



31 July 2006

(ASX code: NXS)

## **Progress Report No. 4 Longtom-3 Well VIC/P54**

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Nexus Energy Limited is pleased to advise that at 9.00 hours (EST) on Monday 31<sup>st</sup> July 2006 wire line logging in the deviated pilot hole in the Longtom-3 well has been completed after the well reached a total depth of 3485 metres measured depth.

Longtom -3 has successfully encountered 16 metres of net gas sand at the targeted level within the Admiral Formation, some 265 metres deeper than the deepest gas intersection in Longtom-2, 1.1 km away. The gas sand penetrated in the Longtom-3 pilot hole is thinner than was anticipated but this has been partially offset by the better than expected gas saturation. Initial indications of porosity and permeability in the gas sand are also encouraging.

This result at Longtom-3 has increased the total gross thickness of gas intersected in the Longtom field from 395 metres to 660 metres, (there is still potential for deeper gas as a gas water contact (GWC) was not observed in the well). The gas has been encountered in a series of independent reservoir units.

The Longtom 3 pilot hole suggests that the Admiral Formation reservoir sands are laterally continuous in the vicinity of the three wells drilled on the Longtom field to date as the sands can be correlated between all three wells.

The purpose of the Longtom 3 pilot hole was to accurately locate the deeper gas sands seen in Longtom 2 in order to facilitate well path planning of the horizontal production well. The shallower gas bearing sands seen in Longtom 1 and Longtom 2 were not anticipated to be gas bearing in the Longtom -3 pilot hole as they were expected to be intersected below the GWC at the well location.

The results of the well to date indicate that amplitude effects derived from seismic ("seismic anomalies") can be used to determine the quality and distribution of gas filled sands. The use of seismic anomalies is an important tool for optimally locating the Longtom - 3 horizontal well and any future Longtom wells.

The pilot hole will now be plugged back in order for the horizontal well bore to be drilled laterally through the Longtom gas sands and tested as originally planned.

The Longtom-3 horizontal well section will provide further important appraisal data in relation to the lateral distribution and quality of gas reservoirs in the Longtom field.

### **Location**

The well is located in VIC/P54, in the offshore Gippsland Basin, Victoria.

Latitude 38 deg 05' 34.70" S

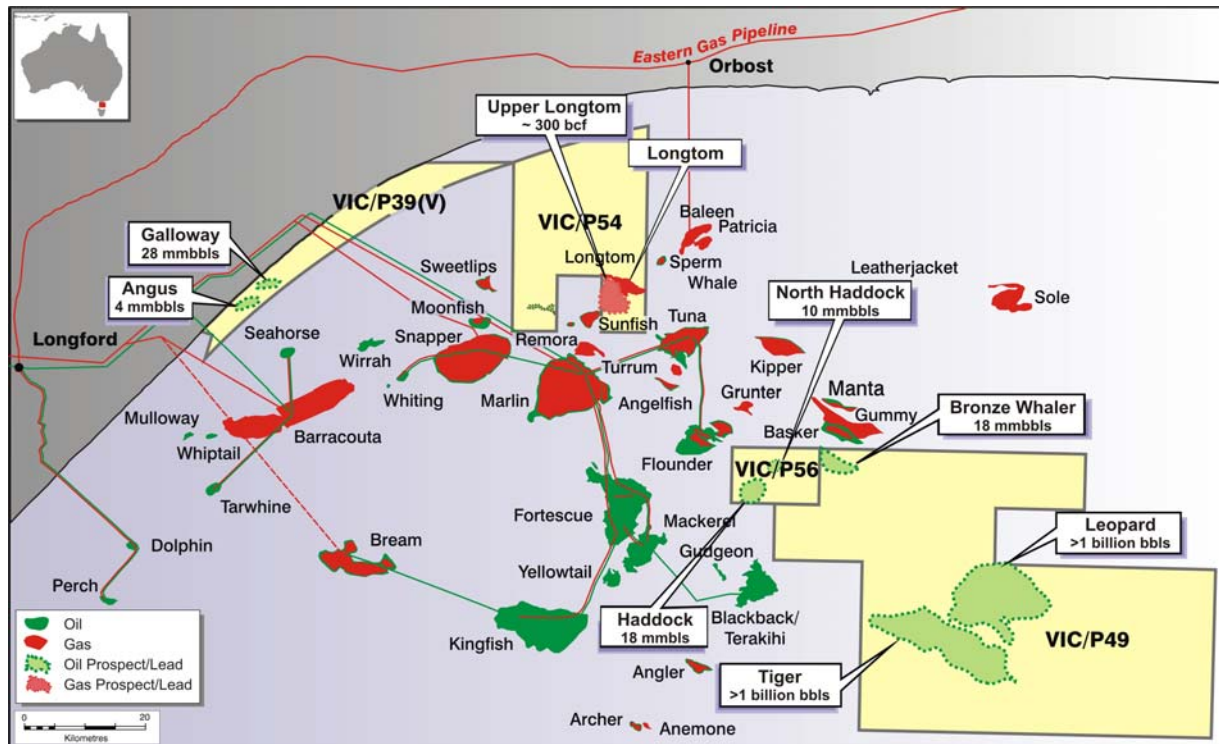
Longitude 148 deg 18' 41.57" E

## Participants:

Nexus Energy VICP54 Pty Ltd

37.50%

The Longtom -3 well is a sole risk appraisal project operated and funded by Nexus Energy Limited. Apache Northwest Pty Ltd has back in rights pursuant to joint venture agreements which enable Apache Northwest Pty to participate in any potential Longtom development upon the payment of a back in penalty.



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