

## **Letter of Instruction for Eligible Holders of Common Shares in the Capital of Storm Exploration Inc.**

This package (the “**Tax Election Package**”) is made available to all Eligible Holders (as defined in Schedule “A” of the Letter of Transmittal and Election Form, discussed below) who duly elected to receive ARC Exchangeable Share Consideration (as defined in the Letter of Transmittal and Election Form) in respect of their Storm Shares as part of the arrangement involving ARC Resources Ltd. (“**ARC Resources**”), ARC Energy Trust, Storm Exploration Inc. (“**Storm**”) and 1541229 Alberta Ltd. (the “**Arrangement**”) that became effective on August 17, 2010. Eligible Holders of Storm Shares exchanged their shares by either completing the relevant Letter of Transmittal and Election Form mailed with the Information Circular dated July 16, 2010 (the “**Circular**”) or by directing their broker, dealer, bank, trust company, or other nominee to deposit their shares in exchange for ARC Exchangeable Share Consideration.

Capitalized terms not defined in this letter have the meaning assigned to them in the Circular.

### **Introduction**

Pursuant to the Arrangement, for those former Storm Shareholders who duly elected to receive ARC Exchangeable Share Consideration in respect of all or a portion of their Storm Shares, such shareholders disposed of their Storm New Common Shares (acquired as part of the Arrangement) to ARC Resources for ARC Exchangeable Share Consideration. Such holders may be able to defer some or all of the tax otherwise arising under the *Income Tax Act* (Canada) (the “**Tax Act**”) in respect of such disposition by making a tax election with ARC Resources under subsection 85(1) of the Tax Act or, in the case of a former Storm Shareholder that is a partnership, under subsection 85(2) of the Tax Act (in either case, a “**Tax Election**”). The procedure for making a Tax Election is set out herein and in the Circular under the heading “*Tax Considerations To Storm Shareholders*”.

### **Disclaimers**

#### *General Disclaimer*

The following instructions are of a general nature only, may not be exhaustive and are not intended to be (nor should they be construed as) legal or tax advice to any particular former Storm Shareholders concerning the Tax Election. Furthermore, none of ARC Energy Trust, ARC Resources, Storm, 1541229 Alberta Ltd. and their successors or affiliates has provided or will provide former Storm Shareholders any advice respecting the Tax Election or the manner of its completion or execution by virtue of (i) the following instructions, (ii) the sample Forms T2057 and T2058, or (iii) ARC Resources; execution of said forms. Accordingly, former Storm Shareholders are urged to consult their own tax advisors for specific advice in respect of making the Tax Election and the proper completion and execution of the required forms, having regard to their personal circumstances. For further information, you may wish to review Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 published by the Canada Revenue Agency (the “**CRA**”), the text of which can be found on the CRA’s website at:

[http://www.cra-arc.gc.ca/menu/APAP\\_I-e.html](http://www.cra-arc.gc.ca/menu/APAP_I-e.html)

### *Provincial Election Forms*

Further, former Storm Shareholders may be required to file additional elections in order to comply with provincial income tax laws analogous to or respecting subsections 85(1) or 85(2) of the Tax Act. Former Storm Shareholders are urged to consult their own tax advisors for advice on any additional filing requirements.

### **Who is Eligible to File a Tax Election?**

Only “**Eligible Holders**” are permitted to make this election jointly with ARC Resources. As set out in Schedule “A” of the Letter of Transmittal and Election Form, an Eligible Holder is a Storm Shareholders who is:

- (i) a resident of Canada for purposes of the Tax Act or, if a partnership, a partnership that is a “Canadian partnership” for the purposes of the Tax Act,
- (ii) not exempt from tax under Part I of the Tax Act or, if partnership, a partnership none of the members of which is exempt from tax under Part I of the Tax Act; and
- (iii) the beneficial owner of Storm Shares.

### **Completion and Submission of Tax Election Forms**

To make a valid Tax Election, Eligible Holders must properly complete and execute the required Tax Election forms:

- CRA Form T2058 (for former Storm Shareholders that are partnerships)
- CRA Form T2057 (for all other former Storm Shareholders)
- any applicable Provincial or Territorial election forms

The applicable form(s) must include all the necessary information, including the number of Storm New Common Shares transferred to ARC Resources, the number of ARC Exchangeable Shares received in exchange, the value of any non-share consideration received in exchange for the Storm New Common Share and the applicable agreed amounts for the purposes of such elections.

Eligible Holders are responsible for ensuring that the individual signing the Tax Election is authorized to do so. Tax Elections signed by unauthorized individuals may be invalid.

Eligible Holders who choose to make a Tax Election must provide to ARC Resources two signed copies of the prescribed form of election (including any provincial tax election forms relevant to such Eligible Holders) by no later than December 15, 2010 duly completed with the details of the number of Storm Shares transferred and the applicable agreed amount for the purposes of the election. The election form(s) will be signed by ARC Resources and returned to the former Storm Shareholders for filing by such shareholders with the CRA within the prescribed time (discussed below).

