



ASX RELEASE

Release Date: 24 May 2007
To: Australian Stock Exchange Ltd No of Pages: 2
From: Eric Streitberg
Re: **Drakea Exploration Well Update**

ARC Energy Limited advises that operations at the Drakea well, operated by ARC Energy and located in the onshore Perth Basin, are as set out in the attached well report.

The attached 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, Canning and Bass Basins and internationally. Listed on the Australian Stock Exchange with a market capitalisation of approximately A\$400 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.

DRAKEA DRILLING REPORT

NORTHERN PERTH BASIN, WESTERN AUSTRALIA

Date:	24 May 2007	
Permit:	L1	
Well Location:	Surface	Target
Lat:	29° 24' 17.79"S	29° 24' 09.47"S
Long:	115° 03' 40.47"E	115° 03' 57.76"E
Directional offset:	495 metres east of the surface location	
Elevation:	41.4mAMSL (47.1mRT)	
Prognosed Depths (measured KB):	Top primary objective	Total depth
	2,589 metres	2,839 metres
Prognosed drilling time:	16 days	
Spud Date:	06:00 hrs WST 11 May 2007	
Present Depth:	2556 mRT MD	
Time of Reporting:	06:00 hrs, WST 24 May 2007	
Operations Since Last Report:	Drill ahead to 2556m RT MD	
Current Operations:	Drilling ahead in the Irwin River Coal Measures	
Hydrocarbon indications:	Elevated mud gas measurements and intermittent cut and fluorescence	
Participants in the well:	ARC Energy Limited - 50% (Operator) Origin Energy Developments Pty Ltd - 50%	
Comment:	The well intersected the base Kockatea marker (ie the base of the regional seal) at a depth of 2112m MD, essentially on prognosis. From 2163m MD to 2556m MD the well has encountered elevated mud gas and intermittent oil shows in a section dominated by shales but with sandier intervals in the Carynginia Formation and the Irwin River Coal Measures. The significance of these hydrocarbon indications will be fully evaluated once the well has reached total depth.	