ARC Hedging Overview:

Outline of Presentation – ARC Hedging Overview:

The following topics will be discussed in the context of ARC's hedging disclosure...

I. Risk Management Structure
   I. Mandate
   II. Guidelines
   III. Internal Structure

II. Production Volume Hedging
   I. Objectives – protect budget
   II. Alternate Structures

III. Acquisition Hedging
   I. Objectives – protect acquisition metrics
   II. Structures

IV. Hedging Execution and Restructuring;
   I. Acquisition hedge restructuring
   II. Selling puts, calls
   III. Repurchasing puts, calls

V. Disclosure and Modelling
   I. MD&A
   II. Hedging Note
   III. Modelling Settlements

Risk Management Mandate and Guidelines:

I. Risk Management Mandate:

ARC's Risk Management Mandate is at the core of ARC's hedging program and drives the guidelines, structures, and execution of ARC's ongoing hedging program.

The mandate is as follows:

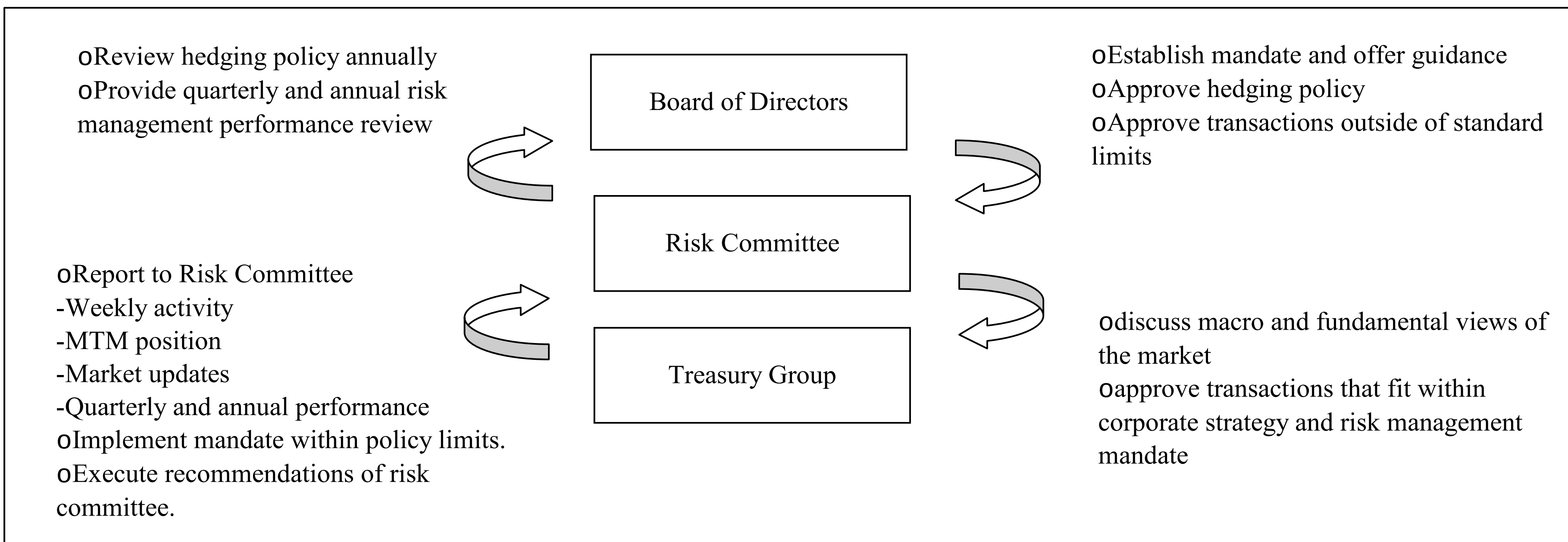
- **protect unitholder return on investment**;
- provide protection for **minimum monthly cash distributions** to unitholders;
- employ a **portfolio approach** to risk management by entering into a number of small positions that build upon each other;
- participate in **commodity price upturns** to the greatest extent possible while **limiting exposure to price downturns**; and,
- ensure **profitability of specific oil and gas properties** that are more sensitive to changes in market conditions.

Risk Management Mandate and Guidelines:

Process:

- By recognizing a concise risk management process, the Board of Directors, Risk Committee, and Treasury group will be able to fulfill specified roles within defined parameters in order to effectively and consistently implement ARC's risk management mandate.

- The diagram below illustrates the process of approval and guidance from the Board of Directors, direction and review from the Risk Committee, and implementation by the Treasury group.



Risk Management Mandate and Guidelines:

Board of Director Hedging Guidelines:

Board of Directors Guidelines

	Within 3-months	Beyond 3-months
Capped volumes	No greater than 50% of forecast production	No greater than 25% of forecast production
Capped price levels	No less than 10% above the forward price	No less than 20% above the forward price
Premiums	Premiums for a calendar year are based on up to 3% of budgetted revenues.	

Risk Management Mandate and Guidelines:

Board of Director Hedging Guidelines:

The purpose of the hedging guidelines is to

- **Provide parameters for ARC to systematically maintain ongoing upside participation and protection on production volumes and**
- **Provide the tools necessary to adequately protect ARC's production in order to meet distribution and capital expenditure objectives.**

Risk Management Mandate and Guidelines:

Premiums as a Cost of Insurance:

ARC has committed to allocating a portion of revenue towards hedging premiums.

These hedging premiums are viewed as a cost towards **commodity price insurance**.

Puts:

Purchasing puts, which ensures "the right to sell at a specified price" and provides ARC with downside price protection and upside price participation.

However, purchasing puts outright can be prohibitively expensive (depending on the level of protection) and may not allow ARC to achieve the volume of protection targeted.

Risk Management Mandate and Guidelines:

Premiums as a Cost of Insurance:

Recouping Premium:

In order to recoup a portion of the cost of purchasing puts, ARC will enter into either or both of the following positions:

– **Sell calls** (“the right to purchase at a specified price”)

  This essentially creates a price ceiling on ARC’s production for the volume of the calls sold;

– **Sell puts** (“the right to sell at a specified price”)

  This essentially limits the extent of downside protection achieved by ARC.

Creating Structures:

By purchasing a put for protection and selling a put at a lower price, a call at a higher price, or selling both a put and a call ARC establishes protection via put spreads, collars, and 3-way collars.

These positions are illustrated on the following slides.

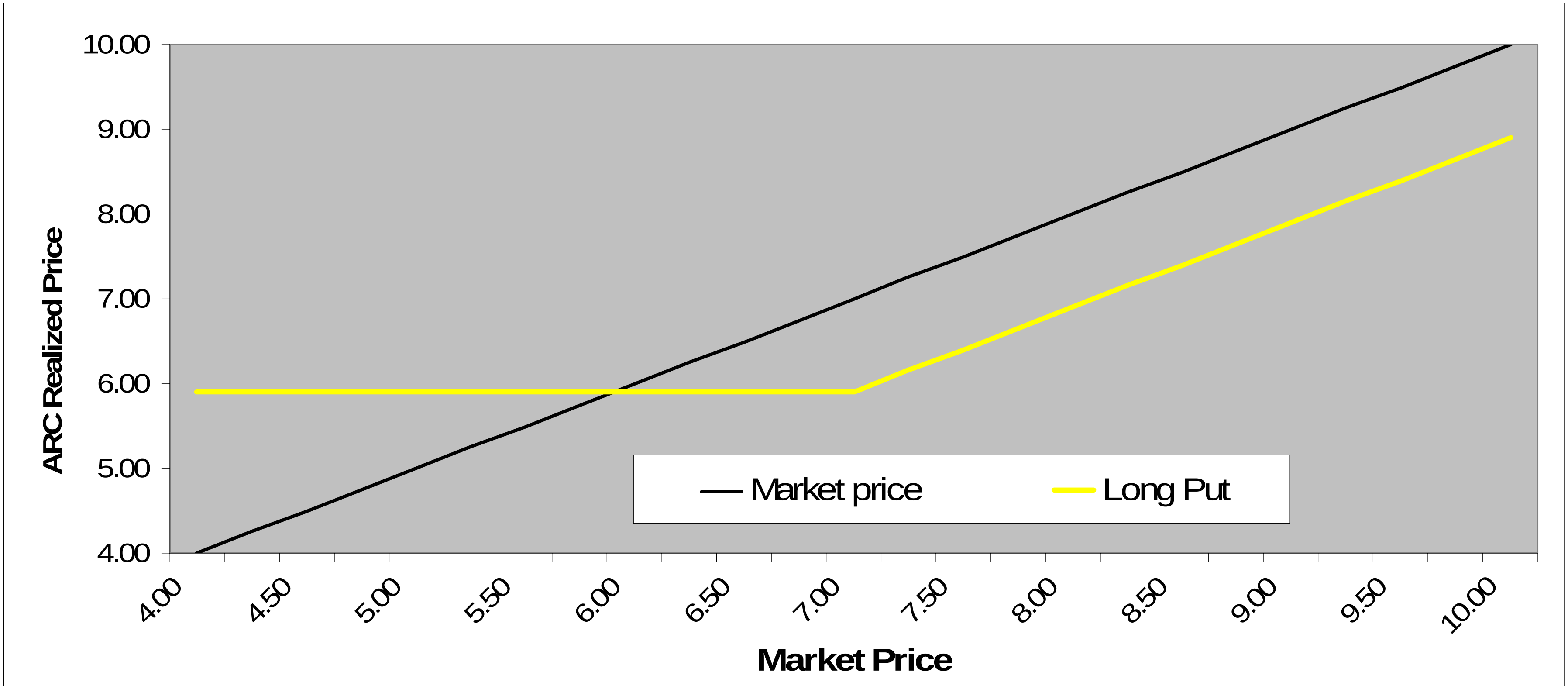
Risk Management Mandate and Guidelines:

Put pay-off:

A put is purchased outright; this provides down-side price protection and boundless upside participations, however the costs (premiums) can be significant.

