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15 February 2006

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FARMIN INTO US GULF OF MEXICO PROPERTIES

Entek Energy Ltd ("**Company**") is pleased to announce that it has agreed to acquire all of the shares in a US Company which has the right to farm into two offshore leases in the Gulf of Mexico.

This represents an entry opportunity for Entek into an exploration and production area much sought after by prominent energy companies worldwide.

The entry has been achieved through low risk exploration opportunity in blocks surrounded by oil and gas production and with ready infrastructure to enable rapid commercialization in the event of discovery.

Shareholders are advised to read the complete report following, to fully understand this exciting opportunity for Entek Energy Limited.

1. Acquisition of US Properties

The Company's US subsidiary, Entek USA Inc. ("**Entek USA**") has entered into an agreement to acquire all of the issued capital in South Marsh LLC, (a Delaware incorporated company) from Mainpass Holdings Pty Ltd ("**Mainpass**") ("**South Marsh Acquisition Agreement**").

On 18 January 2006 GulfX LLC entered into an agreement ("**Ridgelake Agreement**") with Ridgelake Energy Inc ("**Ridgelake**") pursuant to which GulfX LLC has obtained the right, which right is subject to the matters referred to below, to earn a 20% working interest in five offshore leases including:

- a) South Marsh Island Block 152; and
- b) South Marsh Island Block 138,

(the two leases being known as the "**US Properties**" and being located in the Gulf of Mexico).

The US Properties are subject to a 16 2/3 % Federal royalty and between a 3 1/3% to 4% royalty in favour of certain third parties who generated the properties.

On 7 February 2006 South Marsh LLC entered into an agreement with GulfX LLC ("**GulfX Agreement**") whereby South Marsh LLC was granted the right to earn a 7.5% working interest of the 20% working interests which GulfX LLC has a right to earn in the US Properties. Pursuant to this agreement South Marsh LLC will:

- a) assume 37.5% of GulfX LLC's funding obligations in respect of the US Properties up to the earning points specified in section 2.2(a) below;
- b) procure the issue of 1,000,000 Discovery Shares ("**Discovery Shares**") in the capital of the Company (as detailed in section 4); and
- c) pay the sum of A\$200,000 to GulfX LLC as a partial reimbursement for the costs incurred by GulfX LLC in negotiating the Ridgelake Agreement.

Subject to fulfilment of the above undertakings, GulfX LLC will, upon receiving title to a 20% working interest in the US Properties from Ridgelake, assign 37.5% of said interest to South Marsh LLC. This will result in a 7.5% overall working interest in the US Properties in favour of South Marsh LLC and a 12.5% overall working interest in the US Properties in favour of GulfX LLC.

If South Marsh LLC fails to meet its obligations to either or both of the US Properties it ceases to have an interest in either or both of the subject leases, as the case may be.

By a separate share purchase agreement GulfX Holdings, Inc., a wholly owned subsidiary of the Australian Stock Exchange listed New Horizon Energy Limited ("**NHE**"), has agreed to acquire all of the issued capital of GulfX LLC ("**GulfX Acquisition Agreement**").

2. Details of Acquisitions

2.1. Acquisition of South Marsh LLC

The key terms of the South Marsh Acquisition Agreement with Mainpass are as follows:

- a) Entek USA will pay the sum of \$20,000 to Mainpass, the sole shareholder in South Marsh LLC for the acquisition of all the issued capital in South Marsh LLC; and
- b) Settlement under the South Marsh Acquisition Agreement is subject to and conditional upon (as conditions precedent):
 - i) the satisfaction or waiver of all of the conditions to settlement of the GulfX Acquisition Agreement;
 - ii) Entek USA conducting a due diligence review of all aspects of South Marsh LLC and the US Properties, by 28 February 2006,

including, without limitation, its structure, operation and assets, and Entek USA being satisfied, in its sole discretion, with the outcome of such due diligence review;

- iii) Entek USA obtaining all necessary approvals and consents required to proceed with the purchase of all the issued capital in South Marsh LLC; and
- iv) the Company obtaining all necessary approvals and consents required as a result of the matters the subject of the South Marsh Acquisition Agreement, including but not limited to such approvals as are required under the ASX Listing Rules and the Corporations Act.

