

ASX RELEASE

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To: Australian Stock Exchange Ltd
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From: Eric Streitberg

Re: Perth Basin exploration drilling program recommences

KEY POINTS

- The L1/L2 joint venture has agreed to commence the final component of Phase 1 of the exploration drilling program in the L1/L2 licences.
- The first oil prospect, Kingia 1, will be drilled by the Century 24 drilling rig after it completes the Eremia 2 horizontal development well. This will be in late December or early January.
- Two additional exploration wells have been agreed to follow Kingia 1, with a location agreed by the joint venture for the Xyris 1 gas exploration well to the east of Hovea, and a further location to be agreed as the program progresses.

Managing Director's comments

“The recommencement of the exploration drilling program is an exciting and significant step forward in the development and exploration of the north Perth Basin. We have been very occupied with the development of the Hovea and Eremia Oil Fields since the last exploration well, Eremia 1, was drilled in May this year. With the build up in our operating capability and the completion of the bulk of the development drilling at the fields, we are now able to refocus on the exploration program.

We will take the exploration program a step at a time, with Kingia being an exciting “high risk/high reward” start to the program. The important thing now is for us to keep the drilling momentum going, and to drill a good mix of wells in a sensible and considered program.

Although it would be great to see a continuation of the 100% success rate the area has enjoyed so far, we know that the odds are that we will drill some dry holes, but if and when we do drill them, they will only help us focus on the better parts of what is one of the most prospective areas in onshore Australia.”

BACKGROUND

Exploration Program Structure

The final component of Phase 1 of the exploration drilling program will involve the drilling of Kingia 1, Xyris 1 and a yet to be determined oil exploration well. Phase 1 also includes the re-evaluation of the existing seismic data on the Licences, the interpretation of the Hibbertia 3D seismic survey, the acquisition of the Denison gravity survey, and preparation for the acquisition of the Denison 3D seismic survey which, subject to Joint Venture and Government approval should commence in first quarter of 2004.

Phase 2 of the program would be the acquisition, processing and interpretation of the Denison 3D seismic survey followed by a drilling program utilizing the results of this survey.

Kingia 1 well

The Kingia prospect is one of several that have been identified in the area that will be covered by the proposed Denison 3D seismic survey. In general, it would be preferable to drill wells after the 3D survey has been acquired, however, the potential reserves in the Kingia structure, and the valuable regional stratigraphic information that will be obtained from the well, justify drilling of the prospect as part of the Phase 1 program. Obtaining these drilling results now may also help tailor the Denison 3D seismic survey acquisition area.

ARC's estimate of the potential recoverable reserves in the Kingia structure at the P50 level is some 26 million barrels of oil. This estimate is based on the assumption that the Dongara Sandstone reservoir will be less well developed at this location (which is considered to be one of the principal uncertainties that the well will resolve). The potential size of the structure is controlled by the existing 2D seismic grid which is relatively widely spaced with fair to poor data quality.

The proposed total depth of the well is approximately 2400 metres and it is expected to take 20 days to drill. Depending on the initial results of the well it may be deepened to test the High Cliff Sandstone reservoir in this area. Depending on the actual time taken to drill the Eremia 2 well and completion of the necessary regulatory approvals, Kingia 1 is expected to spud in late December 2003 or early January 2004.

Forward Exploration Program.

The joint venture has also agreed to drill the Xyris 1 gas exploration well to the east of Hovea in the area covered by the Hibbertia 3D seismic survey. A further exploration well, targeting oil in the Jingemia-Eremia-Hovea fairway, is also under consideration by the joint venture. Additional technical work including detailed review of the gravity survey data is to be undertaken before this location is agreed. Further exploration wells for both gas and oil will be considered as the program progresses and the results of the first 3 wells are known.

The joint venture will take a considered and technically robust approach to the forward drilling program, balancing its objectives of achieving both an operationally efficient continuous drilling program and of enhancing its gas and oil reserves base in a cost effective manner.

Current Drilling Program

The Century 24 drilling rig has recently completed the Hovea 9 and 10 wells. Hovea 9 was an appraisal well which successfully delineated the southern end of the Hovea Field and confirmed the southern extent of the oil pool.

As planned, Hovea 9 was then sidetracked to the Hovea 10 bottom hole location approximately 360 metres to the west of the Hovea 9 surface location. Hovea 10 has now been completed as a water injection well to provide pressure support for the Hovea and Eremia Fields. The Hovea 10 well has achieved its objectives with excellent water injection parameters being seen on test.

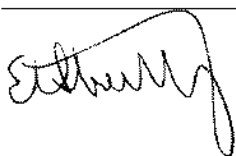
The Century 24 drilling rig is now being moved to the Eremia 2 surface location and this well is expected to commence this week. Eremia 2 will initially be drilled as a pilot hole to establish the structural elevation of the reservoir in the Eremia Oil Field to the east of Eremia 1, and then a

subsequent horizontal section will be drilled which will provide the principal drainage point for the Eremia Oil Field. Further details on this project will be made available at the time the well is spudded.

Participants in L1 and L2 (excluding the Dongara, Mondarra and Yardarino fields) are:

- ARC Energy NL - 50% (Operator)
- Origin Energy Developments Pty Ltd - 50% (a wholly owned subsidiary of Origin Energy Limited)

Yours faithfully
ARC Energy NL



ERIC STREITBERG
Managing Director

Location of wells