Long Put

		Strike	Premium
Purchase	Put	7.00	-1.10
Total			-1.10



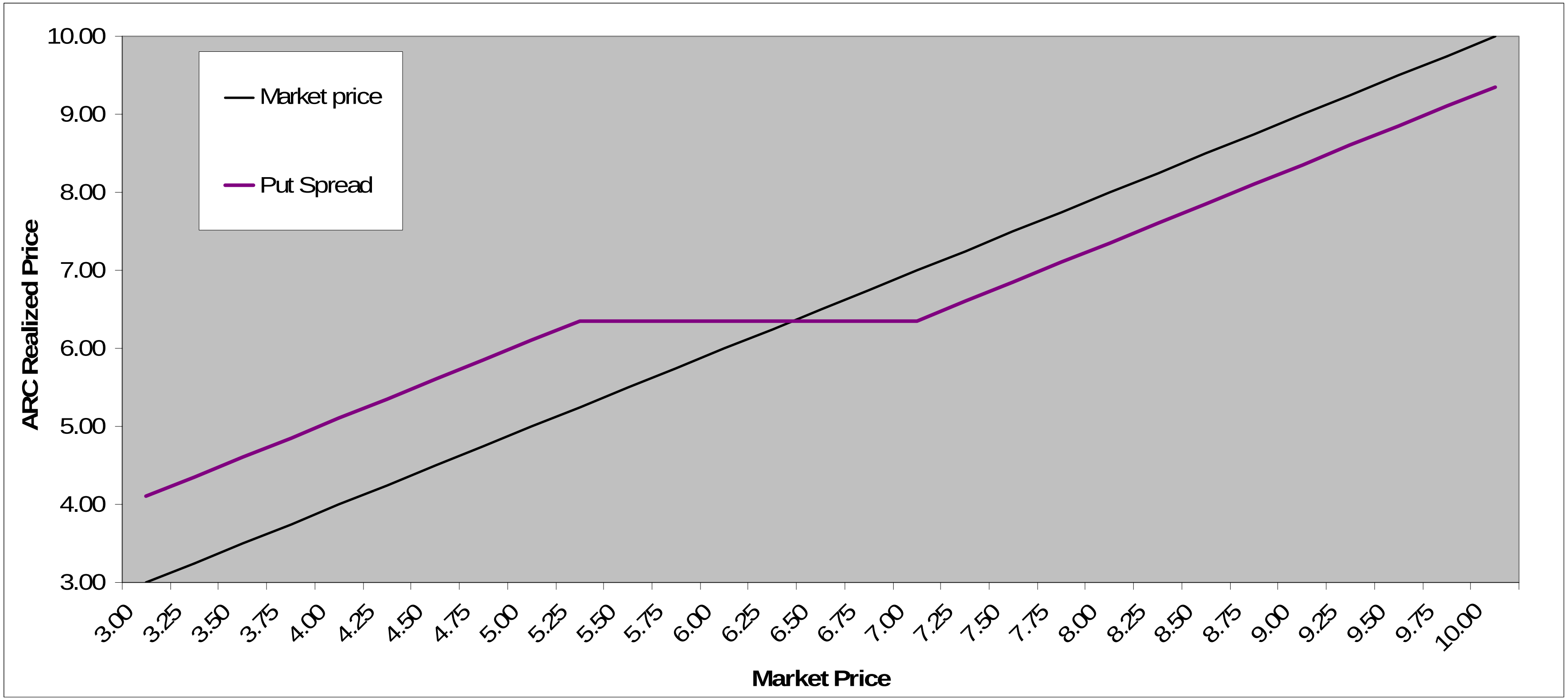
Risk Management Mandate and Guidelines:

Put-spread pay-off:

Premium is recouped by **selling a put** at a level lower than the purchased put providing a price guaranteed at higher than market price on downward price movements below the purchased put.

Put Spread

		Strike	Premium
Purchase	Put	7.00	-1.10
Sell	Put	5.25	0.45
Total			-0.65



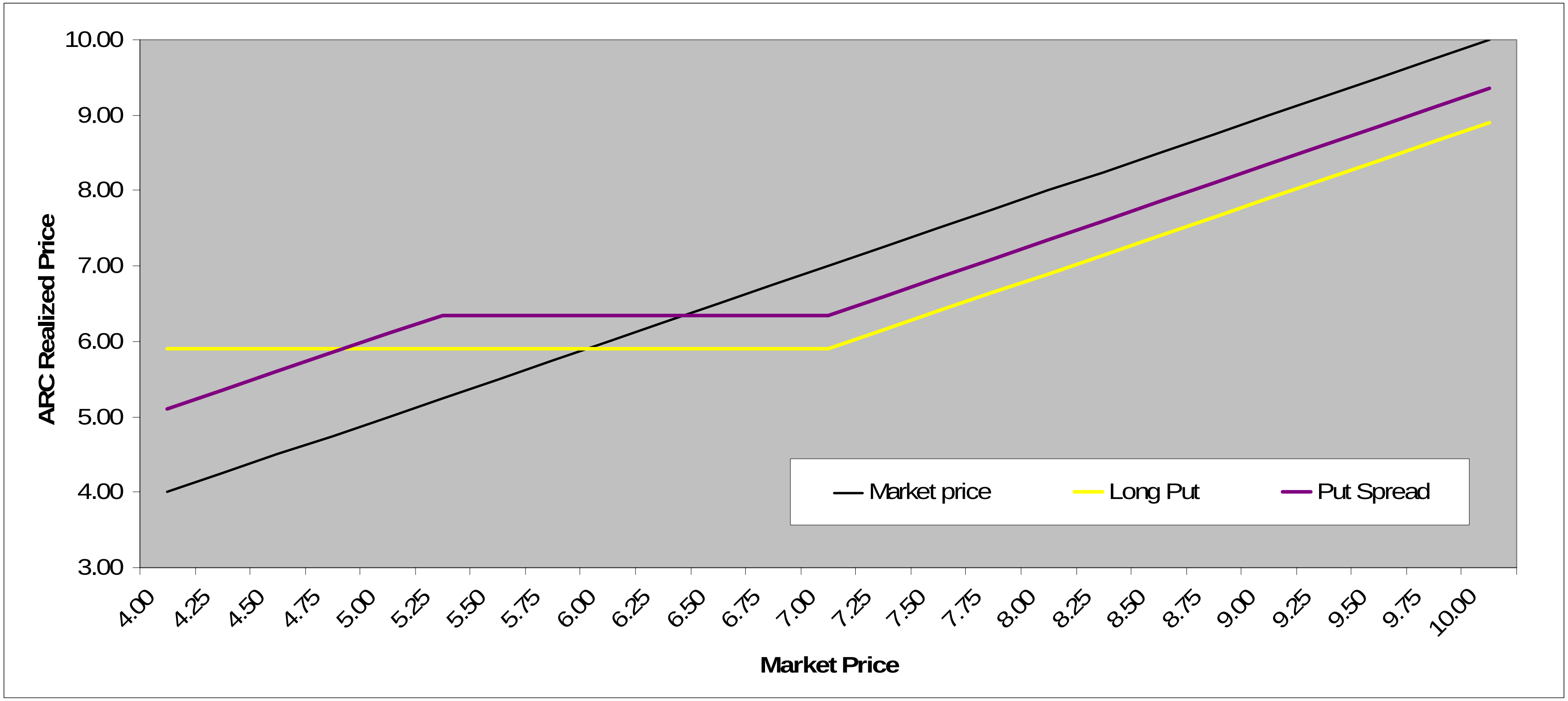
Risk Management Mandate and Guidelines:

Put-spread pay-off:

Put Spread

		Strike	Premium
Purchase	Put	7.00	-1.10
Sell	Put	5.25	0.45
Total			-0.65

Put vs Put-spread comparison:



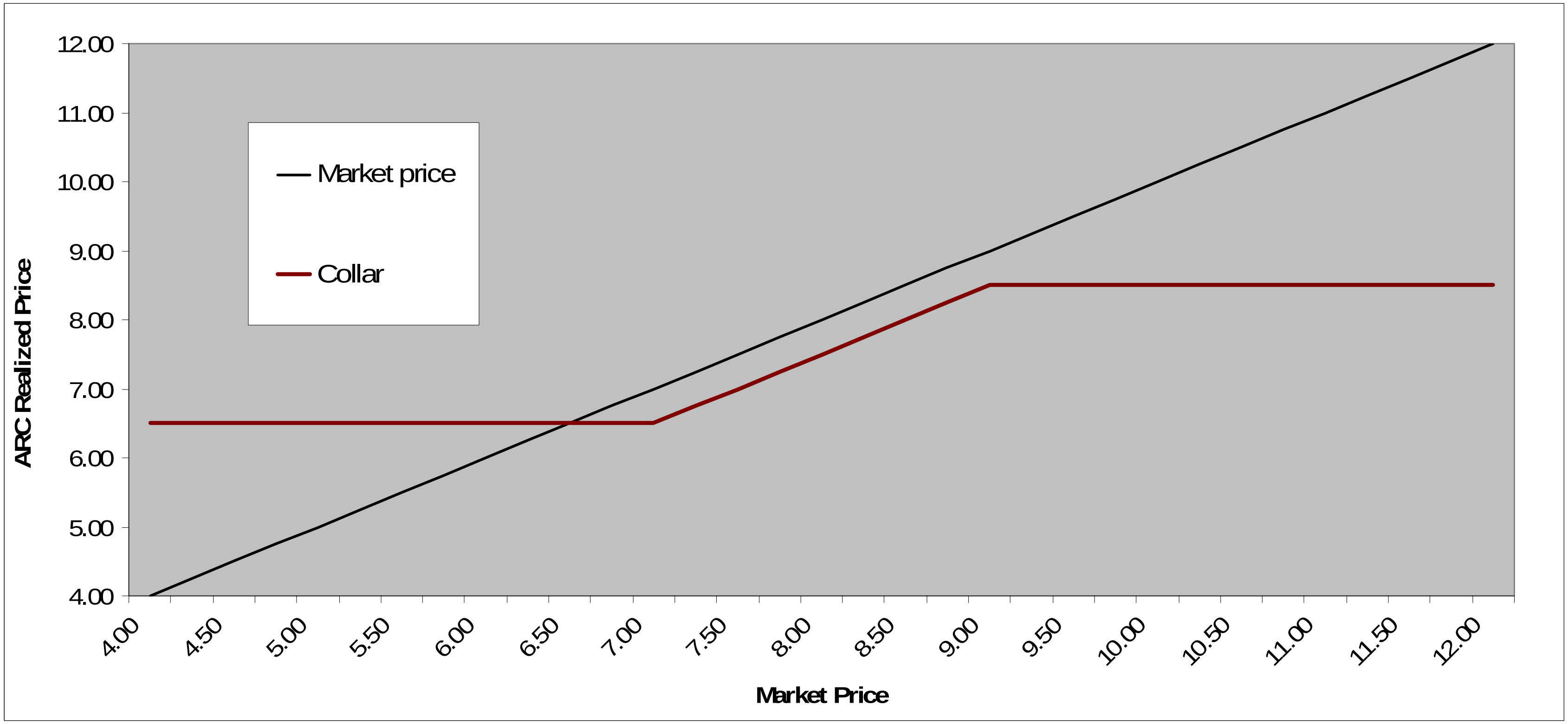
Risk Management Mandate and Guidelines:

Collar pay-off:

Premiums are recouped by **selling a call** significantly higher than the underlying market price (20% and 10% above the market for periods beyond and within 3 months respectively) .

