



**FOREST OIL CORPORATION**

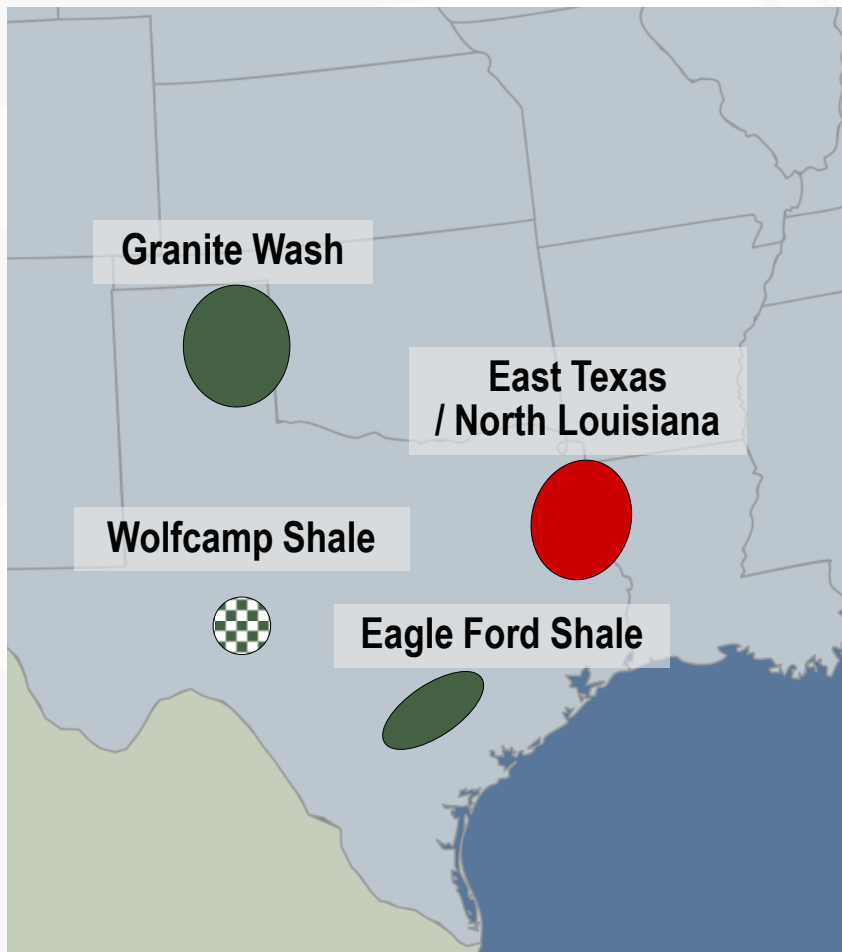
# **THE INTERVAL FACTOR**

**Credit Suisse Energy Summit 2012**

**February 8 – 9, 2012**



# Forest Oil Snapshot



- Core Gas Area
- Core Liquids Areas
- New Ventures Liquids Area

Market Capitalization: ( 2/6/12 ) **\$1.5 Billion**

Enterprise Value: **\$3.1 Billion**

12/31/10 Est. Proved Reserves: **1.9 Tcfe**

R/P Ratio: **15 Years**

Guidance	2012 Net Sales Volumes (MMcfe/d)	2012 E&D Capital Expenditures (\$MM)
Forest Oil	350 – 355	\$550 – \$600

**FST**  
**LISTED**  
**NYSE**



# 2012 Detailed Guidance

Production & Differentials	Guidance Low	Guidance High
Net Sales Volumes (MMcfe/d)	350	355
% Natural Gas	70	70
% Crude & Condensate	15	15
% Natural Gas Liquids	15	15
Annual Organic Growth Rate (%)	5	6
Annual Organic Liquids Growth Rate (%)	10	10
Differentials (less than NYMEX):		
Natural Gas (\$/MMbtu)	0.30	0.40
Crude & Condensate (\$/Bbl)	0.00	2.00
Natural Gas Liquids (%/Bbl)	55%	55%

Capital Expenditures & Expenses	Guidance Low*	Guidance High*
Capital Budget (\$MM)	550	600
Total Cash Costs** (\$/Mcf)	2.44	2.71
Production Expense (\$/Mcf)	1.24	1.40
G&A Expense** (\$/Mcf)	0.31	0.35
Interest Expense (\$/Mcf)	0.89	0.97
Current Tax Rate (% of Total Tax)	3	4
Total Effective Tax Rate (%)	37	38
Stock Compensation (\$/Mcf)	0.14	0.18
DD&A (\$/Mcf)	2.00	2.20

- Capital budget designed to be near cash flow with annual organic equivalent net sales volumes growth of 5% – 6% and annual organic net liquids volumes growth of 10%**

\* Per unit expense calculated on midpoint of guided 2012 equivalent net sales volumes

\*\* Does not include stock compensation expense



# 2011 Forest Highlights & 2012 Strategy

## 2011 Highlights

- Completed IPO and spin-off of Canadian subsidiary Lone Pine Resources
- Initial results from horizontal drilling program targeting “oil zones” in the Texas Panhandle exceeded expectations
- Initial results from first Eagle Ford Shale well drilled in uppermost member of section exceeded expectations
- Acreage acquisition program in liquids-rich areas completed adding 174,000 net acres for less than \$1,050 per acre

