

Coalbed Methane Assets in China

JV with Coal Ministry of China, Development and Sale of assets to Arco/BP

ARCO Acquires Enron Oil & Gas Company's Interest in Two Coalbed Methane Prospects in China

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LOS ANGELES -- ARCO (NYSE: ARC) announced today that it has acquired all of Enron Oil & Gas Company's interest in the South Hedong and San Jiao coalbed methane prospects in Shanxi Province of the People's Republic of China. ARCO's ownership came through the purchase of all the stock of Enron Oil and Gas China, Ltd (EOGC), an indirect subsidiary of Houston-based Enron Oil and Gas Company, by ARCO China Coal Bed Methane Ltd, an ARCO subsidiary. Terms were not disclosed.

With the acquisition, ARCO replaces EOGC as operator of the two prospects, whose production potential is currently being evaluated.

"ARCO has been in the coalbed methane business for nearly a decade," said Jim Weeks, President of ARCO China, Inc., "For many years we have operated the most efficient coalbed methane operation in the San Juan Basin/Four Corners area of the U.S. We hope to build on our creative technology in China."

The South Hedong and San Jiao prospects encompass about 4,800 sq kilometers (approx 1,800 sq miles) in the Hedong Coal Basin along the eastern edge of the Ordos Basin about 600 kilometers (approx 370 miles) southwest of Beijing. Joining ARCO in the project are two Chinese partners who also own adjacent acreage blocks. The Chinese partner for the South Hedong prospect is North China Coalbed Gas Exploration and Development Corp (NOCC), a unit of China National Star Petroleum Corp. NOCC specializes in the operation of coalbed methane exploration, production and utilization.

The Chinese partner for the San Jiao prospect is Huajin Coking Coal Corp, a unit of the Ministry of Coal Industry which specializes in coal mining and related industry.

China United Coalbed Methane Corp., established last year by the Ministry of Coal Industry, the Ministry of Geology and Mineral Resources, and the China National Petroleum Corp to supervise and administer the development of the coalbed methane industry in China, will work closely with the partners as the projects are implemented.