ASX RELEASE

Release Date:	5 November 2007	
To:	Australian Stock Exchange Ltd	No of Pages: 2
From:	Eric Streitberg	
Re:	**Stokes Bay-1 Update**	

Please find attached an update on the Stokes Bay-1 well.

The attached release will also be available on the Company's website at; www.arcenergy.com.au.

For inquiries please contact:

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About ARC Energy Limited
ARC Energy is one of Australia's pre-eminent energy companies, owning and operating oil and gas interests in the Perth, Canning and Bass basins, and internationally. Listed on the Australian Stock Exchange with a market capitalisation of approximately A$500 million, ARC has an aggressive onshore and offshore exploration and development drilling program. It continues to drive increased shareholder value by the early adoption of innovative technical and commercial practices.

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STOKES BAY-1 DRILLING REPORT
CANNING BASIN, WESTERN AUSTRALIA

Date:	5 November 2007
Permit:	R1
Well Location:	Lat : 17° 08' 23.46"S Long : 123° 42' 32.40"E
Directional offset to target:	1024 metres
Elevation:	Ground Level is 12.4mAMSL Rotary Table is 18.1mAMSL
Spud Date:	0930 hrs, WST 3rd October 2007
Present Depth at 0600 hrs:	2777m MD
Time of Reporting:	0600 hrs, WST 5 November 2007
Operations Since Last Report:	Since the last report on 1 November, production tubing has been run in the well and a production flow test commenced at 17:00 hours on Sunday 4 November. The well has been flowing at relatively steady rates of some 3,000 to 4,000 barrels of fluid per day at a well head pressure of some 30 psi. Fluids recovered to date appear from salinity and density measurements to be drilling mud and associated fluids.
Current Operations:	Running flow test
Hydrocarbon indications:	No hydrocarbons have been observed to date.
Comment:	In excess of 12,000 barrels of drilling fluids were lost during drilling and completion and approximately 2,400 barrels have been recovered. The test will be continued until formation fluids are identified.
Participants in the Permit **(post earning):**	ARC Energy Limited 38.95% (Operator) Empire Oil and Gas NL 14.80% Emerald Oil & Gas NL 12.75% Pancontinental Oil & Gas NL 10.00% Phoenix Resources PLC 10.00% First Australian Resources Limited 8.00% Indigo Oil Pty Ltd 5.50%