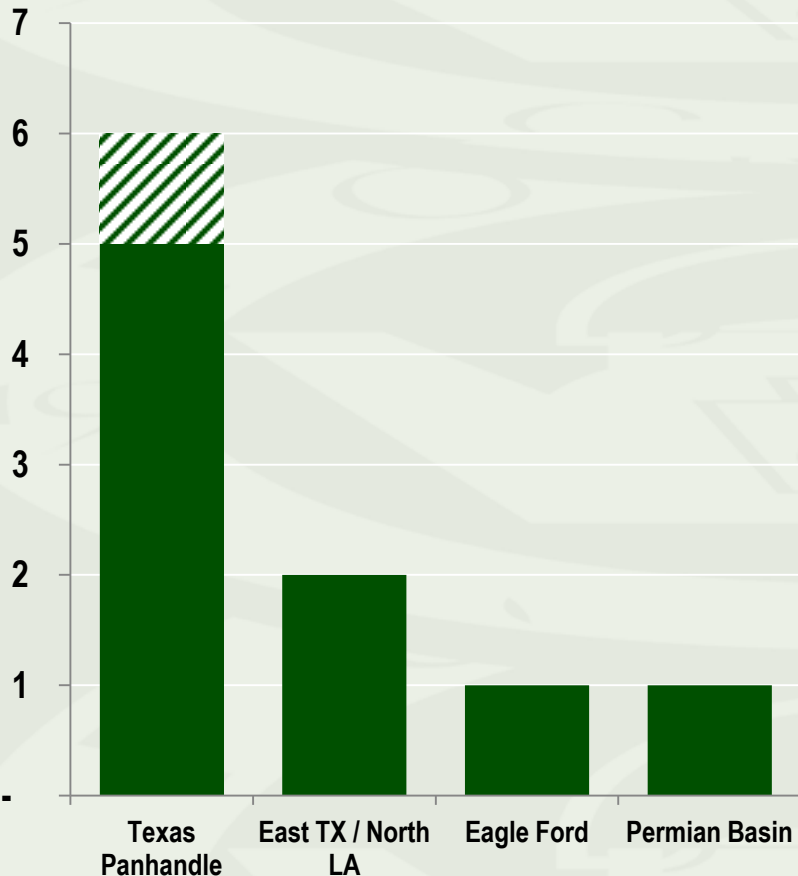
## 2012 Strategy

- Test additional zones in our “bread and butter” multi-stacked pay plays in the Texas Panhandle and East Texas
- Focus on liquids development opportunities
- Move forward technology and testing oil shales – Eagle Ford and Wolfcamp
- Take advantage of lower “regional” service cost opportunities



# Focused Plan for 2012

## Rig Counts In Core Areas



- Estimated 2012 total capital budget of \$550 – \$600 million (E&D capital budget of \$480 – \$520 million)
- Majority of 2012 E&D capital allocated to organic production growth engines in the Texas Panhandle and East Texas / North Louisiana
- Continue testing oil shale objectives with ultimate goal of transitioning them to full scale development
- Guiding liquids production growth of approximately 10%
- Development plans to be within a reasonable bandwidth of cash flow while earning attractive returns on invested capital



# Portfolio Focused Prospect Inventory

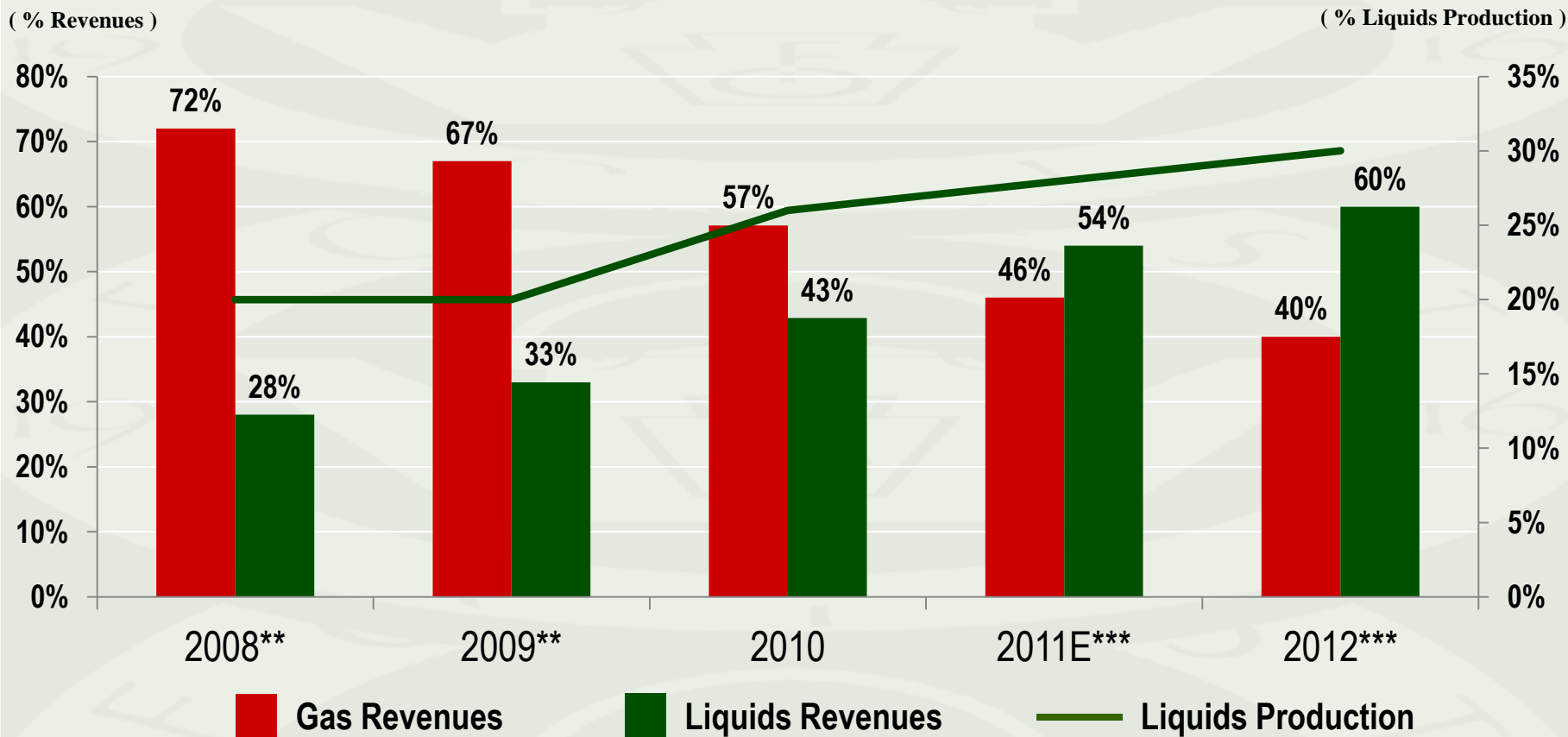
Area	Net Acres (November 1, 2011)	PUD Locations (December 31, 2010)	Other Identified Locations (December 31, 2010)	Liquids Target	Lantern Drilling Utilization	Infrastructure In Place	Land Access For Development
Texas Panhandle	103,000	259	1,034	✓	✓	✓	✓
Eagle Ford	118,000	3	1,015	✓	✓	✓	✓
Wolfcamp	51,000	-	N/A	✓	✓	✓	✓
East Texas / North Louisiana	169,000	307	3,270	✓	✓	✓	✓
Other New Ventures	91,000	-	N/A	✓	✓	✓	✓