The settlement of the GulfX Acquisition Agreement, as referred to in paragraph (i) above, is conditional on NHE:

- i) completing a due diligence review of the five offshore leases, including the US Properties;
- ii) obtaining all necessary shareholder approvals;
- iii) consolidating its capital;
- iv) raising additional monies; and
- v) the ASX confirming it will reinstate NHE's shares after NHE satisfies Listing Rules 1 and 2.

2.2. Acquisition of US Properties

Pursuant to the Ridgelake Agreement and the GulfX Agreement, South Marsh LLC has agreed, amongst other things, to:

- a)
 - i) meet 10.00125% of Ridgelake's sunk costs and the costs of maintaining the US Properties until South Marsh LLC has earned its interest in those five offshore leases, being approximately US\$301,890 (A\$402,519) at a US\$0.75 per AUD\$1 exchange rate; and
 - ii) contribute to the exploration and/or development costs on each of US Properties as follows:
 - A. South Marsh Island 152. Pay 26.67% of the cost to drill one appraisal well and, if deemed by GulfX LLC to be commercial, contribute a further cash payment equal to 2.50125% of: 1) the estimated cost of completing the well; 2) one third of the estimated cost of fabrication and

installation of a suitable platform; and 3) the estimated cost of a flowline;

B. South Marsh Island 138. Pay 26.67% of the cost to drill one exploration well to casing decision point and, if deemed by GulfX LLC to be commercial, to contribute a further cash payment equal to 2.50125% of the cost of the initial well through to casing decision point; and

b) procure to issue to Ridgelake 1,000,000 Discovery Shares (as detailed in section 4)in the Company.

2.3. Working Interests

The current or proposed working interest holders in the US Properties are as follows:

Interest Holder	Working Interest
	South Marsh Island Block 138 and South Marsh Island Block 152
Ridgelake	80.0%
GulfX LLC*	12.5%
South Marsh LLC*	7.5%

* Subject to meeting earning obligations.

3. Overview of the US Properties

An overview of the US Properties is attached as Annexure A.

4. Discovery Shares

The Discovery Shares are a separate class to the fully paid ordinary shares in the capital of the Company ("**Shares**") and will be convertible into Shares on the following basis:

- i) on a 1 for 1 basis where there is a commercial discovery of hydrocarbons (as declared by the operator in accordance with the prevailing definition of commerciality published by the USA Minerals Management Service) on any prospects in which the Company or a related body corporate has an interest; or
- ii) on a 1 for 25,000 basis where there is no commercial discovery of hydrocarbons during the initial 5 year term of the issue of the Discovery Shares.

In the event GulfX LLC becomes a wholly owned subsidiary of NHE and the GulfX Acquisition Agreement becomes unconditional then NHE is to issue 2,500,000 shares to Ridgelake substantially on the same terms as the Discovery Shares.

The issue of the Discovery Shares is subject to shareholder and regulatory approval. A notice of meeting seeking approval for the issue of the Discovery Shares will be prepared and dispatched to shareholders shortly.

For further information please contact the Company on (08) 9429 8862 or info@entekenergy.com.au . Alternatively, further information on the Company may be found on the Company's website at www.entekenergy.com.au .

Yours sincerely
Entek Energy Limited

Mr Jack Toby
Secretary

ANNEXURE A – OVERVIEW OF US PROPERTIES

a) Introduction

Pursuant to the Ridgelake Agreement dated 18 January 2006 between GulfX LLC and Ridgelake and the GulfX Agreement dated 7 February 2006, South Marsh LLC has the right to earn working interests of 7.5% in two Gulf of Mexico Federal offshore leases by paying 26.67% of sunk costs and, thereafter, 26.67% of exploration/development costs up the earning points specified in section 2.2(a)(ii) above. Ridgelake will retain a working interest of approximately 50%, entailing a funding commitment on their part of some 33.33%, and will remain as operator. The reimbursement of sunk costs is to be completed by 18 April 2006.

