

Mystery Company Pays \$53 M For Piece Of Crux Action

An un-named international oil and gas company has agreed to pay \$53 million for appraisal, feasibility and development expenditure on the Crux Liquids Project in the AC/P23 permit to earn a 34% interest in the Browse Basin project after signing a heads of agreement (HOA) with operator Nexus Energy.

Nexus Managing Director, Ian Tchacos, said the farminee will have the option to increase its interest in the project to 50% (an additional 16%) upon a further cash payment to Nexus of \$43 million no later than four months after completion of drilling of the Crux-2 well.

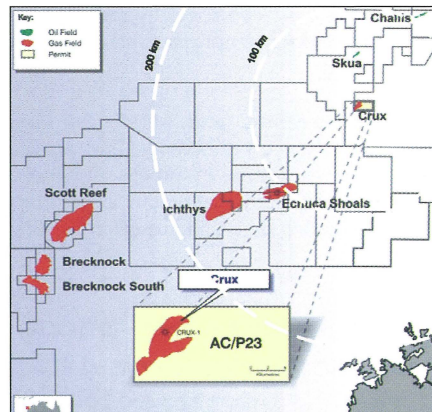
"It is anticipated that the farminee will fund front end engineering, the drilling of the Crux-2 appraisal/development well and other project activities which are required to progress the project to an investment decision in early 2007", Tchacos said. "The farmin agreement acknowledges the rights which Nexus has already agreed to assign to Shell Development Australia Proprietary Limited (Shell) in respect to the gas in the AC/P23 permit."

The HOA is subject to a number of conditions precedent being met by 7 October 2006 including:

- Board approval of both the farminee and Nexus and completion of due diligence by the farminee by the end of August 2006;
- Governmental and regulatory approvals;
- Execution by Shell of the definitive agreements in respect of the sale of gas in the AC/P23 permit area on the terms of the letter of intent with Shell;
- The consent of Shell to the arrangements envisaged by the HOA; and
- Execution of formal documentation.

Tchacos said the HOA will be binding on the parties once the above conditions are met. "Upon completion of the transaction, the farminee will assume the role of project manager and be responsible for execution of the development. A joint team will be created by the parties whereby the farminee will provide its extensive facilities construction expertise to the project."

He said Nexus will retain the role of permit operator and provide the necessary geological and reservoir engineering skills to the project. "We are extremely pleased with the opportunity to introduce a capable partner to the Crux liquids project. Assuming we secure the necessary board and regulatory approvals, we expect that this very capable farminee will not only provide project funding but valuable additional skills and experience to the Crux project."



Crux is a substantial gas and condensate resource in an emerging LNG province. The field lies some 100 km to the northeast of the 100% Nexus owned WA-377-P permit area which contains the Echuca Shoals gas discovery, adjacent to Inpex's Ichthys gas field currently being considered for development as an LNG project.

“ Nexus plans to commence working together immediately with a view to bringing the Crux condensate resource into production in a 'rapid and cost effective manner'. Nexus's best estimates of the Crux field contingent resources are 71 MMbbl of condensate and 2 Tcf of gas ”

"Their project management and construction capabilities are complementary with Nexus's geological, geophysical and reservoir engineering skills. We plan to commence working together immediately with a view to bringing the Crux condensate resource into production in a rapid and cost effective manner."

"The pace of progress on our Browse basin assets since acquiring the Crux field earlier this year is extremely encouraging. The combination of the project funding for the Crux liquids project from this farmin deal and the expected up front cash payment by Shell for future gas rights in the permit provides Nexus with the capacity to rapidly advance the Crux development."

Tchacos said the funding secured from these transactions also provides Nexus with financial flexibility to rapidly appraise the recently acquired Echuca Shoals discovery, a field that is ideally placed given its proximity to the Ichthys field. "Ichthys is a gas substantial resource that is currently being positioned as a future LNG development"

Crux is a substantial gas and condensate resource in an emerging LNG province. Nexus acquired the asset for \$12 MM in 2005 and has maintained a 100% interest in the Crux field. They are appraising the asset with the intention of commencing its development phase by the second quarter of 2007.

The field lies some 100 km to the northeast of the 100% Nexus owned WA-377-P permit area which contains the significant Echuca Shoals gas discovery that is adjacent to Inpex's Ichthys gas field currently being considered for development as an LNG project.

In January 2006, Nexus commissioned a new 280 km² 3D seismic survey over the Crux field. This survey was completed in March 2006 and new structure maps for the Crux field have been generated using the new velocity data.

"Nexus believes these maps confirm additional resource potential in the north-eastern part of the field", Tchacos said. "Nexus' best estimates of the Crux field contingent resources are 71 MMbbl of condensate and 2 Tcf of gas."

Preparation for drilling of the appraisal well Crux-2 in the fourth quarter of 2006 is under way. Nexus is actively seeking a rig slot and is purchasing the required drilling materials which will allow the well to be drilled when a slot does become available.

"The next step in the forward plan for the project will be completion of the front end engineering and design (FEED) which will incorporate the results from both the new 3D seismic data and the Crux-2 appraisal well", he said. "The FEED will provide detailed design information on key components of the project. This information will be used by companies that will tender for the supply of the project's floating production storage and offload facility (FPSO) later in the year."

In March 2006 Nexus appointed Mustang Engineering to execute the FEED and Tchacos said this work is progressing on schedule. ■