*Quietly Added 174,000 Net Acres In 2011 In  
Prospective Liquids Plays For Less Than  
\$1,050/Acre*



# Revenue & Production Mix

## 2008 – 2012E Revenue & Production Mix\*



\* Forest Oil Corporation without the effect of its former Canadian operations, which now reside in Lone Pine Resources Inc.

\*\* Pro forma for Permian divestiture

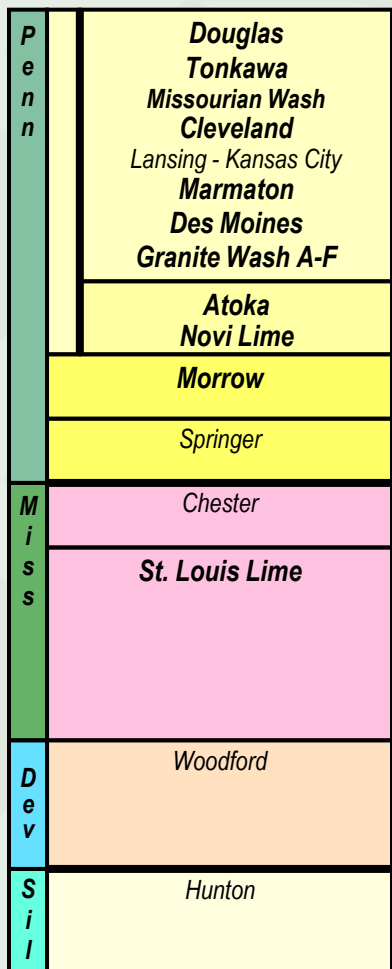
\*\*\* Based on 2011 & 2012 production and differential guidance with strip pricing as of 12/31/11

*Building Liquids Momentum*



# Texas Panhandle: Unique Knowledge Base

## Panhandle Geologic Zones



## Knowledge Based Exploitation

- Large database (650+ wells) creates unique and extensive knowledge base
- Open and cased hole logs identify pay and productivity
- Vertical and horizontal fracture mapping and reservoir simulation provide insight into optimal fracture designs and depletion plans
- Optimizing value extraction during development:

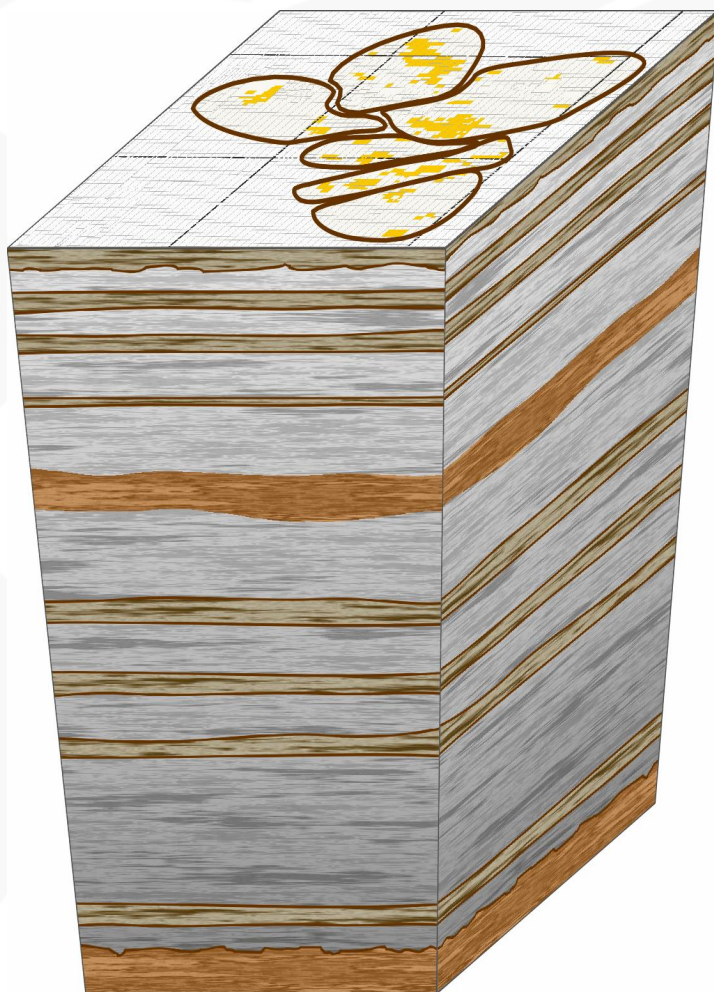
Geologic	Geophysical
Petrophysical	Drilling
Reservoir	Completion

