of Petroleum Engineers (SPE) and World Petroleum Congress (WPC), in February 2000. The resource volumes contained in this release have been prepared by Mr Graham Bunn, an employee of Nexus Energy who is a suitably qualified competent person. He holds a Bachelor of Science (Hons) and is a member of the Society of Petroleum Engineers. He is a petroleum industry professional with 27 years international experience in petroleum engineering.

### **Background on the Crux Field**

The field is 100 kilometres north east of the 100% Nexus owned permit WA-377-P which contains the Echuca Shoals gas discovery, adjacent to Inpex's Ichthys gas field; currently being considered for development as a LNG project.

A 3D seismic survey acquired by Nexus earlier in 2006. A FEED study commenced in April 2006.

Early in 2006 Nexus sold the rights to the gas (excluding condensate) to Shell for US\$40 million.

Sale of condensate from the field has the potential to provide significant value to Nexus' shareholders and this project has been vigorously pursued.

The gas sales agreement enables Nexus to undertake its condensate recycle project until 31 December 2020 at which time Shell will take ownership of the permit and will be able to extract the gas and any remaining condensate.

Nexus has completed a basis for design for a gas recycling facility for the Crux liquids project with approximately 900MMscf/d of gas being produced through three production wells. Over 29,000stb/d of condensate could be stripped from the gas before re-injection into the reservoir through three injection wells. A 600MMscf/d scheme is also being considered which would allow 19,000stb/d to be stripped.

The wells are to be tied back to a floating production, storage and offloading facility (FPSO).