Collar

		Strike	Premium
Purchase	Put	7.00	-1.10
Sell	Call	9.00	0.60
Total			-0.50



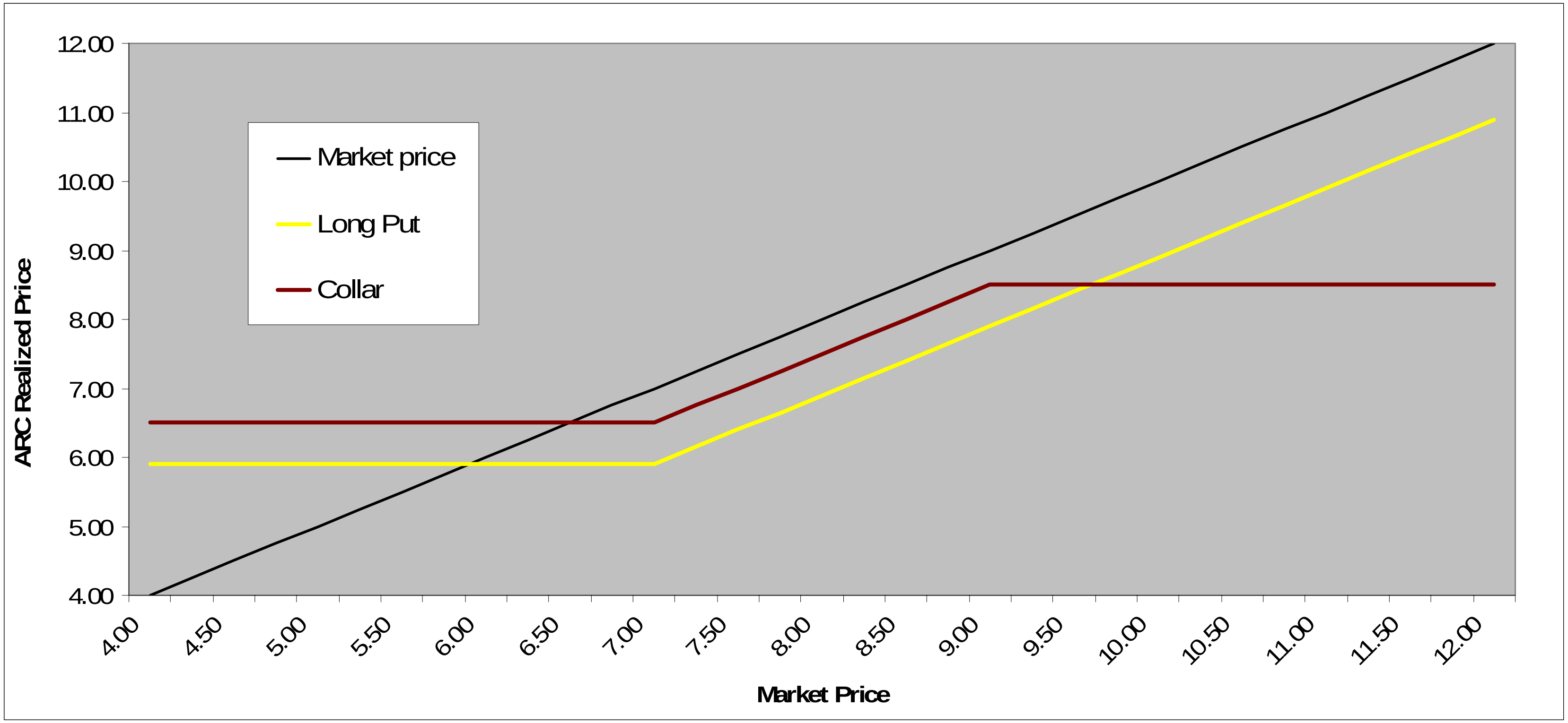
Risk Management Mandate and Guidelines:

Collar pay-off:

Collar

		Strike	Premium
Purchase	Put	7.00	-1.10
Sell	Call	9.00	0.60
Total			-0.50

Put vs Collar comparison:



Risk Management Mandate and Guidelines:

3-way collar pay-off:

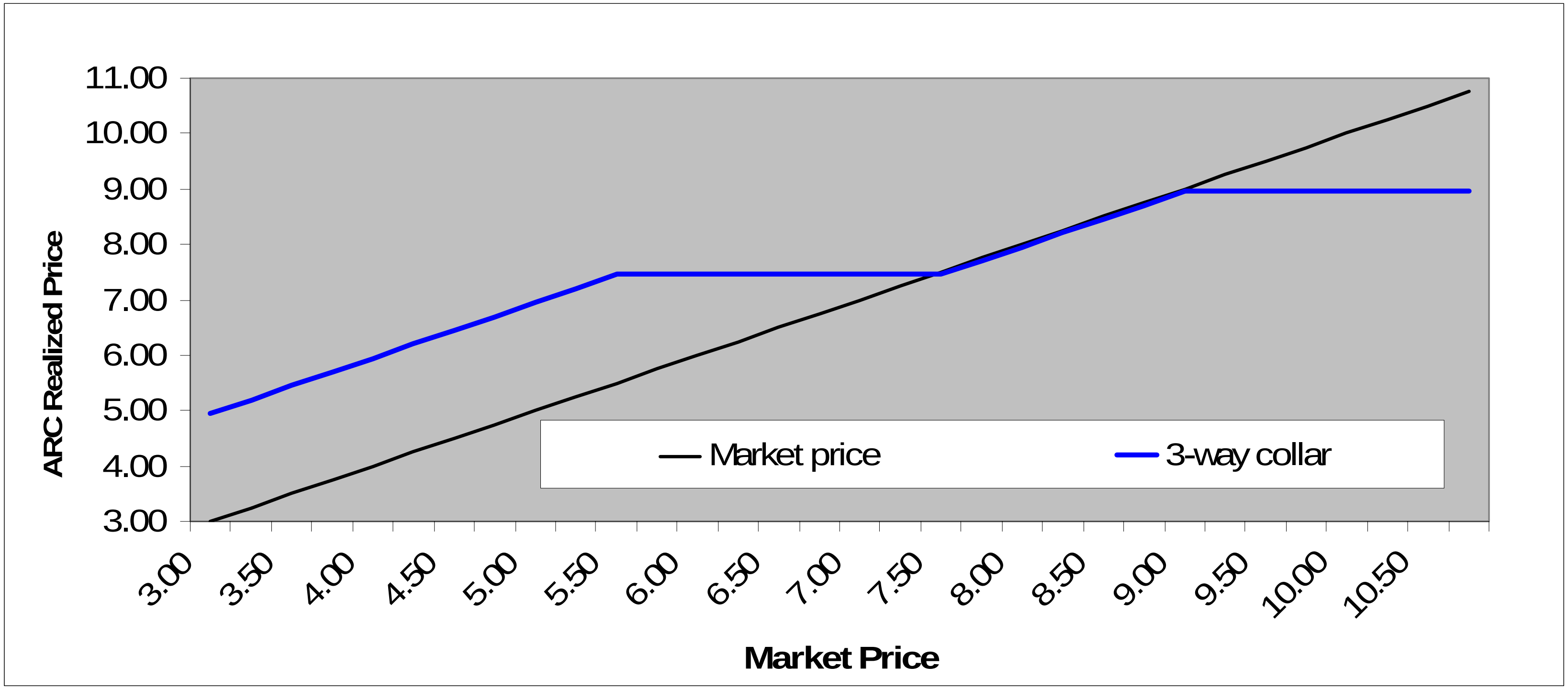
Premium is recouped by **selling** both

1) a put below the level of the put purchased and

2) a call significantly higher than the underlying market price.

3-way Collar

		Strike	Premium
Purchase	Put	7.00	-1.10
Sell	Put	5.25	0.45
Sell	Call	9.00	0.60
Total			-0.05



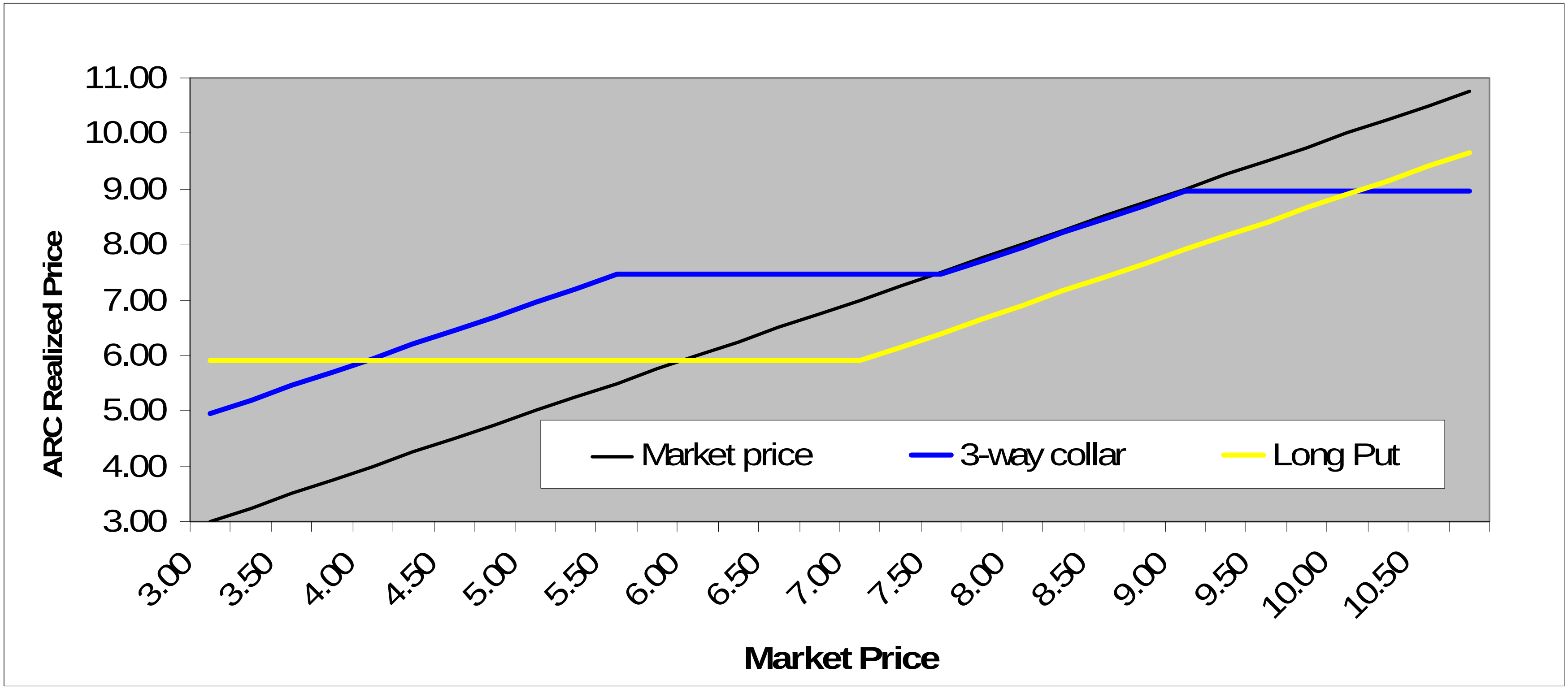
Risk Management Mandate and Guidelines:

3-way collar pay-off:

3-way Collar

		Strike	Premium
Purchase	Put	7.00	-1.10
Sell	Put	5.25	0.45
Sell	Call	9.00	0.60
Total			-0.05

Put vs 3-way collar comparison:



Production Hedging:

Target Volumes:

ARC manages an ongoing hedging program whereby forecasted production volumes are protected for periods of 0-24 months.