The leases were issued to Ridgelake pursuant to Federal OCS lease sales in 2004 and 2005. No wells have been drilled on any of the leases since their issue date.

Royalty burden on all leases is comprised of 16 2/3% Federal royalty and 3 1/3% to Beacon Energy, the third party prospect generators.

Both leases are on the offshore shelf of the Gulf of Mexico in water depth between 55 and 75 metres. In each case there is offsetting production and access to infrastructure in adjoining blocks. Each lease contains a firm, drillable prospect delineated by high quality 3D seismic. In each case the seismic data exhibit structurally related amplitude anomalies which are interpreted by the Company to be direct indications of the presence of hydrocarbons. Risk is therefore considered to be low. New Horizon Energy has purchased high quality 3D seismic over both leases and has conducted extensive technical due diligence on the prospects. An Independent Expert's Report on potential oil and gas resources has also been prepared by Apex Geophysical Services Inc. of New Orleans, a respected consulting company with many years of experience in the Gulf of Mexico. The estimations of target resources from this report are summarized below:

SUMMARY OF TARGET RESOURCE ESTIMATES

Prepared by Apex Geophysical Services Inc.

Lease	Working Interest ¹ Net to the Company ⁴		Apex Geophysical ²	
	Gas (bcf)	Oil (bbls)	Gas (bcf)	Oil (bbls)
South Marsh Island 138	7.5%	7.5%	100%	100%
Low ³		765,750		10,210,000
High ³		1,143,750		15,250,000
South Marsh Island 152	7.5%	7.5%	100%	100%
Low	1.134	37,500	15.12	500,000
High	1.746	69,000	23.28	920,000

Notes:

- 1 Pursuant to obligations under the South Marsh LLC agreement being satisfied
- 2 Apex Geophysical Services Inc. is a professional petroleum exploration consultancy based in New Orleans. They were retained by the Company to provide an Independent Expert's Report on the US Properties and consent to the inclusion of this information in this Announcement.
- 3 Prospects 2 and 4 of the South Marsh Island 138 prospect inventory straddle the boundary with the adjoining block. The Company estimates that up to 2,800,000 bbls of the quoted resources may be attributable to Hunt Oil in the adjoining license area.
- 4 Before Royalties

b) Leases

i) South Marsh Island 138

5000 acre lease awarded 1 June 2005, with bid bonus of US\$1,410,000. Water depth 67m. Upfront cost US\$1,584,300 (100%).

South Marsh has the option to earn a 7.5% working interest in this lease by paying 10.00125% of upfront costs, 10.00125% of the cost of drilling one exploration well to casing decision point and, if deemed by South Marsh LLC to be commercial, by contributing a further a cash payment equal to 2.50125% of the cost of drilling the original well to casing decision point.

The South Marsh Island 138 prospect consists of multiple, related prospects in faulted structural closures offsetting a 180 mmbbl oil field in the leases adjoining to the north. Target depths are 9200' – 11600'. The fault blocks have seismic amplitude anomalies that track structure, although they are not as strong as one would expect if the reservoirs were solely gas bearing.

Prospect 1 is a faulted anticlinal structure with a seismic amplitude anomaly tracking structural closure over some 250 acres. This is the largest feature and accounts for over 50% of the potential oil resources.

Prospects 2 and 4 lie predominantly within the High Island 139 lease to the east, with just the highest part of each falling within South Marsh Island 138. Each prospect has a strong amplitude anomaly that tracks structure. OCS regulations do not require unitization of reservoirs that straddle blocks. Consequently, even though only small parts of these prospects fall in South Marsh Island 138, they are the structurally highest parts and should therefore access a significant proportion of the overall resource.

Prospects 3 and 5 are smaller amplitude anomalies that lie entirely within South Marsh Island 138. They would be considered as attractive secondary targets in the event of a commercial development based on Prospects 1, 2 and 4.

