ARC ENERGY

ASX RELEASE

Release Date: 1 April 2004

To: Australian Stock Exchange Ltd No of Pages: 1

From: Eric Streitberg

Re: Xyris 1 gas exploration well drilling report 4

ARC Energy Limited advises that at 0600 hours WST the well was drilling ahead at 2673 metres measured depth. Since the last report, the well has been drilled ahead from 1972 metres to the current depth.

The top of the primary objective Dongara Sandstone Formation was intersected at approximately 2643 metres measured depth, approximately 5 metres high to prognosis. Elevated gas readings were encountered on penetration of the Dongara Sandstone. These elevated gas readings extended over a 13 metre interval prior to sample collection equipment becoming inoperative. The final extent and significance of the shows will be determined over the next few days following the drilling of the well to total depth and completion of the wireline logging program after which time a decision on the forward plan for the well will be made.

The Xyris 1 well is located 6.5 kilometres east of the Hovea Production Facility and 1.2 kilometres northwest of, the Mondarra Gasfield.

Participants in L1 and L2 (excluding the Dongara, Mondarra and Yardarino fields) and Xyris 1 are:

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

At the completion of Xyris 1, the Century 11 rig is expected to drill the Jingemia 4 oil development/appraisal well in the EP 413 (Jingemia) Permit.

Yours faithfully
ARC Energy Limited

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Managing Director

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