★ Current productive members in the Texas Panhandle



# Texas Panhandle: The Geology

## Acreage Multiplier (Interval Factor)



- Stacked pay sands provide opportunity for multiple wells from the same location creating acreage multiplier
- Up to eleven intervals prospective for horizontal drilling throughout the play
- Engineered locations based on geologic attributes and production history

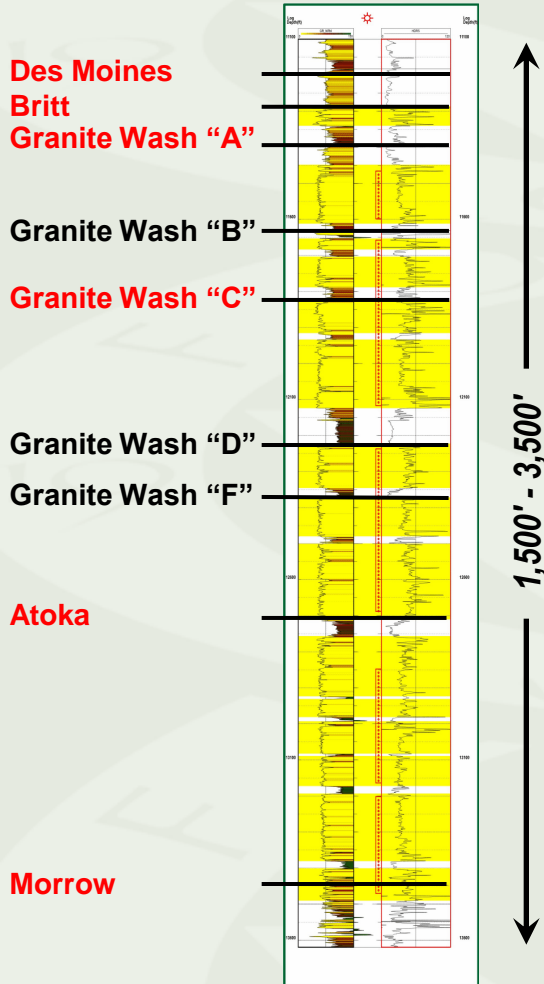
Area	Gross Acreage (November 1, 2011)	Net Acreage (November 1, 2011)	Gross Unrisked Horizontal Locations*	Gross Unrisked Vertical Locations*	Unrisked Potential* ( Net Bcfe )
South	51,000	22,000	207	130	806
Central	58,000	38,000	162	383	724
North	63,000	43,000	152	-	352
<b>Total</b>	<b>172,000</b>	<b>103,000</b>	<b>521</b>	<b>513</b>	<b>1,882</b>

\* As of December 31, 2010. Does not include estimated proved reserves or locations associated with estimated proved reserves.



# Granite Wash: Geologic Introduction

## Industry HZ Application



## Basic Geologic Facts

- Granite Wash extends from the Des Moines to the Atoka
- Btu content ranging from 1,020 to 1,350
- Horizontal drilling focused on Central and South Fairways – All Granite Wash intervals
- Application of horizontal drilling has transformed optimal economic resource extraction

