

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 update 2

ARC Energy Limited advises that at 0600 hours WST the operations at the Xyris South 1 well, operated by ARC, was preparing to drill out of 244 mm casing. Since the last report, 244 mm (9 5/8 inch) surface casing has been set to a depth of 707 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.

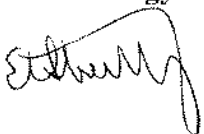
Co-ordinates for the surface drilling location are as follows:-

Northing	6756400
Easting	314555

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

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

Yours faithfully
ARC Energy Limited



ERIC STREITBERG
Managing Director