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The Manager, Companies  
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## **Nexus Declares Commerciality and Books Reserves at Longtom**

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Please refer to the attached announcement.

Yours sincerely,

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



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## **Nexus Declares Commerciality and Books Reserves at Longtom**

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Nexus Energy Limited ("Nexus") has declared the commerciality of the Longtom offshore gas project in Bass Strait. This is based on contracted reserves of 350 Petajoules (PJ) of gas and 4 million barrels of condensate.

Nexus, which owns 100% of the Longtom Project, has also executed a revised gas sales agreement with Santos Limited ("Santos") and is in the final stages of agreeing its project financing facilities.

Other key project attributes to note include:

- The first gas from the Longtom project is forecast for the third quarter of 2008.
- Major works including pipeline installation and the drilling of an additional well are scheduled for the first half of 2008 in order to meet the first gas production target.
- Nexus is currently converting letters of intent for all major project equipment items and services to final contracts.
- The Longtom field development plan is being finalised with a production licence submission to the designated authority to be submitted in May. All necessary government project approvals are expected to be secured by the middle of 2007.
- Gas from the Longtom field will be produced via sub-sea wells linked by pipeline to the Santos owned and operated Patricia/Baleen gas facility.

Nexus managing director, Ian Tchacos said, "Excellent technical and commercial progress has been made at Longtom. The project represents a very significant step forward for the company. The booking of its first reserves and the first operating cash flow from an internally generated project is expected during the third quarter of 2008.

"We look forward to working closely with Santos and BOSI to deliver this exciting new gas project capable of supplying significant long term gas volumes in to the Victorian and New South Wales markets."

### **Gas Sales and Processing Agreements**

Contracts to process and purchase up to 350 PJ of gas and associated liquids from the Longtom field have been revised to accommodate the financing arrangements with the companies future financiers. All key commercial terms for the revised gas sales agreement remain unchanged from the agreement signed with Santos in December 2005.

Under the agreement Nexus will deliver raw gas from the Longtom field to the Santos owned and operated Patricia/Baleen gas processing plant near Orbost. Santos will process and purchase the processed gas and associated liquids.

Santos has agreed to process up to 450 PJ of raw gas from Longtom and purchase the first 350 PJ of the sales gas at defined prices. The agreements are subject to regulatory approvals relating to the project.

Santos also has an option to acquire up to 35% interest in the Longtom project.

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**Background on Longtom Field**

The original Longtom-1 discovery well intersected a 386 metre gas column in the Emperor formation. This was confirmed by the Longtom-2 appraisal well drilled by Apache Energy Limited ("Apache") and Nexus in late 2004, which intersected a gas column in excess of 400 metres long in five separate reservoir zones.

The Longtom gas project has been progressed by Nexus on a sole risk basis since mid 2005 when Apache elected not to participate in the appraisal and development of the Longtom field.

A gas sales agreement for Longtom gas was signed with Santos in December 2005. Santos has agreed to process up to 450 PJ of raw gas from the Longtom field through its existing onshore Patricia/Baleen facility near Orbost in north eastern Victoria. Santos has agreed to purchase the first 350 PJ of the sales quality gas production at defined prices.

The Longtom-3 well drilled in September 2006 by Nexus on a sole risk basis, confirming the commercial potential of the Longtom field when a sustained flow rate of over 75 MMscf/d was achieved during the second production test over the field's lower reservoir sections. These lower reservoir sections contain over 80% of the hydrocarbon volumes in the Longtom field. A test, of the upper reservoir sand which did not flow in the Longtom-2 well also confirmed the capacity of this sand to flow.

Nexus retained a 100% interest in the Longtom gas field after confirmation by Apache in late 2006 that it would not exercise its buy-back right in relation to the project.