The following table is a rough target on percentage of volume to protect with hedging structures for both crude oil and natural gas.

	1-3 months	3-6 months	6-12 months	12-24 months
Targeted protection	≥ 50%	25% to 50%	≥ 25%	0 to 25%

Production Hedging:

Structures and Instruments:

ARC hedges it's commodity price exposure using the following instruments:

Crude Oil is hedged with

- WTI options + foreign exchange swaps

Natural Gas is hedged with

- AECO options or
- Basis swaps + Nymex options

Shifting price exposure and commodity balance:

ARC's production is focused in Alberta, SE Saskatchewan, Manitoba, and Northern British Columbia and has an approximate balance of 50:50 total oil to natural gas production.

ARC may look for opportunities to utilize financial contracts to mimic a shift in physical production location exposure or the physical production mix between natural gas and crude oil.

Production Hedging:

Shifting Price Exposure and Commodity Balance:

Basis swaps:

By entering into basis swaps, ARC has diversified a portion of it's price exposure to reflect the broader natural gas fundamentals of North America and reduce sensitivity to periodic natural gas price weakness in the AECO basin.

ARC could achieve the same diversification by securing long-term pipeline transportation contracts, however the transaction costs on these contracts are typically higher and the terms less flexible.

This strategy also enables ARC to hedge a portion of its production with Nymex options, which have some characteristics favorable to AECO options due to the imbalance of hedging activity between producers and consumers within the AECO basin.

Oil:Gas swaps:

Due to logistical constraints and transaction costs, it is not feasible for ARC to shift its price exposure from gas to oil or vice-versa by buying and selling oil and gas assets for short term or specified periods.

However, with financial contracts ARC is able to effectively rebalance it's Oil:Gas weighting to protect against broad market risks and establish a preferred commodity balance for specified periods.

Production Hedging:

ARC's Q2 2007 Hedging Note:

The table below provides the details for ARC's crude oil hedging positions as of June 29th, 2007:

The positions used by ARC as of the end of 2007 include a) put spreads, b) collars, and c) 3-way collars are described in the following slides as illustrated in previous slides. These positions are discussed in greater detail in the section "Execution and Restructuring."

ARC Energy Trust
6/29/2007

Financial WTI Crude Oil Contracts

Term		Contract	Volume bbl/d	Bought Put USD/bbl	Sold Put USD/bbl	Sold Call USD/bbl
Term		**Contract**	**Volume**	**Bought Put bbl/d**	**Sold Put USD/bbl**	**Sold Call USD/bbl**
01-Jul-07	31-Dec-07	Put spread	1,000	$ 75.00	$ 60.00	$ -
01-Jul-07	31-Dec-07	3-way collar	2,500	$ 65.00	$ 52.50	$ 80.00
01-Jul-07	31-Dec-07	Put spread	2,500	$ 65.00	$ 52.50	$ -
01-Jul-07	31-Dec-07	Put spread	1,000	$ 65.00	$ 55.00	$ -
01-Jul-07	31-Dec-07	3-way collar	1,000	$ 65.00	$ 52.50	$ 85.00
01-Jul-07	31-Dec-07	3-way collar	5,000	$ 55.00	$ 40.00	$ 90.00
01-Jan-08	20-Jun-08	3-way collar	1,000	$ 65.00	$ 52.50	$ 85.00
01-Jan-08	20-Jun-08	3-way collar	1,000	$ 65.00	$ 52.50	$ 82.50
01-Jan-08	30-Jun-08	Collar	1,000	$ 65.00	$ -	$ 85.00
01-Jan-08	31-Dec-08	3-way collar	1,000	$ 67.50	$ 52.50	$ 85.00
01-Jan-08	31-Dec-08	Collar	1,000	$ 67.50	$ -	$ 85.00
01-Jan-08	31-Dec-08	3-way collar	2,000	$ 61.50	$ 50.00	$ 85.00
01-Jan-08	31-Dec-08	3-way collar	1,000	$ 61.30	$ 50.00	$ 85.00
01-Jan-08	31-Dec-08	3-way collar	2,000	$ 61.00	$ 50.00	$ 85.00
01-Jan-09	31-Dec-09	3-way collar	5,000	$ 55.00	$ 40.00	$ 90.00

Acquisition Hedging:

Guidelines and purpose:

ARC's standard board of director hedging guidelines do not apply to acquisitions.

The purpose of acquisition based hedging transactions is to ensure the acquisition metrics remain intact and that the acquisition in combination with the hedging transactions provides a positive return to ARC while improving ARC's asset inventory for future development and optimization opportunities.

Term:

Whereas ARC will typically hedge tenors of up to 24 months for production volumes, ARC may lock in acquisition metrics for longer time horizons on acquisitions to ensure the feasibility of a purchase.

Volumes:

In addition to protecting for longer tenors, ARC may also target structures on 100% of the acquired volumes. These volumes do not count towards the limits set by the hedging guidelines with regards to the percentage of production that can be capped.

Revenue and cost protection:

In addition to protecting the revenue stream, ARC may enter into transactions to protect input costs such as power.

Acquisition Hedging:

REDWATER / NPCU:

ARC's most significant purchase in the past 3 years has been the Redwater / NPCU acquisition that represents approximately 5,000 bbl per day of production and that was acquired in December of 2005.

Long term 3-way collar:

These volumes required a minimum price of $55.00 per barrel to adequately protect the acquisition metrics.

As such ARC protected 100% of the acquired volumes (5,000 bbl per day) with a long-term 3-way 55.00 (40.00) x (90.00) hedge consisting of the following:

		Strike	2006	2007	2008	2009
Purchase	Put	55.00	-1.59	-4.47	-6.47	-8.42
Sell	Put	40.00	0.17	1.36	2.36	3.30
Sell	Call	90.00	0.60	2.12	3.12	4.30
			-0.83	-0.99	-0.99	-0.82

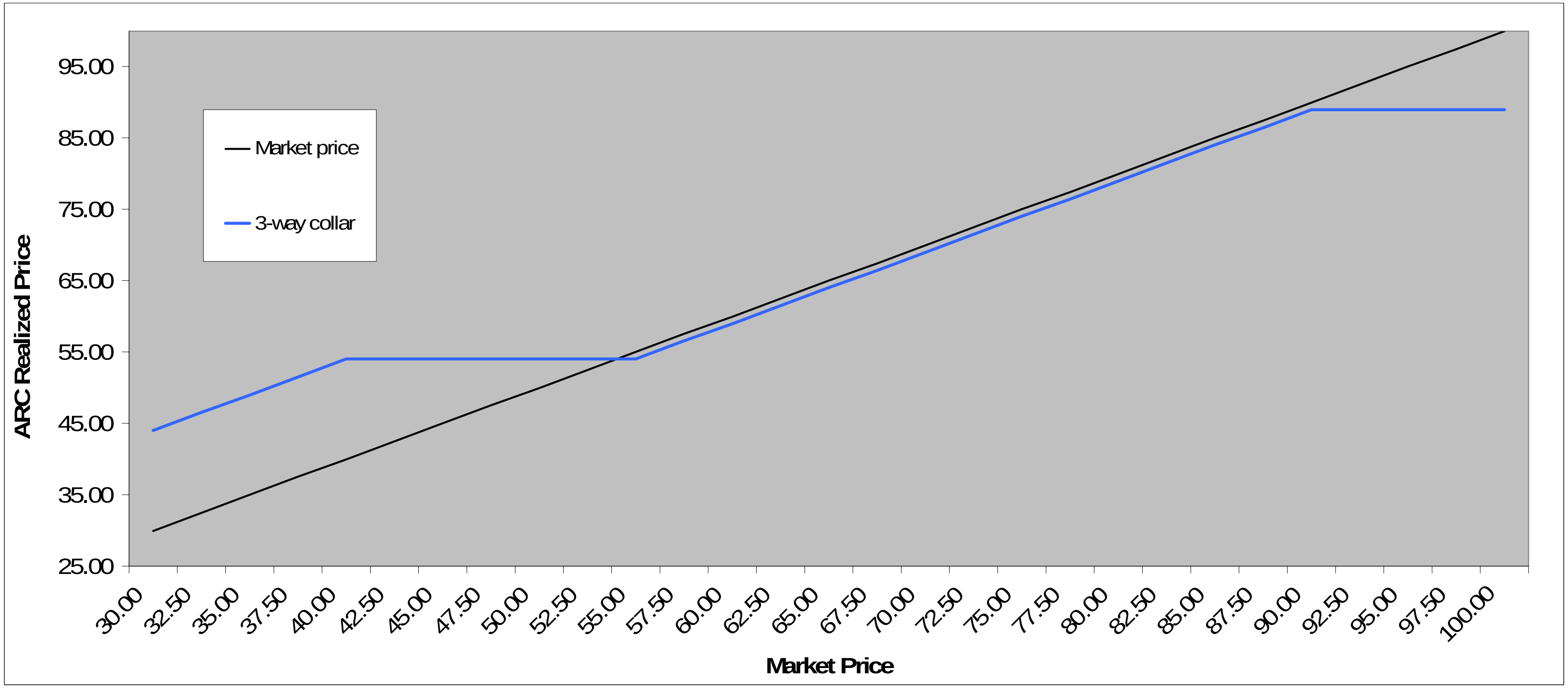
Note: These and all other option pricing provided in this presentation are only approximate indications.