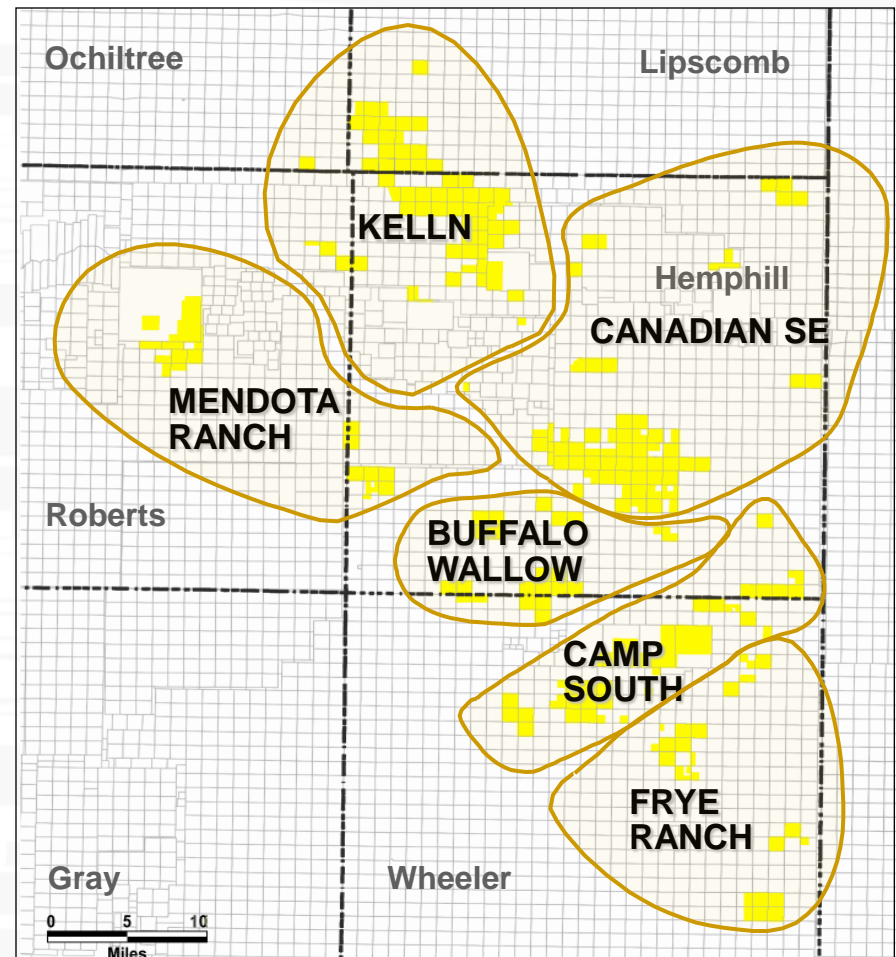


# Texas Panhandle Granite Wash: Overview

## Results

Operated Wells ( Program Average )	Gross Gas* ( MMcf/d )	Gross Liquids* ( Bbls/d )	Equivalent* ( MMcfe/d )
47	9.0	1,838	20

- 7 wells drilled in the 3<sup>rd</sup> quarter had an average 24-hour IP rate of 15 MMcfe/d including a liquids component of approximately 45%
- 3<sup>rd</sup> quarter Granite Wash “C” well, in Hemphill County, tested a 24-hour rate of 31 MMcfe/d of which 40% was liquids
- Successfully tested Des Moines, Britt, Granite Wash “A”, Granite Wash “C”, and Atoka intervals of the Granite Wash
- Focus on liquids-rich intervals as they provide the highest ROR
- 2 – 3 rig program focused in the Granite Wash in 2012



\* Based on 24-hour IP rate

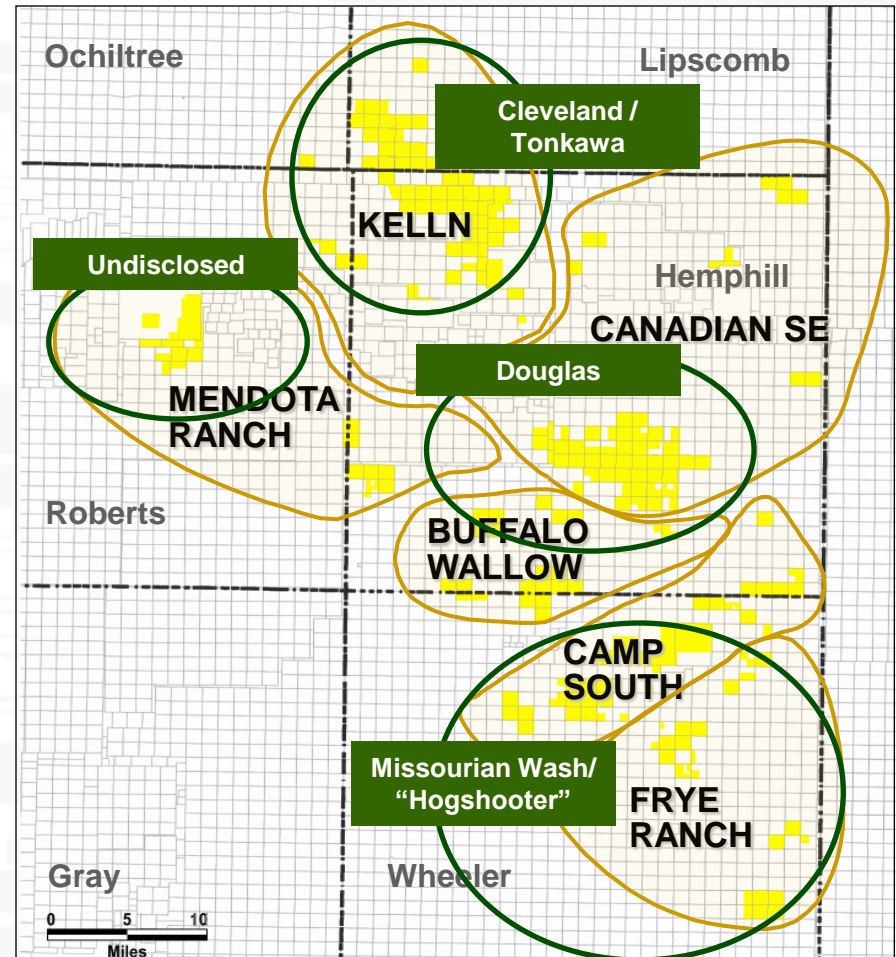


# Texas Panhandle Oil Zones: Overview

## Results

Zone	Gross Oil* (Bbls/d)	Gross NGLs* (Bbls/d)	Gross Gas* (MMcf/d)	Equivalent* (Boe/d)
Missourian Wash	2,803	436	4	3,900
Cleveland	654	-	-	654

