ASX RELEASE

Release Date:	7 July 2008	
To:	Australian Stock Exchange Ltd	No of Pages: 1
From:	Eric Streitberg	

Re: **Stokes Bay 1 Well Inspection and Pressure Testing**

ARC Energy Limited advises that the EP104/R1 Joint Venture has undertaken well inspection operations at the Stokes Bay 1 well to assist in the design of the definitive testing program.

On inspecting the location it was noted that there is minor flood damage to the roadway and pad with access currently possible for light vehicles and relatively minor repairs required for heavy vehicle access.

Operations at the well included removal of the back pressure valve on the well and installation of the well head and pressure gauges. The well head pressure was noted to be 1200 psi. On opening the well to the test pit, it flowed gas for approximately six minutes before slugging mud and gas with flow ceasing after some 30 minutes.

After an overnight shut-in the well head pressure was noted as 250 psi but there was no significant flow. The well has now been shut-in and the crew has demobilised.

These results are interpreted to be very encouraging with the gas flowing either from the Laurel gas sands below the 7 inch casing shoe or from the Nullara reef section. The noted presence of gas and well-head pressure will assist in the evaluation of the best method to undertake a definitive test of the reservoir. ARC will now undertake this evaluation for review by the joint venture.

Participants in Stokes Bay 1 (post earning) are:

ARC Energy Limited	38.95% (Operator)
Empire Oil and Gas NL	14.80%
Emerald Oil & Gas NL	12.75%
Pancontinental Oil & Gas	10.00%
Phoenix Resources PLC	10.00%
First Australian Resources Limited	8.00%
Indigo Oil	5.50%

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

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