Acquisition Hedging:

Redwater / NPCU Long Term 3-way Collar – 55.00 (40.00) x (90.00):

The 3-way collar entered into by ARC in conjunction with the Redwater / NPCU acquisition provides protection at 55.00 with a maximum of 15.00 $ per bbl (i.e. 55.00 – 40.00) on downward price movement (not including the premium cost).

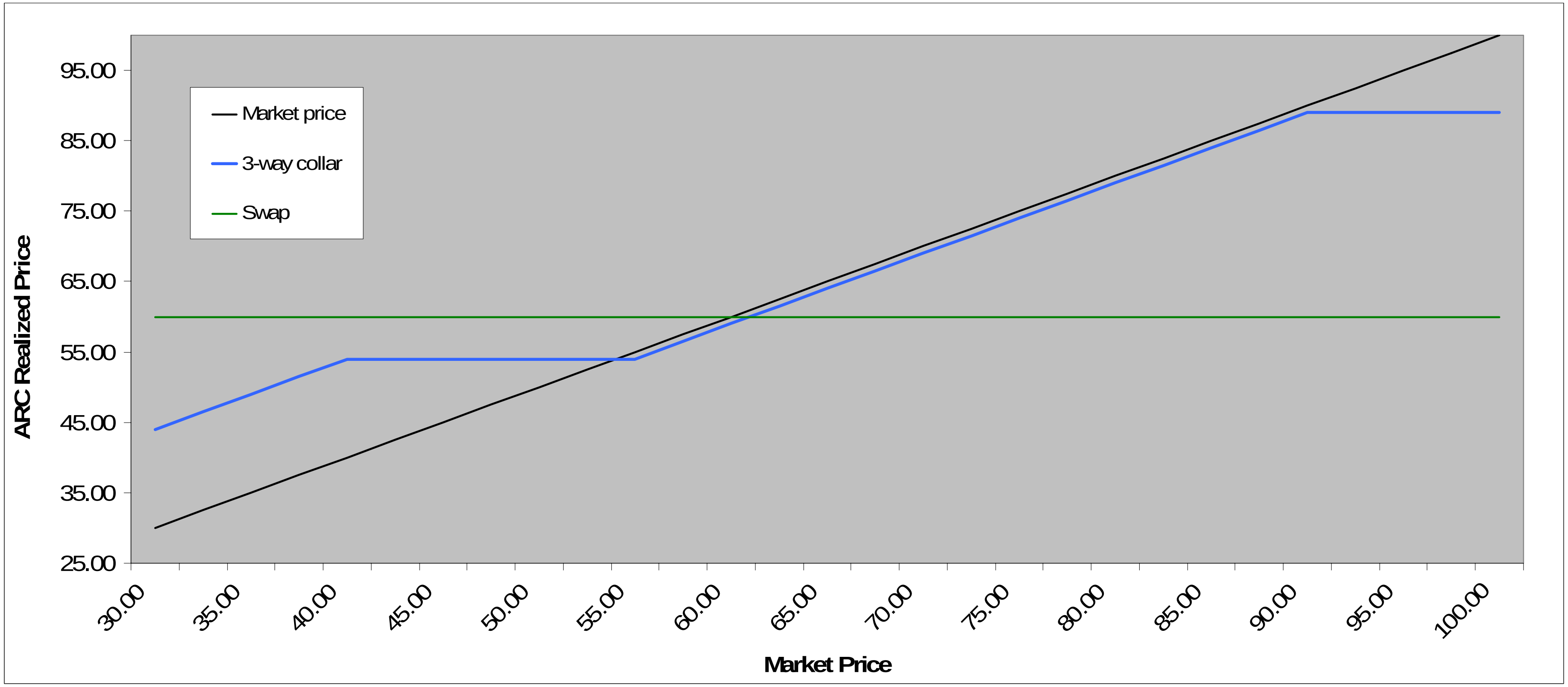
To achieve this position, ARC sold a $90 call. If oil rallies above $90 per bbl, then ARC is essentially $35 per bbl positive compared to the price paid for the acquisition and any hedging loss would be viewed as an opportunity cost.



Acquisition Hedging:

Redwater / NPCU Long Term 3-way Collar – 55.00 (40.00) x (90.00):

Note that by employing an option based structure rather than entering into a swap at approximately 60.00 $ per bbl (where the market was trading when the transaction was entered into), ARC participates on upward price movement between $60.00 per bbl and $90.00 per bbl for a cost of insurance of approximately 0.90 $ per bbl.



Acquisition Hedging:

AB Power Pool Electricity Protection in Place (as of January 31, 2007):

ARC protected it's exposure to AB power price by purchasing an additional 15 MWh of swaps for 2006-2007 and 10MWh for 2008-2009 in conjunction with the Redwater / NPCU acquisition.

ARC is actively watching for opportunities to increase protection on electricity exposure.

AB Power Pool Electricity (Units in $CAD and MWh)

	2007	2008	2009	2010
Alberta Power Pool*	34.0	34.0	34.0	34.0
Market Prices	94.00	85.50	85.00	83.25
Swap	**64.63**	**60.17**	**59.33**	**63.00**
volume	20.0	15.0	15.0	5.0
% of estimated consumption	59%	44%	44%	15%

*Estimated consumption for operated and non-operated properties
** Prices as of July 5th, 2007.

Hedging Execution and Restructuring:

Hedging Positions and Discussion of Structures:

The following two examples are illustrations of crude oil and natural gas positions that were discussed by the Risk Committee within the board of director guidelines during Q3 2006:

These are typical positions that are viewed and that may be restructured before maturity.

1) 2007 Crude oil positions as of Q3 2006:

- **3-way collar vs. bought put.**

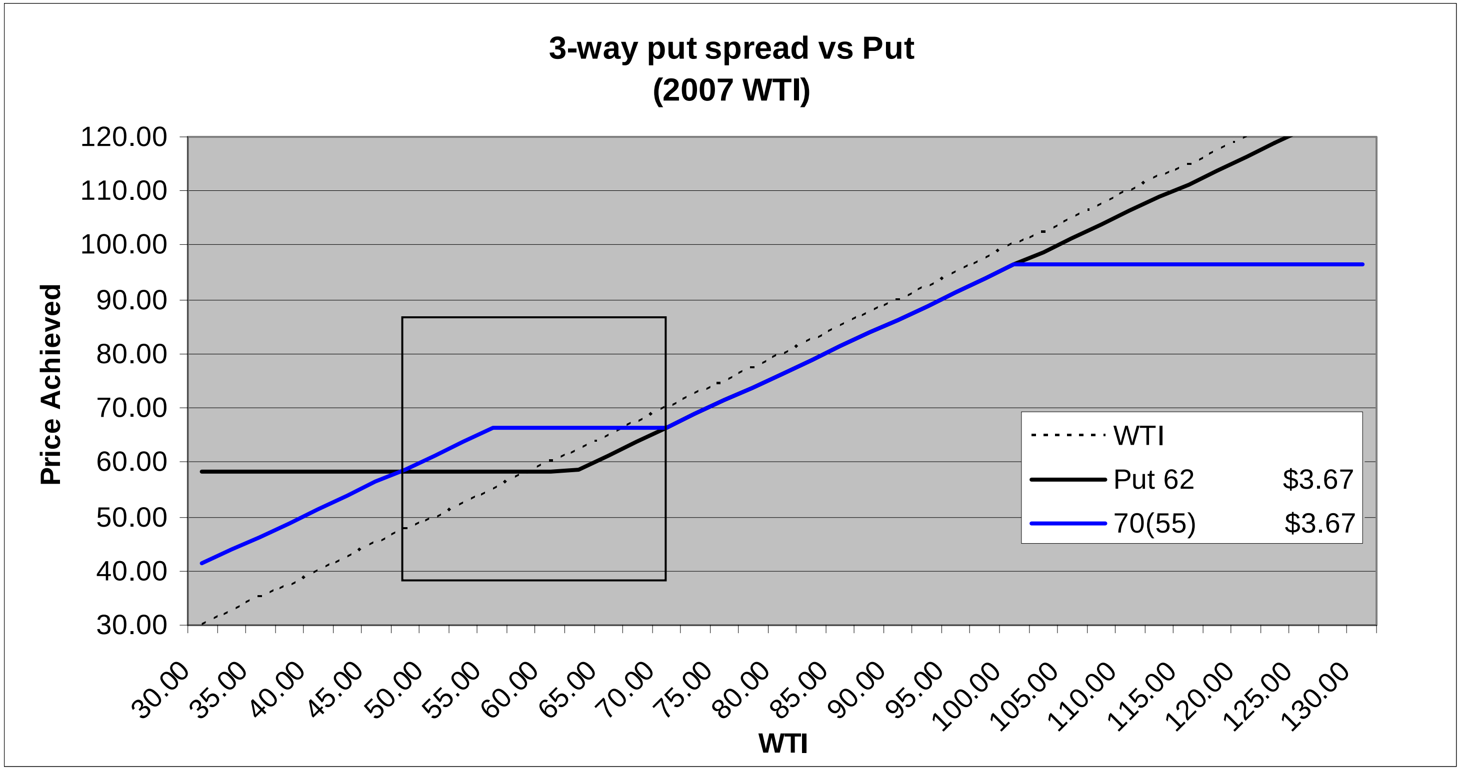
2) Winter 2006 / 2007 natural gas positions as of Q3 2006:

- **put spread vs. bought put.**

Hedging Execution and Restructuring:

Commodity Protection Price Profile:

Crude Oil:

