



## **2007 United States Federal Income Tax Information**

**The following is intended to provide general guidance with respect to 2007 United States ("U.S.") federal income tax reporting requirements for U.S. individual unitholders of Enterra Energy Trust. The summary is of a general nature only and is not intended to be legal or tax advice to any particular unitholder or potential unitholder of Enterra. Unitholders or potential unitholders should consult their own tax advisors as to their particular tax consequences of holding the Enterra trust units.**

### **Qualified dividends**

Distributions made by the Trust during 2007 were the result of distributions that it received on instruments from one or more other Canadian corporations of which it owns all of the stock. Any distribution for 2007 is a dividend for U.S. federal income tax purposes to the extent that it is out of the current or accumulated earnings and profits of such corporations.

The Trust believes that its 2007 distributions meet the criteria for qualified dividends which are subject to U.S. federal income tax in the hands of a U.S. person at a maximum rate of 15 percent if such dividend meets the holding period requirements of the U.S. Internal Revenue Code. That is, (subject to certain tolling rules that apply if certain risk reduction strategies are employed) (i) the unit is held for more than 60 days during the 121 day period which begins 60 days before the ex-dividend date of that dividend, and (ii) the payer of the dividend is not a passive foreign investment company.

### **Trust units held outside a qualified retirement plan**

The Canadian income taxes that are withheld (currently at a 15 percent rate) from distributions to U.S. unitholders on trust units may be deducted or, subject to generally applicable limitations, used as a credit for U.S. federal income tax purposes.

U.S. unitholders may deduct foreign income taxes in lieu of claiming them as a credit in certain circumstances. Information regarding the amount of Canadian tax withheld in 2007 should be determined from the unitholders' own records or through their brokers or other intermediaries. Any Canadian withholding taxes that were paid cannot be used as a credit or a deduction for U.S. federal income tax purposes if unitholders can recover such taxes from Canada as an overpayment. Under current law, Canada permits the taxpayer to recover certain Canadian withholding taxes when he/she incurs a "Canadian property mutual fund loss" in the current year or in a prior year. Unitholders should confer with a Canadian income tax advisor about how to make such a recovery if they have such a loss.

If a portion of any such distribution made by the Trust was not out of the earnings and profits, then such portion of that distribution was not taxable as a dividend for U.S. federal income tax purposes and a U.S. unitholder would reduce the basis of the trust units by that amount and may recognize for U.S. federal income tax purposes more gain than he/she expects upon a sale of a trust unit. Such a U.S. unitholder may be able to recover any overpayment of U.S. federal income tax in the earlier year using the provisions in the Internal Revenue Code as to mitigation of limitations.

U.S. unitholders who hold their trust units of Enterra through a broker or other intermediary may receive from such intermediaries one or more Forms 1099-DIV or a substitute form developed internally for the broker or other intermediary. Information on the Form 1099-DIV issued by the

broker or other intermediary may report distributions from Enterra as ordinary dividends and not qualified dividends. Unless the U.S. unitholders determine that the distributions were not qualified dividends after conferring with their tax advisors, they may report such distributions as qualified dividends if they make the appropriate disclosure as to such variance from the information form that was received.

For 2007, to assist with the preparation of 2007 U.S. tax information, Enterra's transfer agent, Olympia Trust Company, will issue Forms 1099-DIV to all registered U.S. unitholders by March 7, 2008. The Forms 1099-DIV will report that 100% of the distributions are taxable as qualifying dividends eligible for the 15% rate. This reports the unitholders' share of the qualified dividend income and related Canadian withholding tax. This form should be used for information purposes only and should not be filed with the tax return. Enterra may not issue such form for future years.

**Trust units held within a qualified retirement plan**

No amounts are required to be reported on a Form 1040 – U.S. Individual Income Tax Return if Enterra trust units are held within a qualified retirement plan. Where the trust units are held in a qualified retirement plan, the Canadian withholding taxes (currently at a 15 percent rate) apply but the amount generally is not creditable for U.S. tax purposes.