ARC ENERGY

ASX RELEASE

Release Date:	1 June 2007	
To:	Australian Stock Exchange Ltd	No of Pages: 1
From:	Eric Streitberg	
Re:	**Drakea 1 Well Exploration Update**	

ARC Energy Limited advises that the Drakea 1 well, operated by ARC Energy and located in the onshore Perth Basin, has been drilled to a total depth of 3,080 metres measured depth and wireline logs and pressure data have been acquired. The current operations are completion of the wireline logging program.

Preliminary analysis of logging data, including oil recovery from downhole sampling, indicates an oil column of approximately 3 to 5 metres in the upper part of the objective High Cliff Sandstone section, which is approximately 35 metres thick in the well. The joint venture is currently considering a sidetrack of the well to penetrate the High Cliff Sandstone in a more crestal location on the Drakea structure where a more extensive hydrocarbon column may be encountered. This operation is expected to take approximately seven days once the current logging program is completed.

Participants in Drakea 1 are:

ARC Energy Ltd (Operator)	50.00%
Origin Energy Developments Pty Ltd	50.00%

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, 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.

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