- Initial Missourian Wash (Hogshooter) tested a 24-hour IP rate of approximately 3,900 Boe/d and has produced over 83,000 Boe in first month
  - Well cost of \$7.0 - \$7.5 million
  - 30 initially identified follow up locations with additional acreage being reviewed for potential
- Initial Cleveland tested a 24-hour IP rate of 654 Bbls/d
  - Well cost of \$4.0 million
  - 90 initially identified follow up locations with additional acreage being reviewed for potential
- 2 – 3 rig program in the Missourian Wash and the Cleveland in 2012



\* Based on 24-hour IP rate



# Eagle Ford Shale: Status

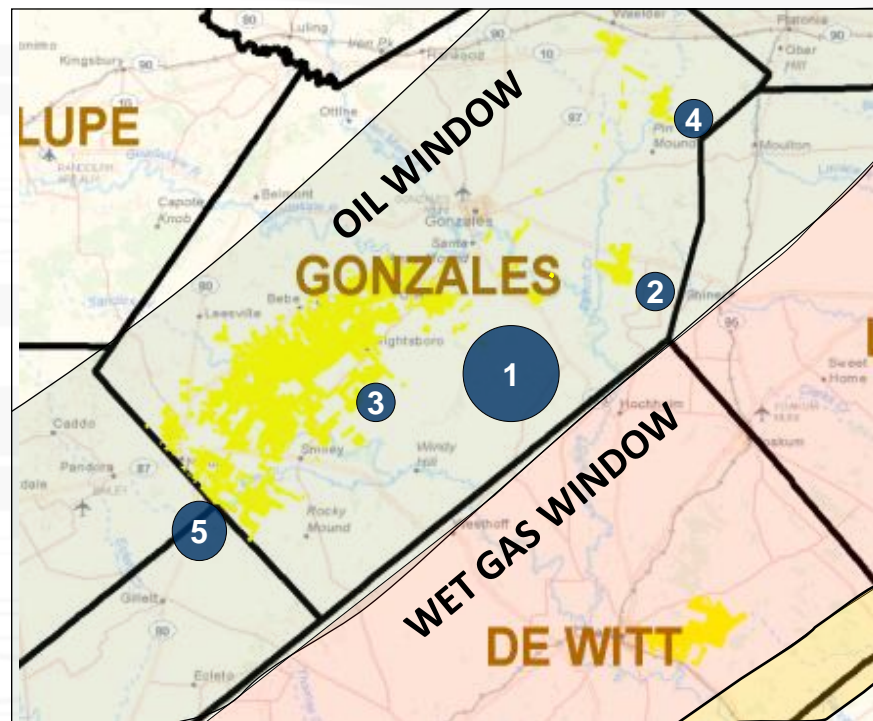
- **Targeting different sections of Eagle Ford (upper to lower) to increase IP's and EUR's while decreasing completion costs**
- **Positive results from most recent completion testing the uppermost member of the Eagle Ford with a 24-hour IP rate of 950 Boe/d**
- **Last wells drilled and completed for approximately \$6 million each, target of \$5.5 million with pad drilling efficiencies**
- **Four wells drilled in the uppermost member of the Eagle Ford waiting on completion**
- **Future work**
  - **Micro-seismic monitoring wells (used for water supply later)**
  - **Continue to optimize frac techniques and lateral lengths**
  - **Utilize 1,000 hp rigs**
  - **Connect excess casing head gas**
  - **Pad drilling**



# Eagle Ford Shale: Oil Window Position

## Validate

- 128,000 gross (118,000 net) acres prospective for the Eagle Ford Shale
- Majority of leases extend into 2013
- Industry activity has expanded successful Eagle Ford results in oil window
- One rig allocated to the Eagle Ford in 2012



