

ARC ENERGY
ASX RELEASE

Release Date: 25 October 2004

To: Australian Stock Exchange Ltd

No of Pages: 1

From: Eric Streitberg

Re: Xyris South 1 gas exploration well update 4

ARC Energy Limited advises that at 0600 hours WST the operations at the Xyris South 1 well were running a wiper trip prior to completing the wireline logging program. Since the last report the well has been drilled ahead to a total depth of 2933 metres measured depth and wireline logs have been run.

The top of the Dongara Sandstone unit was encountered at 2806 metres measured depth. Initial wireline logs and drilling data indicate the presence of a gas column of some 28 metres in Dongara Sandstone reservoir of similar quality to the nearby Xyris 1 well. The reservoir elevation and gas column were encountered substantially as predicted. Subject to joint venture approval, the well will now be cased and suspended as a future gas producer.

The well is being drilled directionally from the Xyris 1 surface location to the target bottom hole location approximately 923 metres to the south west of the surface location.

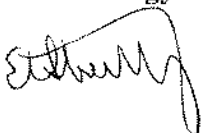
Participants in L1 and L2 (excluding the Dongara, Mondarra and Yardarino fields) and Xyris South 1 are:

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

Managing Director's comment:

"Xyris South 1 has confirmed the presence of the interpreted fault compartment to the south of the gas accumulation discovered by the Xyris 1 well and has again demonstrated the ability of the existing 3D seismic data to provide predictable well outcomes. As the well has been drilled directionally from the Xyris 1 location and is thus adjacent to the almost completed Xyris gas processing facility, it will be able to be quickly and efficiently brought into production. The well will provide additional deliverability for existing and new gas contracts. It will be particularly welcome for peak load supply during the coming high demand summer months."

Yours faithfully
ARC Energy Limited



ERIC STREITBERG
Managing Director