Eligible Holders should submit the completed and signed election forms for execution by ARC Resources to:

ARC Resources Ltd.  
1200, 308 – 4<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 0H7

Attention: Darren Drake  
Manager, Treasury & Tax

To avoid the assessment of a late filing penalty, the CRA must receive the Tax Election on or before the earlier of the day on which either ARC Resources or the Eligible Holder must file an income tax return for the taxation year in which the exchange occurs. Because ARC Resources has a taxation year end of August 17, 2010, **all tax elections are due for filing no later than February 17, 2011**. Depending on their own particular circumstances, some Eligible Holders' filing deadlines may be earlier and as such Eligible Holders should consult their own advisors with respect to such deadlines. ARC Resources cannot guarantee that forms received after December 15, 2010 will be processed and returned to Eligible Holders by the deadline of February 17, 2011.

### **Partially Completed Election Forms**

Enclosed in this Tax Election Package are copies of partially completed election forms (“**Sample Election Forms**”) (T2057 and T2058) which set out information in respect of ARC Resources and the exchange required by Eligible Holders to complete such election forms.

Please see below notes to the Sample Elections Forms as indicated in such Sample Election Forms which are intended to assist Eligible Holders and their advisors in completing the elections:

Note A – Eligible Holders should answer the first part of Question 6 based on their particular circumstances.

Note B – The redemption value of an ARC Exchangeable Share is the Exchange Ratio (as defined in the share terms for the ARC Exchangeable shares) determined on the last business day prior to the redemption date multiplied by the Current Market Price of an ARC Trust Unit (as set out in greater detail in the share terms for the ARC Exchangeable Shares). Eligible Holders may wish to describe the redemption value as a word formula as described above.

Note C – The paid-up capital of the ARC Exchangeable Shares is dependent on the number of Storm Shareholders who participate in the Arrangement, the aggregate fair market value of the Storm New Common Shares, and the number of such holders who choose to make the Tax Election and as such this amount is likely not determinable at the time the election is required to be made. *It is understanding of the managements of Storm and ARC Resources that the CRA will accept elections setting out in the election form that the paid-up capital of the ARC Exchangeable Share is not determinable at the time of the election as it is dependent on other arm's length holders of Storm New Common Shares who exchange such shares for ARC Exchangeable Shares; however, Eligible Holders should consult their own advisors on this matter and other matters relating to the election.*

Note D – This section requires the determination of the aggregate fair market value of Storm New Common Shares transferred to ARC Resources in exchange for ARC Exchangeable Shares. You may wish to determine the fair market value of Storm New Common Shares by reference to the fair market value of ARC Exchangeable Shares received in exchange for such Storm New Common Shares. Each Storm New Common Share was exchangeable for 0.201733 of an ARC Exchangeable Share. On August 17, 2010, each ARC Exchangeable Share was exchangeable for 2.82551 ARC Trust Units and the closing price of an ARC Trust Unit was \$19.53. Accordingly, you may wish to report the fair market value of a Storm New Common Share as being \$11.13207. *Although managements of Storm and ARC Resources believe that the above value reflects a reasonable estimate of fair market value of Storm New Common Shares at the time of the Arrangement, they make no explicit or implicit representation as to the accuracy or correctness and note that the value is not binding on any party. Furthermore, the CRA has not accepted or reviewed this value as being a correct valuation of Storm New Common Shares at the time of the Arrangement. Eligible Holders should consult their own advisors on this matter and other matters relating to the election.*

Note E – This section requires the determination of the aggregate fair market value of ARC Exchangeable Shares received from ARC Resources in exchange for the Storm New Common Shares. As noted above for Note D, on August 17, 2010, each ARC Exchangeable Share was exchangeable for 2.82551 ARC Trust Units. The closing price of an ARC Trust Unit on August 17, 2010 was \$19.53. Accordingly, you may wish to report the fair market value of each ARC Exchangeable Share as being \$55.18221. Ancillary Rights will also be received as consideration for the exchange; these rights should be reported as having a nominal value of \$1.00. *Although managements of Storm and ARC Resources believe that the above value reflects a reasonable estimate of the fair market value of the ARC Exchangeable Shares and the Ancillary Rights at the time of the Arrangement, they make no explicit or implicit representation as to the accuracy or correctness and note that the value is not binding on any party. Furthermore, the CRA has not accepted or reviewed this value as being a correct valuation of the ARC Exchangeable Shares and the Ancillary Rights at the time of the Arrangement. Eligible Holders should consult their own advisors on this matter and other matters relating to the election.*

We have also enclosed for your convenience partially completed Form T2057 and Form T2058 which includes the above noted information which you may wish to print and use to complete your Tax Elections.