



ASX RELEASE

Release Date: 5th December 2006
To: Australian Stock Exchange Ltd No of Pages: 1
From: Eric Streitberg
Re: **Lyginia 1 Exploration Well Update**

ARC Energy Limited advises that operations at the Lyginia 1 well, operated by ARC Energy and located in the onshore Perth Basin Production Licence L1, has now reached a total depth of 2,345 metres measured depth.

Based on Logging While Drilling (LWD) resistivity and gamma logs, the well has intersected the Dongara Sandstone reservoir at 2,162.5 metres true vertical depth (TVD) sub-sea, approximately 12 meters deeper than prognosed. Based on preliminary interpretation of the LWD logs, the primary target Dongara Sandstone does not contain hydrocarbons.

Managing Directors' comments:

"Whilst we are naturally disappointed at this result, especially after the outstanding success of the previous three wells, our continuous drilling program with Rig 18 and the additional wells yet to be drilled in both the Perth and Canning Basins give us the potential for significant exploration success and reserves additions in the year ahead."

Participants in L1 and Lyginia 1 are:

- | | |
|--|------------|
| • ARC Energy Limited (Operator) | 50% |
| • Origin Energy Developments Pty Ltd * | 50% |
| (* A wholly owned subsidiary of Origin Energy Limited) | |

This release will also be available on the Company's website at:
www.arcenergy.com.au.

For enquiries please contact:

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About ARC Energy Limited

ARC Energy is one of Australia's pre-eminent energy companies, owning and operating oil and gas interests in the Perth and Canning basins and internationally. Listed on the Australian Stock Exchange with a market capitalisation of approximately A\$350 million, ARC has an aggressive onshore and offshore exploration and development drilling program. It continues to drive increased shareholder value by the early adoption of innovative technical and commercial practices.