## Industry Results

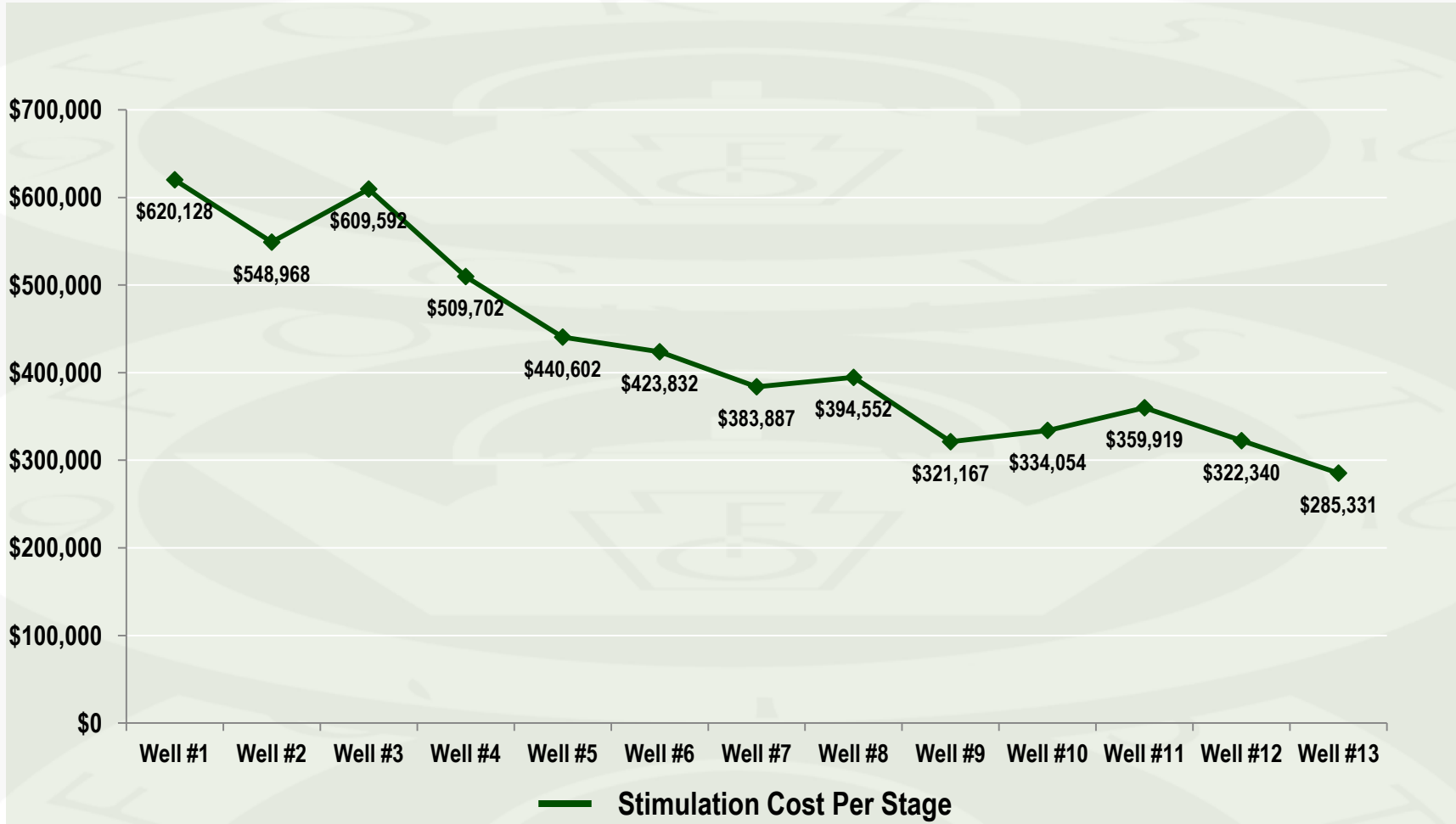
- 1 7 Wells IP of 1,267 Bbls/d + 1,188 Mcf/d
- 2 3 Wells IP of 1,311 Boe/d
- 3 2 Wells IP of 904 Bbls/d + 350 Mcf/d
- 4 1 Wells IP of 605 Boe/d
- 5 11 Wells IP of 716 Bbls/d + 561 Mcf/d

Gross Acres	Net Acres	Other Identified Drilling Locations* (Gross)	Unrisked Potential* (Net MMbbls)
128,000	118,000	1,015	154

\* As of December 31, 2010. Does not include estimated proved reserves or locations associated with estimated proved reserves.



