



ASX RELEASE

Release Date: 4 October 2007
To: Australian Stock Exchange Ltd No of Pages: 4
From: Eric Streitberg
Re: **Valentine-1 Update and Spudding of Stokes Bay-1**

Please find attached an update on the Valentine-1 and Stokes Bay-1 exploration wells.

The Stokes Bay-1 well is planned as a test of the extent and reservoir development of the gas accumulation intersected by the Point Torment-1 well and will be drilled as a deviated well with a total depth of approximately 2,500 metres. Point Torment-1 was drilled in 1992 and subsequently flowed gas at a rate of up to 4.3 million cubic feet of gas per day from the Carboniferous aged Anderson Formation sandstones. Subsequent tests of these sands produced ambiguous information on potential volumes and reservoir quality and the Stokes Bay-1 well is designed to provide a definitive test of the reservoir quality and extent of the accumulation.

The Valentine-1 well intersected very strong gas shows and indications of porosity in the Anderson and Laurel Formations down dip from the target interval in the Stokes Bay-1 well. This is a very positive indication for Stokes Bay-1 which is targeted to intersect these objectives within closure, some 90 meters up dip from the Valentine-1 intersection.

For inquiries 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\$450 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.

**STOKES BAY-1 DRILLING REPORT
CANNING BASIN, WESTERN AUSTRALIA**

Date:	4 th October 2007
Permit:	R1
Well Location:	Lat : 17° 08' 23.46"S Long : 123° 42' 32.40"E
Directional offset to target:	1024 metres
Elevation:	Ground Level is 12.4mAMSL Rotary Table is 18.1mAMSL
Proposed Total Depth (measured KB):	2505 metres
Prognosed drilling time:	15 days
Spud Date:	0930 hrs, WST 3 October 2007
Present Depth at 0600 hrs:	1226 mMD
Time of Reporting:	0600 hrs, WST 4 th October 2007
Operations Since Last Report:	Electric wireline logging operations on Valentine-1 was completed at 23:30 hrs on 28 th September. Cement plugs were set to abandon the Valentine-1 borehole and enable a sidetrack of the well to the Stokes Bay-01 target location. The rig was released from Valentine-1 at 18:00 hrs on 30 th September. A kick off cement plug was then set with top at 906mMD at the base of the Noonkanbah Formation. Valentine-1 was sidetracked as Stokes Bay-1 at 0930 hrs on 3 October from 975mMD.
Current Operations:	Drilling ahead in 8 ½" hole at 1226mMD
Hydrocarbon indications:	None
Comment:	
Participants in the well (post earning):	Empire Oil and Gas NL - 14.8% ARC Energy Limited - 38.95% (Operator) Emerald Oil & Gas NL - 12.75% Pancontinental Oil & Gas NL - 10.0% Phoenix Resources PLC - 10.0% First Australian Resources Limited - 8.0% Indigo Oil Pty Ltd - 5.5%

Canning Basin Stokes Bay - 1

Spud Date: **09:30hrs 3rd October 2007**

DATE: **4/10/2007**

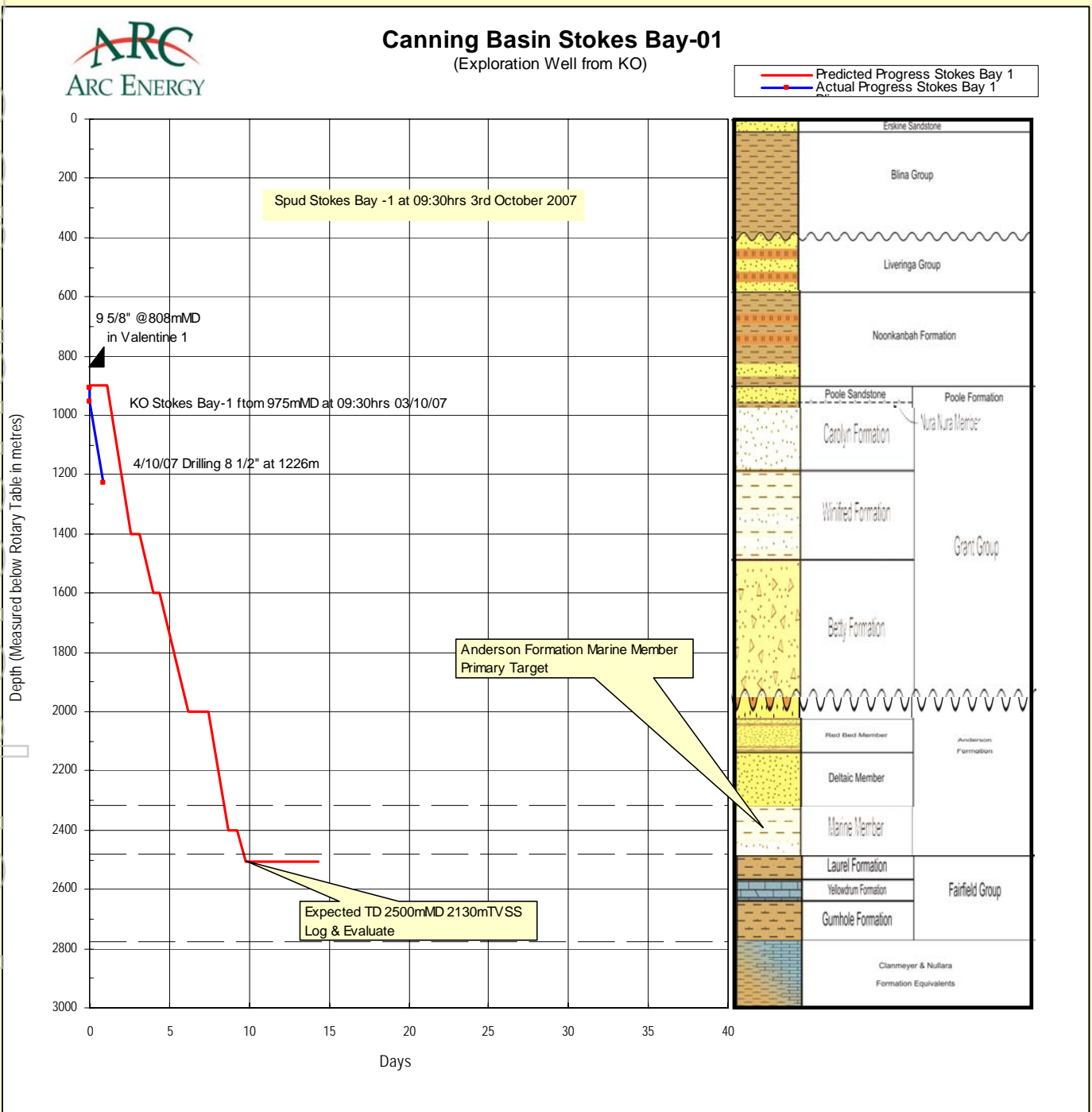
General Well Data

Planned TD: 2500mMD / 2130m TVSS

Drill Floor Elevation: 18.1m amsl

Summary @06:00hrs WST

Drilling 8 1/2" hole at 1226mMD



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Joint Venture Permit Interest
ARC Interests

EP 104

PINNACLE FAULT

Stokes Bay 1

APP 7/05-6

King Sound

R1

Point Torment 1

West Kora 1

Kora 1

EP 428

L
98-9

Derby

0 10 km 123°15' E

123°30' E

123°45' E

17°15' S

17°30' S

