ARC ENERGY

ASX RELEASE

Release Date: 27 October 2005

To: Australian Stock Exchange Ltd No of Pages: 1

From: Eric Streitberg

Re: Kunzia 1 oil exploration well update

ARC Energy Limited advises that as at 0600 hours the operation at the exploration well Kunzia 1, operated by ARC and located in the onshore Perth Basin Production Licence L2, was preparing to sidetrack the well.

Since the last report the well has been drilled ahead to a total measured depth of 2,806 metres. The interpreted bounding fault to the Kunzia structure had not been encountered at that depth and re-interpretation of the data suggested that the fault was located at a position which would be difficult to reach in that well bore due to rig limitations.

Consequently the well bore has been plugged back to the 244 mm (9 5/8 inch) casing shoe at 1,387 metres measured depth. The well will now be re-drilled as a sidetrack designated Kunzia 1 BC1 to a bottom hole location which is interpreted to be within the Kunzia structural closure and reachable from the current location. This operation is expected to take approximately 6 days to complete.

Participants in L1 and L2 (excluding the Dongara, Mondarra and Yardarino fields) and the Kunzia well 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

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