

ARC ENERGY
ASX RELEASE

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To: Australian Stock Exchange Ltd

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From: Eric Streitberg

Re: Xyris South 1 gas appraisal well spuds

ARC Energy Limited advises that drilling of the gas appraisal well Xyris South 1, operated by ARC and located in the onshore Perth Basin Production Licence L1, commenced at 1630 hours on Sunday 10 October 2004 using the Century 11 drilling rig. As at 0600 hours the current operation was drilling ahead at 323 metres.

The well is being drilled directionally from the Xyris 1 surface location to a target bottom hole location approximately 785 metres to the south west of the surface location.

The depth to the prognosed top of the primary objective Dongara Sandstone is approximately 2825 metres measured depth (2665 metres TVD). The proposed total depth of the well is 2975 metres measured depth (2800 metres TVD) and it is expected to take 25 days to drill and complete.

Preliminary co-ordinates for the surface drilling location are as follows:-

Northing	6756400
Easting	314555

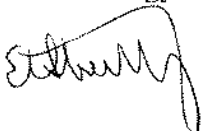
Participants in L1 and L2 (excluding the Dongara, Mondarra and Yardarino fields) and Centella 1 are:

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

Managing Director's comment:

"Xyris South is designed to test an interpreted fault compartment to the south of the gas accumulation discovered by the Xyris 1 well and is being drilled directionally from the Xyris 1 location. If successful, the well will therefore be able to be quickly and efficiently tied into the Xyris gas facility which is nearing construction completion. The well will provide additional deliverability for existing and new gas contracts, and is liable to be particularly important for peak load supply during the coming high demand summer months."

Yours faithfully
ARC Energy Limited



ERIC STREITBERG
Managing Director