

Exploration In The Canning Basin ARCs Up

ARC Energy's Valentine-1 exploration well near Derby in northwest Australia's Kimberly region has spudded, marking the start of an oil and gas exploration program in the Canning Basin.

Progress on the first two of the many exploration wells planned seems to be positive with ARC releasing the following statement; "Valentine-1 intersected very strong gas shows and indications of porosity in the Anderson and Laurel Formations downdip from the target interval in the Stokes Bay-1 well. This is a very positive indication for the Stokes Bay-1 well which is targeted to intersect these objectives within closure, some 90 m updip from the Valentine-1 intersection."

ARC has established holdings in excess of 100,000 km² in the Canning Basin, giving it the largest acreage position in the basin after signing farmin and share subscription agreements with New Standard Exploration for more blocks in the Kidson Sub-basin.

ARC's holdings include a wide variety of geological play types, with more than 30 prospects and leads already identified with very significant potential for substantial quantities of both oil and gas.

ARC's said its interest in the basin was sparked by its similarities to other Palaeozoic basins around the world where prolific reserves of oil and gas have been discovered.

The spudding of the well is the culmination of the last 12 months of work by ARC to establish its position in the Canning Basin, review and re-evaluate massive volumes of geological and geophysical data, identify a series of high quality prospects and put in place the logistics for the start of a major exploration program.

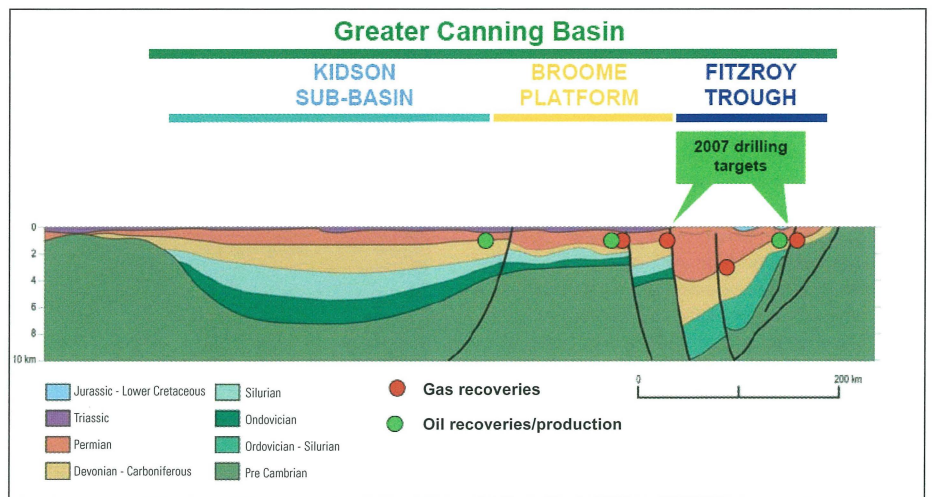
ARC has said that the development of gas from the basin will be underpinned by the gas sales contract with Alcoa that ARC has already put in place. The existence of a firm offtake agreement with such a significant customer will allow even modest gas discoveries to be rapidly developed.

ARC has said that based on its analysis of the basin, up to 20 wells will be needed to fully test all the play types and ensure a commercial success. ARC's current plans are to carry out this program over a period of three years with a structured drilling program complemented by an extensive seismic program.

ARC said that its first year's drilling program will include up to six wells, depending on the



ARC Energy's acreage in the Canning Basin.



ARC's drilling targets in Canning Basin's sub-basins.

timing of the onset of the wet season, with the first two wells, Valentine-1 and Stokes Bay-1 being drilled from the same location. They will be followed by the Valhalla, Utopia and Yulleroo wells.

These initial wells will test a wide variety of play types and they all have the potential to be very substantial discoveries. ARC said that the year's drilling program is expected to finish in December. ■