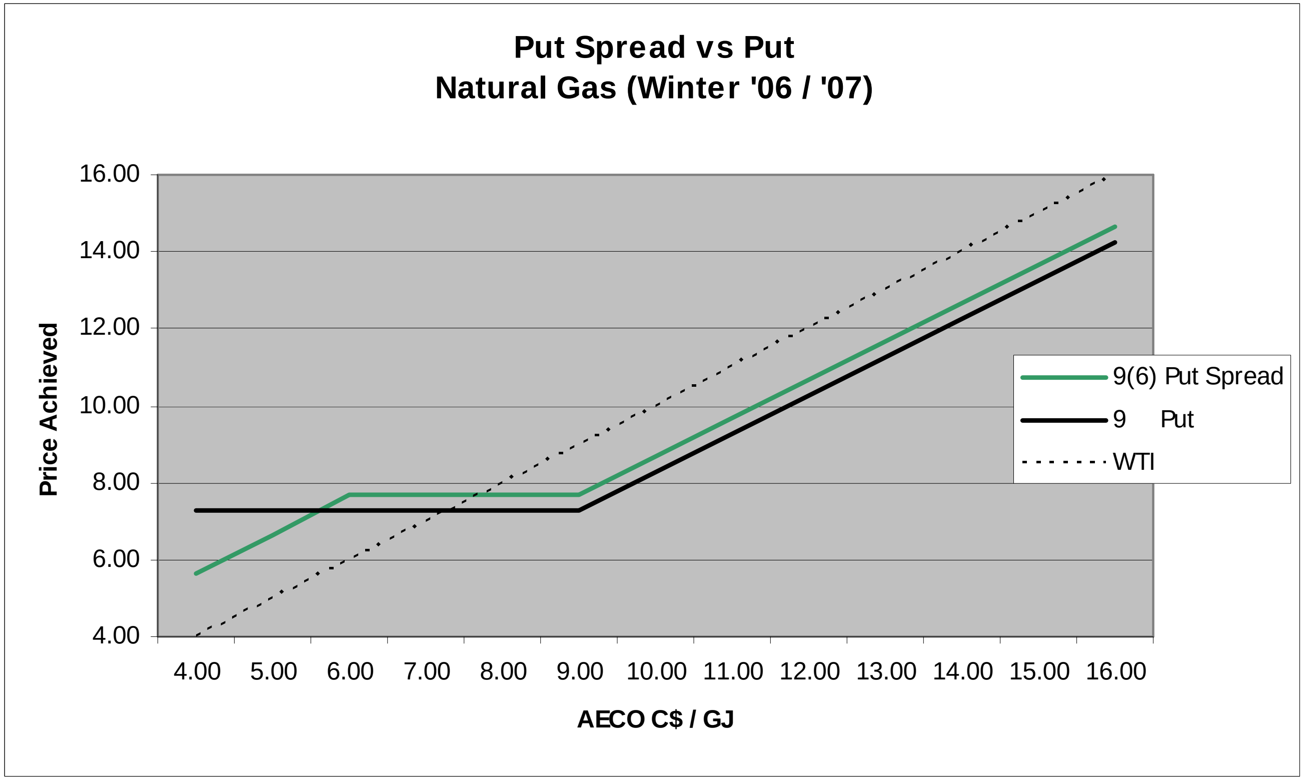


The *3-way put spread* (i.e. 3-way collar) 70(55)x100 with the same premium as a *put* at 62 offers greater protection down to 41.33 $ / bbl in exchange for selling the upside above 100 $ / bbl.

Hedging Execution and Restructuring:

Commodity Protection Price Profile:

Natural Gas:



As shown by this example, the put spread is a more favorable structure for any AECO price above 5.60 $C / GJ. Note that the puts spread allows for upside price participation.

Hedging Execution and Restructuring:

Hedging Position Restructuring:

The following two transaction are examples of hedging restructuring that ARC executed during Q2.

1) Redwater long-term 3-way collar restructure – Calendar 2008

ARC converted it's long term Redwater / NPCU acquisition hedge from strikes of **55(40)x(90)** to **61.26(50)x(85)** at no cost.

ARC effectively increased the floor from 55.00 to 61.26 and is able to protect a more relevant downside range.

2) AECO 3-way collar restructure – repurchase AECO calls for September-October 2007.

e.g.) ARC converted a 3-way **7.25 (5.25) x (9.00)** collar to a put spread **7.25 (5.25)**.

Hedging Execution and Restructuring:

Restructuring Highlights:

- During the second quarter ARC restructured both crude oil and natural gas hedging positions as follows.

- **Crude Oil:** ARC converted it's long term Redwater / NPCU acquisition hedge from strikes of **55(40)x(90)** to **61.26(50)x(85)** at no cost.

  ARC effectively increased the floor from 55.00 to 61.26 and is able to protect a more relevant downside range.

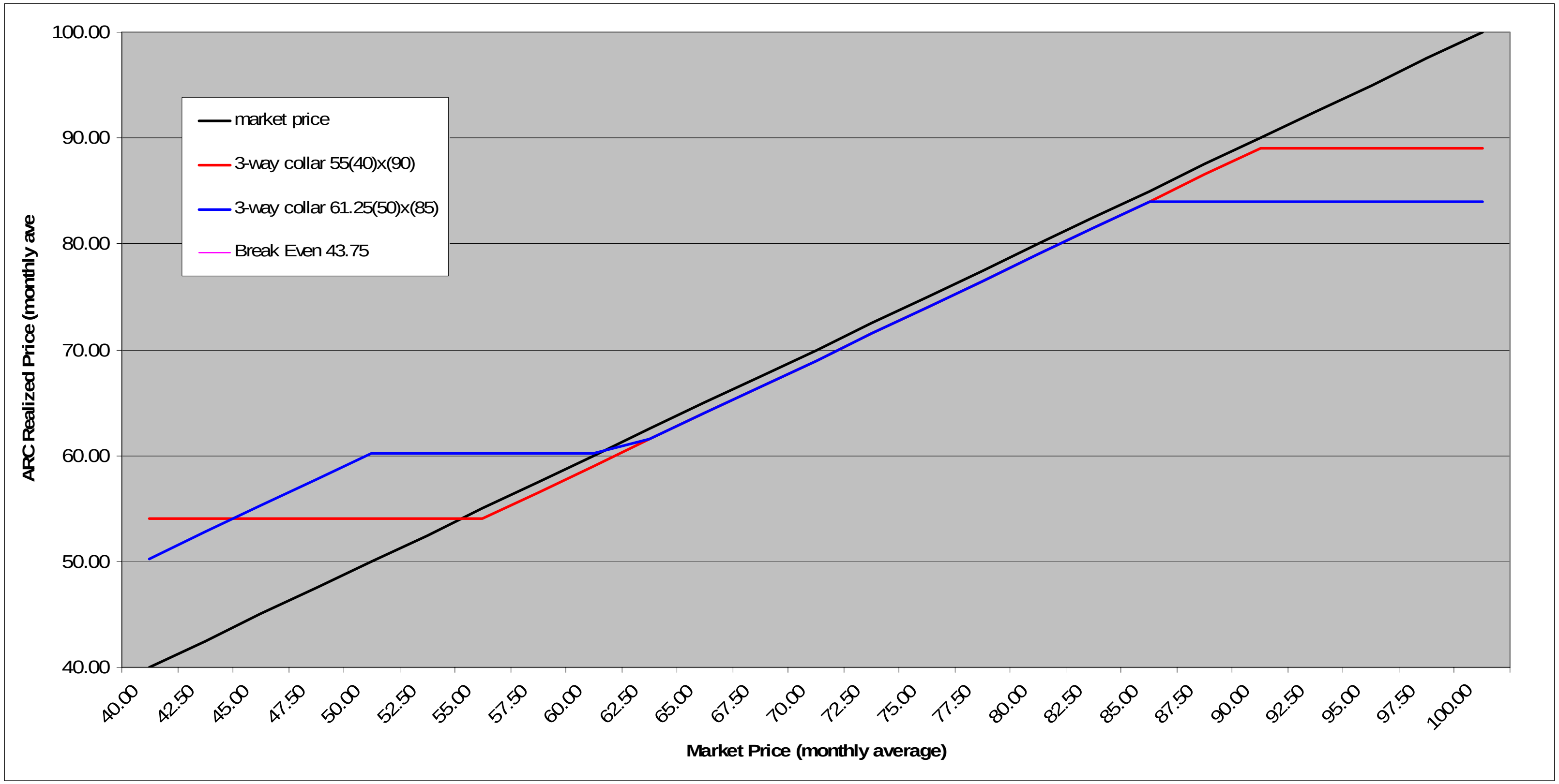
  The new structure will outperform between 61.26 and 43.74 as illustrated on the following slide.

Hedging Execution and Restructuring:

Restructuring – Redwater / NPCU Acquisition Hedge:

The blue line and red line represent the restructured position and original position respectively.

ARC has increased the floor by 6.26 $US/bbl and will retain superior downside protection to a breakeven price of 43.74 $US/bbl as illustrated.

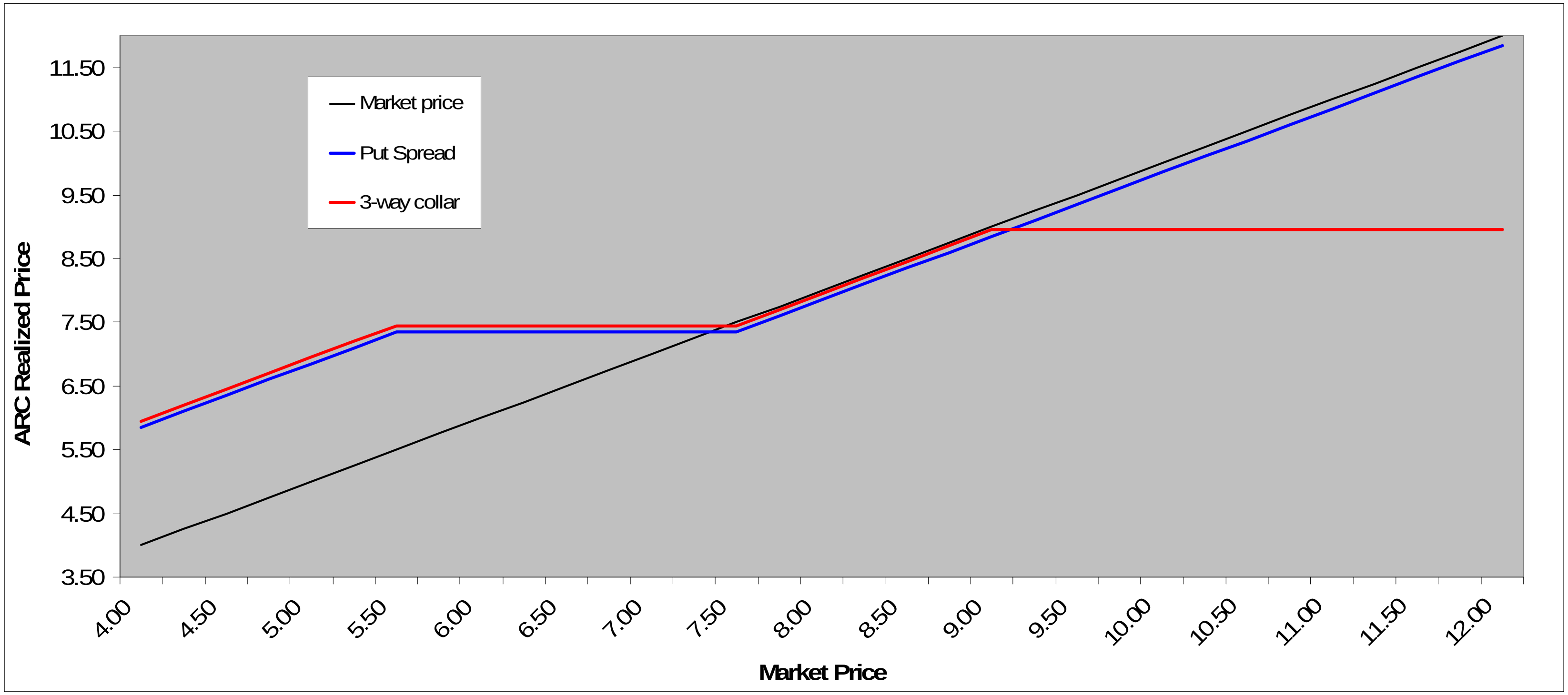


Hedging Execution and Restructuring:

Restructuring – Natural Gas:

ARC repurchased calls on natural gas for the hurricane vulnerable months of September and October (2007) on 60,000 GJ/d. These positions were repurchased for approximately 0.08 $/GJ and originally sold for 0.61 $/GJ.

