ARC ENERGY

ASX RELEASE

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From: Eric Streitberg

Re: Senecio 2 sidetrack appraisal well update 3

ARC Energy Limited advises that as at 0600 hours WST, the current operation at the Senecio 2 well operated by ARC and located in the onshore Perth Basin Production Licence L2 was rigging down Century Rig 11.

Since the last report the well was drilled to a total depth of 2863 metres measure depth after cutting a window in the 178 mm (7 inch) casing. A completion string has been run and a cleanup flow undertaken with the rig on location.

During the cleanup flow period the well flowed gas to surface at varying pressures and rates. No separator was utilised for the cleanup flow and consequently flow rates are unable to be accurately determined. Gas flow rates ranging from 1.6 to 3.7 million standard cubic feet per day were recorded from the Dongara Sandstone during a planned 6 hour clean-up flow period.

Participants in L1 and L2 (excluding the Dongara, Mondarra and Yardarino fields) and Senecio 2 are:

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

Managing Director's comment:

"The flow rates obtained are broadly similar to the flow rates obtained for Senecio 1. The use of a non-invasive drilling fluid does not appear to have resulted in a substantial increase in flow rate from the well. However, it has confirmed the presence and producibility of what could be substantial volumes of gas in place. We will now review the data, including a possible longer term production test, to plan the forward program for the well."

Yours faithfully
ARC Energy Limited

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Managing Director

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