The plan for South Marsh Island 138 is to first drill a vertical exploration well to 11,800' bsl into fault block 1. If this well is successful, a platform will be fabricated and set at a suitable central location. It may need to be a manned structure with up to 12 slots.

ii) South Marsh Island 152

2000 acre lease awarded June, 2005, with a bid bonus of US\$1,214,000. Water depth 185'-240'. Upfront cost US\$1,434,217 (100%).

South Marsh LLC has the option to earn a 7.5% working in this lease by paying 10.00125% of upfront costs, 10.00125% of the cost to drill one appraisal well and, if deemed by GulfX to be commercial, by contributing a further cash payment equal to 2.50125% of: 1) the estimated cost of completing the well, 2) one third of the estimated cost of fabrication and installation of a suitable platform and 3) the estimated cost of a flowline.

This lease is a half block immediately to the south of the South Marsh Island 149 gas field which has produced 73 bcf and 2.5 mmbbl. The lease was previously held by Virgin Offshore until 31/7/04. Virgin also holds lease South Marsh Island 153 to the east. In 1997 Virgin drilled a deviated well from South Marsh Island 153 into the northern part of South Marsh Island 152. The well tested a fault block just to the south of the South Marsh Island 149 field. Two gas bearing sands, H1 and H2 were penetrated below 5100' with net pay of 8 and 31 feet respectively. The well was then sidetracked and crossed a fault, intersecting the H2 gas sand on the downthrown side with comparable net pay. The well reached target depth just below the H2 sand, although modern 3D seismic, recorded after the well was drilled, shows additional potential below.

Taken in conjunction with the associated seismic amplitude anomalies, Apex Geophysical estimate that the H1 and H2 sands alone contain a known recoverable gas resource in excess of 4.5 bcf, including equivalent condensate¹.

The Virgin well was suspended after drilling, pending installation of a platform. Unfortunately the fabrication company contracted by Virgin to build the platform went into liquidation before it was completed. Virgin extended the lease several times but eventually lost it in 2004.

The South Marsh Island 152 prospect consists of the existing known gas sands and at least a further four sands above and below identified from strong amplitude anomalies. There is also a second fault block (B) adjoining to the south. It is further postulated that the deeper J3 sand may be present within the structural closure. If so, it will be updip from the Shell OCS G-2592 #11 in the license to the north. This well produced 10,000 bbls oil from the J3 sand.

Apex Geophysical Services have estimated that the total recoverable resource potential of the overall prospect is between 15.12 bcf and 23.28 bcf of gas with additional oil potential of between 384,000 and 752,000

bbls from the J3 sand. It is expected that initial operations on the block will be to drill a deviated appraisal well to an objective depth of 8,482 tvd bsl to intersect the proven gas sands and evaluate the other potential target intervals identified from the seismic.

¹ Condensate is produced in association with gas at a rate expected to be about 7000 bbls per bcf. The economic value of one barrel of condensate in the US domestic market is approximately equivalent to that of seven thousand cubic feet of gas.

Management of the US Properties

Ridgelake, a privately owned, independent oil and gas company headquartered in New Orleans, Louisiana, is the operator of and participant in the joint venture. Current activities include all upstream functions such as the origination and development of oil and gas projects, the operation of production facilities and the marketing of all produced oil and gas. Their sphere of operations is specifically in the Gulf of Mexico.

Ridgelake is a low cost operator with substantial experience in conducting exploration, development and production operations in the Gulf of Mexico. Ridgelake has a capacity to operate in sensitive environmental areas, both offshore and in coastal transition zones. Ridgelake operates oil and gas wells and properties on its own behalf and for its participants and associates on virtually all of its projects.

Information contained in this Annexure A of the Announcement was prepared by R Whyte B.Sc.Hons. (Geology) MPESA, MAAPG, FPESGB who has more than 30 years experience in the oil and gas industry. The information was compiled from information provided by Ridgelake Energy Inc., purchased from providers of non-exclusive seismic data and from due diligence conducted on the projects.