The blue line illustrates the put-spread position achieved by repurchasing the AECO call (ceiling) and provides unitholders with additional upside participation during Sept-Oct 2007.



Disclosure and Modelling:

DISCLOSURE AND MODELLING:

Key components of ARC's hedging disclosure and cash-flow modelling from the hedging note include the following and are illustrated in detail on the following slides.

MD&A:

Provides an overview of positions by quarter and average strikes for indication of protection levels as well as forward looking premium commitments.

Hedging Note:

Provides the details of each position on the books as of specified dates.

Realized Gains / Losses (cash flow):

Key considerations include interpreting the correct reference price (e.g.. monthly average versus quarterly average), calculating the settlement of each unique position, and applying the aggregate hedging premiums to cash flow.

Unrealized Gains / Losses (income statement):

Realized and unrealized gains are provided in the MD&A.

Disclosure and Modelling:

MD&A Summary Table:

The following table was released with the Q2 2007 financial results. This table provides a summary of ARC's hedging positions that comprise the put-spreads, collars, and 3-way collars in place as of the end of the quarter. The purpose of this table is to offer some clarity to the portfolio of positions, however calculations should be based off of the hedging note (discussed in proceeding slides).

Hedge Positions as at June 29, 2007 (1)(2)	**Q3 2007**		**Q4 2007**		**Q1 2008**		**Q2 2008**	
Crude Oil	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day	US$/bbl	bbl/day
Sold Call	86.48	8,500	86.48	8,500	84.75	10,000	84.75	10,000
Bought Put	***61.92***	***13,000***	***61.92***	***13,000***	***63.63***	***10,000***	***63.63***	***10,000***
Sold Put	48.90	12,500	48.90	12,500	50.94	8,000	50.94	8,000
Natural Gas	CDN$/GJ	GJ/day	CDN$/GJ	GJ/day	CDN$/GJ	GJ/day	CDN$/GJ	GJ/day
Sold Call	9.08	40,435	11.36	20,986	11.35	31,652	-	-
Bought Put	***7.24***	***65,275***	***7.41***	***42,981***	***7.58***	***31,652***	-	-
Sold Put	5.19	55,275	5.19	18,625	-	-	-	-
FX	CAD/USD	$Million	CAD/USD	$Million	CAD/USD	$Million	CAD/USD	$Million
Bought Put	***1.14***	***55.8***	***1.14***	***55.8***	-	-	-	-
Sold Put	1.1096	54	1.1096	54	-	-	-	-
Swap	1.1371	4.2	1.1371	4.2	-	-	-	-

Disclosure and Modelling:

Hedging Note – 2007 Q2 WTI:

The following table was also released with the Q2 2007 financial results. This table provides the detail of each crude oil position on the books for ARC as of June 29th, 2007. The hedging note is also published and updated for the week that financial results are released (see www.arcresources.com).

Note that premiums are disclosed with the hedging update provided with the release of financials.

ARC Energy Trust
6/29/2007
Financial WTI Crude Oil Contracts

Term		**Contract**	**Volume bbl/d**	**Bought Put USD/bbl**	**Sold Put USD/bbl**	**Sold Call USD/bbl**
Term		**Contract**	**Volume**	**Bought Put bbl/d**	**Sold Put USD/bbl**	**Sold Call USD/bbl**
01-Jul-07	31-Dec-07	Put spread	1,000	$ 75.00	$ 60.00	$ -
01-Jul-07	31-Dec-07	3-way collar	2,500	$ 65.00	$ 52.50	$ 80.00
01-Jul-07	31-Dec-07	Put spread	2,500	$ 65.00	$ 52.50	$ -
01-Jul-07	31-Dec-07	Put spread	1,000	$ 65.00	$ 55.00	$ -
01-Jul-07	31-Dec-07	3-way collar	1,000	$ 65.00	$ 52.50	$ 85.00
01-Jul-07	31-Dec-07	3-way collar	5,000	$ 55.00	$ 40.00	$ 90.00
01-Jan-08	20-Jun-08	3-way collar	1,000	$ 65.00	$ 52.50	$ 85.00
01-Jan-08	20-Jun-08	3-way collar	1,000	$ 65.00	$ 52.50	$ 82.50
01-Jan-08	30-Jun-08	Collar	1,000	$ 65.00	$ -	$ 85.00
01-Jan-08	31-Dec-08	3-way collar	1,000	$ 67.50	$ 52.50	$ 85.00
01-Jan-08	31-Dec-08	Collar	1,000	$ 67.50	$ -	$ 85.00
01-Jan-08	31-Dec-08	3-way collar	2,000	$ 61.50	$ 50.00	$ 85.00
01-Jan-08	31-Dec-08	3-way collar	1,000	$ 61.30	$ 50.00	$ 85.00
01-Jan-08	31-Dec-08	3-way collar	2,000	$ 61.00	$ 50.00	$ 85.00
01-Jan-09	31-Dec-09	3-way collar	5,000	$ 55.00	$ 40.00	$ 90.00

Disclosure and Modelling:

Reference Prices for Crude Oil:

<u>Crude Oil:</u>

Over the counter crude oil options are typically settled against the month average closing prices; however, ARC will also utilize a quarterly average reference price on occasion.

	April	May	June	Q2'07
Period High	66.46	66.27	70.68	70.68
Period Low	61.51	61.47	64.76	61.47
Period End	65.71	64.01	70.68	70.68
Period Average	64.04	63.53	67.53	65.02

Disclosure and Modelling:

Hedging Note – 2007 Q1 WTI:

At the end of Q1 2007 ARC had a **quarterly settled call** option on the books as shown below.

Quarterly prices are historically less volatile than monthly average prices and therefore selling the quarterly settled call provided a lower risk instrument by which ARC could recoup some period for the quarter.

The highest monthly average is 74.44 $US per bbl (July 2006), whereas the highest quarter average is approximately 70.70 $US per bbl (Q2 2006).

ARC Energy Trust
3/31/2007

Financial WTI Crude Oil Contracts									
Term		Contract	Volume bbl/d		Bought Put USD/bbl		Sold Put USD/bbl		Sold Call USD/bbl
Apr-07	Jun-07	3-way collar	1,500	$	65.00	$	52.50	$	70.00
Apr-07	Jun-07	3-way collar	1,000	$	65.00	$	52.50	$	70.00 [(1)]
Apr-07	Jun-07	Put spread	1,000	$	75.00	$	62.70	$	-
Apr-07	Jun-07	Put spread	1,000	$	75.00	$	65.00	$	-
Apr-07	Dec-07	3-way collar	2,500	$	65.00	$	52.50	$	80.00
Apr-07	Dec-07	Put spread	1,000	$	75.00	$	60.00	$	-
Apr-07	Dec-09	3-way collar	5,000	$	55.00	$	40.00	$	90.00
Jul-07	Dec-07	3-way collar	1,000	$	65.00	$	52.50	$	85.00
Jul-07	Dec-07	Put spread	1,000	$	65.00	$	55.00	$	-
Jan-08	Jun-08	3-way collar	1,000	$	65.00	$	52.50	$	85.00
Jan-08	Jun-08	3-way collar	1,000	$	65.00	$	52.50	$	82.50
Jul-07	Dec-07	Put spread	2,500	$	65.00	$	52.50	$	-

(1) Sold call portion of the contract settled quarterly; all other components settled monthly.

Disclosure and Modelling:

Reference Prices for Natural Gas:

Over the counter **Nymex options** are typically priced off of either the last day “Ld” closing price or the average of the closing prices for the last three days “L3d” of trading of the Nymex Henry Hub futures contract.

Nymex contracts are trading in a standard contract volume of 10,000 mmbtu per day.

AECO options are almost uniquely traded against the AECO C/N.I.T. (7a) monthly index, which is a weighted average of all fixed price trades for the following month.

AECO is also traded against the reference price AECO C/N.I.T (5a), which is a simple average of trades during the month, however availability of options are limited against this price.

AECO option contracts are traded in a standard contract volume of 10,000 GJ per day.

AECO Basis is the difference between AECO 7a in $US/mmbtu and Nymex L3 or Nymex Ld (as specified in the contract between parties). Both of these values are published by CGPR for the calculation of basis.

	April	May	June	Q2'07
Nymex Ld	7.56	7.51	7.59	7.55
Nymex L3d	7.44	7.60	7.64	7.56
AECO 7a $C/GJ	7.02	7.09	6.86	6.99
AECO 5a	7.11	6.81	6.16	6.70
AECO 7a $US/mmbtu	6.41	6.74	6.82	6.66
AECO basis L3	1.03	0.85	0.82	0.90

Disclosure and Modelling:

Crude Oil Positions:

The table below show the calculation of the weighted average values for the MD&A tables.

Financial WTI Crude Oil Contracts (weighted average of strikes)						
From	To					
01-Jul-07	30-Sep-07					
	Bought Put		Sold Put		Sold Call	
Days	volume	strike				
92	1,000	75.00	1,000	60.00	-	-
92	2,500	65.00	2,500	52.50	2,500	80.00
92	2,500	65.00	2,500	52.50	-	-
92	1,000	65.00	1,000	55.00	-	-
92	1,000	65.00	1,000	52.50	1,000	85.00
92	5,000	55.00	5,000	40.00	5,000	90.00
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
Weighted average	13,000	**61.92**	13,000	**48.46**	8,500	**86.47**

Disclosure and Modelling:

Crude Oil Settlements - June:

Note that the weighted average bought put is below the settlement price (monthly average) of $74.16.

If the weighted average price of 61.92 $ per bbl had been used there would be no cash settlement; however one of the contracts settled in the money (as shown below) resulting in a cash gain.

Financial WTI Crude Oil Contracts (weighted average of strikes)									
From	To			Settlement					
01-Jul-07	31-Jul-07			74.15					
Bought Put strike	Settlements **per bbl**	**total**	**Sold Put strike**	Settlements **per bbl**	**total**	**Sold Call**	Settlements **per bbl**	**total**	**Total Settlement**
75.00	0.85	$ 78,200.00	60.00	-	$ -	-	-	$ -	$ 78,200
65.00	-	$ -	52.50	-	$ -	80.00	-	$ -	$ -
65.00	-	$ -	52.50	-	$ -	-	-	$ -	$ -
65.00	-	$ -	55.00	-	$ -	-	-	$ -	$ -
65.00	-	$ -	52.50	-	$ -	85.00	-	$ -	$ -
55.00	-	$ -	40.00	-	$ -	90.00	-	$ -	$ -
-	-	$ -	-	-	$ -	-	-	$ -	$ -
-	-	$ -	-	-	$ -	-	-	$ -	$ -
-	-	$ -	-	-	$ -	-	-	$ -	$ -
-	-	$ -	-	-	$ -	-	-	$ -	$ -
-	-	$ -	-	-	$ -	-	-	$ -	$ -
-	-	$ -	-	-	$ -	-	-	$ -	$ -
-	-	$ -	-	-	$ -	-	-	$ -	$ -
-	-	$ -	-	-	$ -	-	-	$ -	$ -
-	-	$ -	-	-	$ -	-	-	$ -	$ -
									$ 78,200

Disclosure and Modelling:

Hedging Note – 2007 Q2 AECO:

The following table was also released with the Q2 2007 financial results. This table provides the detail of each crude oil position on the books for ARC as of June 29th, 2007. The hedging note is also published and updated for the week that financial results are released (see www.arcresources.com).

Note that premiums are disclosed with the hedging update provided with the release of financials.

Financial AECO Natural Gas Contracts (CAD/GJ)						
Term		Contract	Volume GJ/d	Bought Put CAD/GJ	Sold Put CAD/GJ	Sold Call
01-Jul-07	31-Aug-07	Collar	10,000	$ 7.75	$ -	$ 10.00
01-Jul-07	31-Aug-07	3-way	10,000	$ 7.50	$ 5.50	$ 9.50
01-Jul-07	31-Aug-07	3-way	10,000	$ 7.25	$ 5.25	$ 9.00
01-Jul-07	31-Aug-07	3-way	30,000	$ 7.00	$ 5.00	$ 8.65
01-Sep-07	31-Oct-07	Put	10,000	$ 7.75	$ -	$ -
01-Sep-07	31-Oct-07	Put spread	10,000	$ 7.50	$ 5.50	$ -
01-Sep-07	31-Oct-07	Put spread	10,000	$ 7.25	$ 5.25	$ -
01-Sep-07	31-Oct-07	Put spread	30,000	$ 7.00	$ 5.00	$ -

Disclosure and Modelling:

AECO Natural Gas Settlements:

For the month of August, the AECO index was set at 5.05 $C/GJ.

As disclosed in the Q2’07 hedging note, ARC had 3-way positions with strikes as shown below.

Note that the settlement values are not equal when calculating based on the individual contracts compared to the weighted average (as highlighted in green).

Financial AECO Natural Gas Contracts (CAD/GJ)													
From	To				Settlement								
01-Aug-07	31-Aug-07				5.05								
Bought Put strike	Settlements per GJ		total	**Sold Put strike**	Settlements per GJ		total	**Sold Call**	Settlements per GJ		total	**Total Settlement**	
7.75	2.70	$	837,000	-	-	$	-	10.00	-	$	-	$	837,000
7.50	2.45	$	759,500	5.50	(0.45)	$	(139,500)	9.50	-	$	-	$	620,000
7.25	2.20	$	682,000	5.25	(0.20)	$	(62,000)	9.00	-	$	-	$	620,000
7.00	1.95	$	1,813,500	5.00	-	$	-	8.65	-	$	-	$	1,813,500
-	-	$	-	-	-	$	-	-	-	$	-	$	-
-	-	$	-	-	-	$	-	-	-	$	-	$	-
-	-	$	-	-	-	$	-	-	-	$	-	$	-
-	-	$	-	-	-	$	-	-	-	$	-	$	-
		$	4,092,000			$	(201,500)					**$**	**3,890,500**
Weighted average based calculations													
7.25		$	4,092,000	**5.15**		$	(155,000)						**3,937,000**

Disclosure and Modelling:

Premiums and Future Commitments:

The following table was also released with the Q2 2007 financial results and discloses the hedging premium commitments for all positions disclosed with the hedging update for July 27th, 2007.

The aggregate of these positions is also provided in the financial note “Commitments and Contingencies.”

Hedging update July 27th, 2007:

Premium commitments (CAD).

	Q3 Committed	Q4 Committed	2007 Total	2008 Total
Natural Gas	$1,250,986	$1,586,853	$8,466,207	$5,446,094
Crude Oil	$2,752,419	$2,749,900	$11,231,976	$1,537,321
Total	$4,003,405	$4,336,753	$19,698,183	$6,983,415

Disclosure and Modelling:

Hedging Note – 2007 Q2 (June 30th, 2007):

Financial Electricity Contracts				
Term		**Contract**	**Volume MWh**	**Swap CAD/MWh**
Jul-07	Dec-07	Swap	20	$ 64.63
Jan-08	Dec-08	Swap	15	$ 60.17
Jan-09	Dec-09	Swap	15	$ 59.33
Jan-10	Dec-10	Swap	5	$ 63.00

Disclosure and Modelling:

Hedging Note – 2007 Q2 (June 30th, 2007):

Natural Gas:

Financial AECO Natural Gas Contracts (CAD/GJ)									
Term		Contract	Volume GJ/d		Bought Put CAD/GJ		Sold Put CAD/GJ		Sold Call
01-Jul-07	31-Aug-07	Collar	10,000	$	7.75	$	-	$	10.00
01-Jul-07	31-Aug-07	3-way	10,000	$	7.50	$	5.50	$	9.50
01-Jul-07	31-Aug-07	3-way	10,000	$	7.25	$	5.25	$	9.00
01-Jul-07	31-Aug-07	3-way	30,000	$	7.00	$	5.00	$	8.65
01-Sep-07	31-Oct-07	Put	10,000	$	7.75	$	-	$	-
01-Sep-07	31-Oct-07	Put spread	10,000	$	7.50	$	5.50	$	-
01-Sep-07	31-Oct-07	Put spread	10,000	$	7.25	$	5.25	$	-
01-Sep-07	31-Oct-07	Put spread	30,000	$	7.00	$	5.00	$	-

Financial NYMEX Natural Gas Contracts ($US/mmbtu)									
Term		Contract	Volume US / mmbtu		Bought Put US / mmbtu		Sold Put US / mmbtu		Sold Call US / mmbtu
01-Jul-07	31-Oct-07	Put Spread	5,000	$	8.25	$	6.75	$	-
01-Nov-07	31-Mar-08	Collar	20,000	$	8.50	$	-	$	12.50
01-Nov-07	31-Mar-08	Collar	10,000	$	9.25	$	-	$	12.50

Financial Basis Swap Contract: receive NYMEX (Last 3 Day); pay AECO (Monthly)					
Term		Contract	Volume mmbtu / d		Basis Swap US / mmbtu
Jul-07	Oct-08	Basis Swap	50,000	$	(1.1930)
Nov-08	Oct-10	Basis Swap	50,000	$	(1.0430)

Disclosure and Modelling:

Hedging Note – 2007 Q2 (June 30th, 2007):

USD Sales Contracts

Term		Contract	Notional mm USD	Swap CAD/USD	(USD/CAD)
Jul-07	Dec-07	Swap	8.40	$ 1.1371	($0.8794)

USD Option Contracts

Term		Contract	Notional mm USD	Bought Put CAD/USD	(USD/CAD)	Sold Put CAD/USD	(USD/CAD)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1220	(0.8913)	$ 1.0970	(0.9116)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1180	(0.8945)	$ 1.0980	(0.9107)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1320	(0.8834)	$ 1.1020	(0.9074)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1380	(0.8787)	$ 1.1030	(0.9066)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1332	(0.8825)	$ 1.1032	(0.9065)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1400	(0.8772)	$ 1.1050	(0.9050)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1380	(0.8787)	$ 1.1080	(0.9025)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1300	(0.8850)	$ 1.1100	(0.9009)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1400	(0.8772)	$ 1.1100	(0.9009)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1420	(0.8757)	$ 1.1120	(0.8993)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1520	(0.8681)	$ 1.1120	(0.8993)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1440	(0.8741)	$ 1.1140	(0.8977)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1460	(0.8726)	$ 1.1160	(0.8961)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1480	(0.8711)	$ 1.1180	(0.8945)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1545	(0.8662)	$ 1.1195	(0.8933)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1765	(0.8500)	$ 1.1465	(0.8722)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1280	(0.8865)	$ 1.0980	(0.9107)
Jul-07	Dec-07	USD put spread	6.00	$ 1.1250	(0.8889)	$ 1.1000	(0.9091)
Jul-07	Dec-07	USD put	3.60	$ 1.1600	(0.8621)		

Disclosure and Modelling:

Hedging Gains / Losses from MD&A:

Realized:

- Cash gains were $0.3 million for the second quarter of 2007.
- ARC realized gains of $0.8 million on crude oil and $1.7 on foreign exchange.
- ARC realized losses of $2.2 million on natural gas contracts.

	Premium	Settlement	Net
Crude Oil	(2.5)	3.3	0.8
Foreign Exchange	-	1.7	1.7
Natural Gas	(2.4)	0.2	(2.2)
Total Gains	(4.9)	5.2	**0.3**

* Includes interest rate positions.

Disclosure and Modelling:

Hedging Gains / Losses from MD&A:

Unrealized:

- ARC showed an unrealized gain of $10.8 million for the second quarter due most significantly to the following:

1) Natural Gas prices have eased down the forward curve, which has resulted in a significant increase in the value of ARC's August - October 2007 and November 2007-March 2008 hedging positions; and

2) Crude Oil prices have rallied quarter-over-quarter resulting in a decrease in value of ARC's crude oil hedging positions.

	Crude	Natural Gas	Foreign Currency	Total
Realized	0.8	(2.2)	1.7	0.3
Unrealized	(8.6)	16.4	3.1	10.8
Total Gain / Loss	(7.8)	14.2	4.8	11.2