# Stimulation Cost Improvement

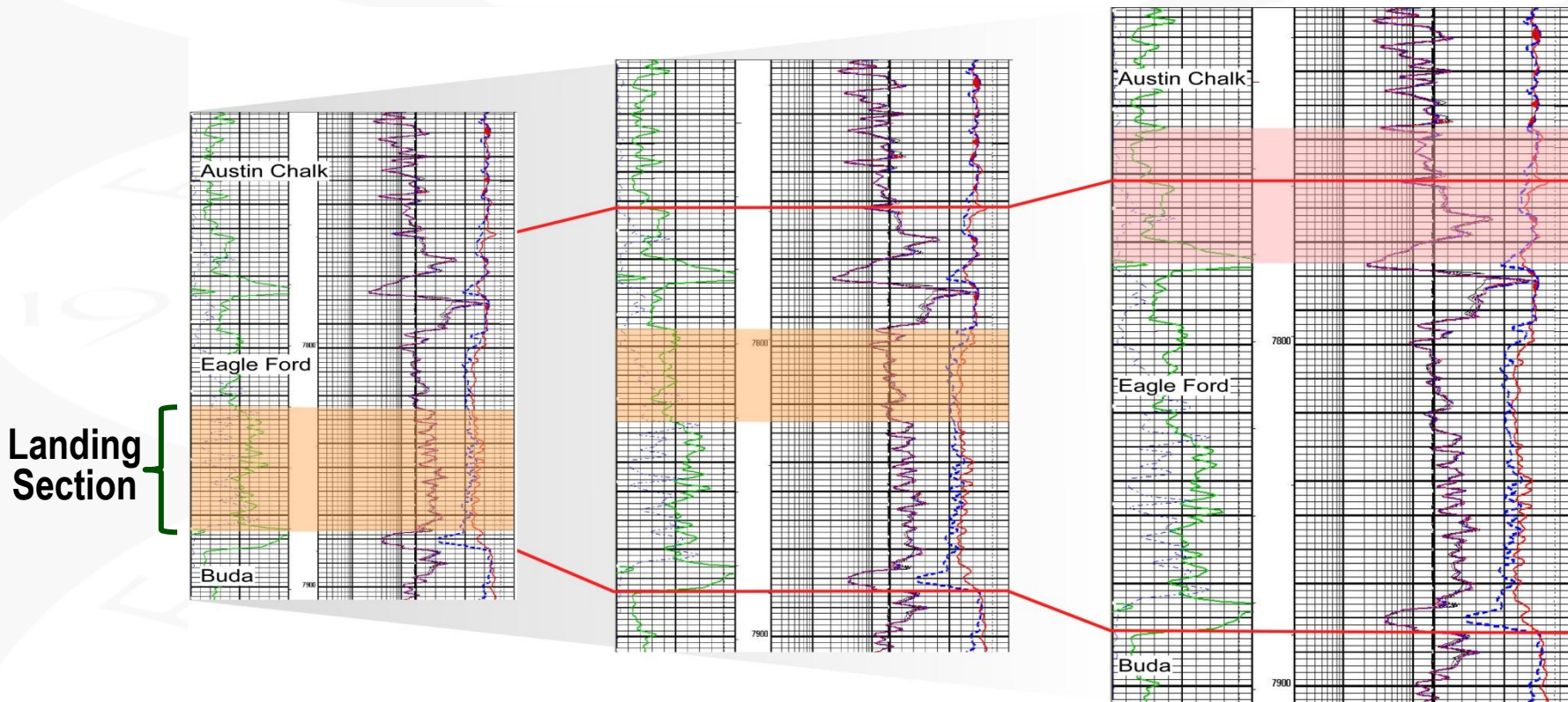


*Savings Achieved Through Optimization Not Service Cost Reductions*



# Eagle Ford Shale: Completion Optimization

	Initial Completion	Optimized Completion	Current Completion
Number of Fracs	10	15	19
Lateral Length	3,200	4,500	5,500



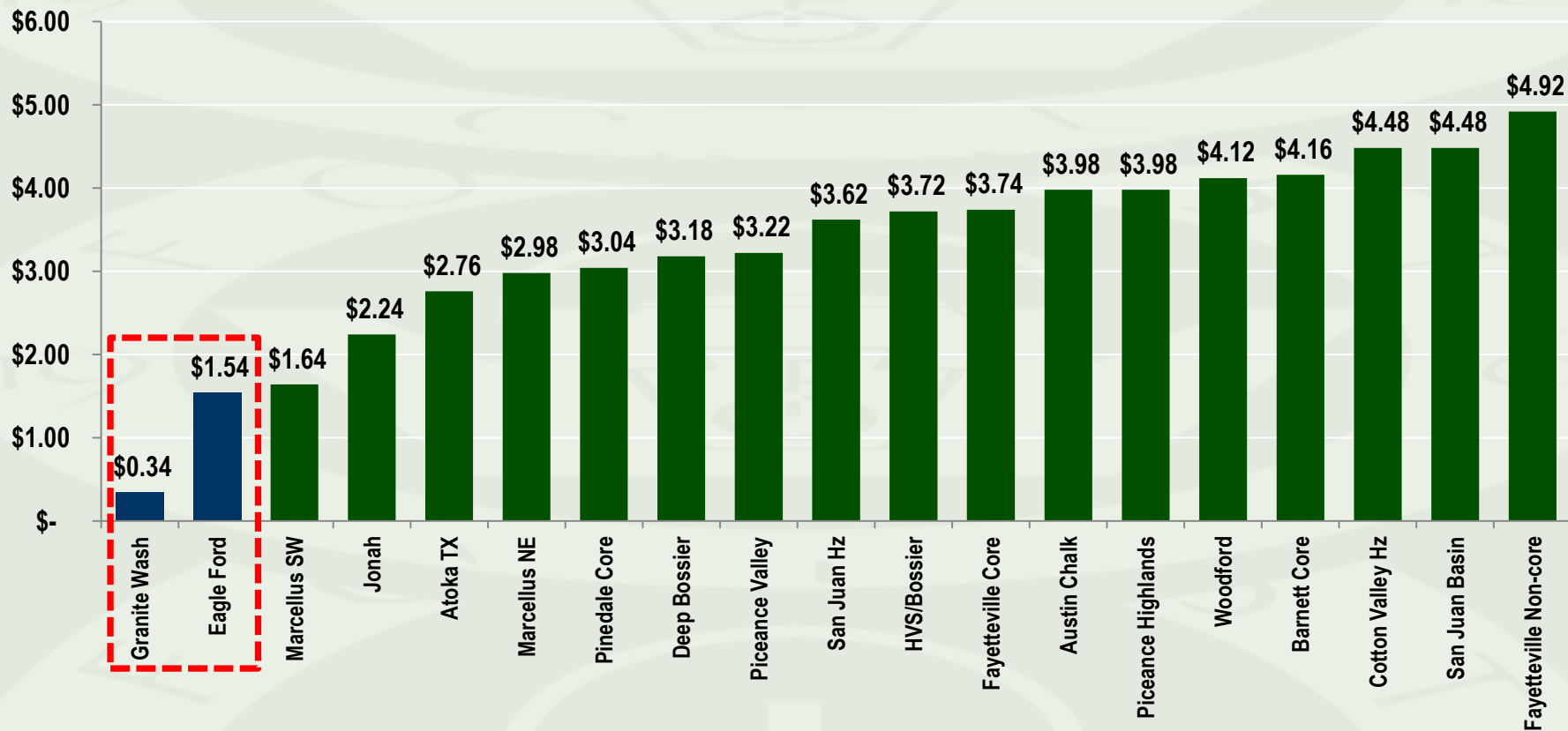
*Completion Evolution*



# Granite Wash & Eagle Ford Shale: Superior Economics

## Major Plays' Breakeven Wellhead Price at 10% ROR\*

( \$/Mcf )



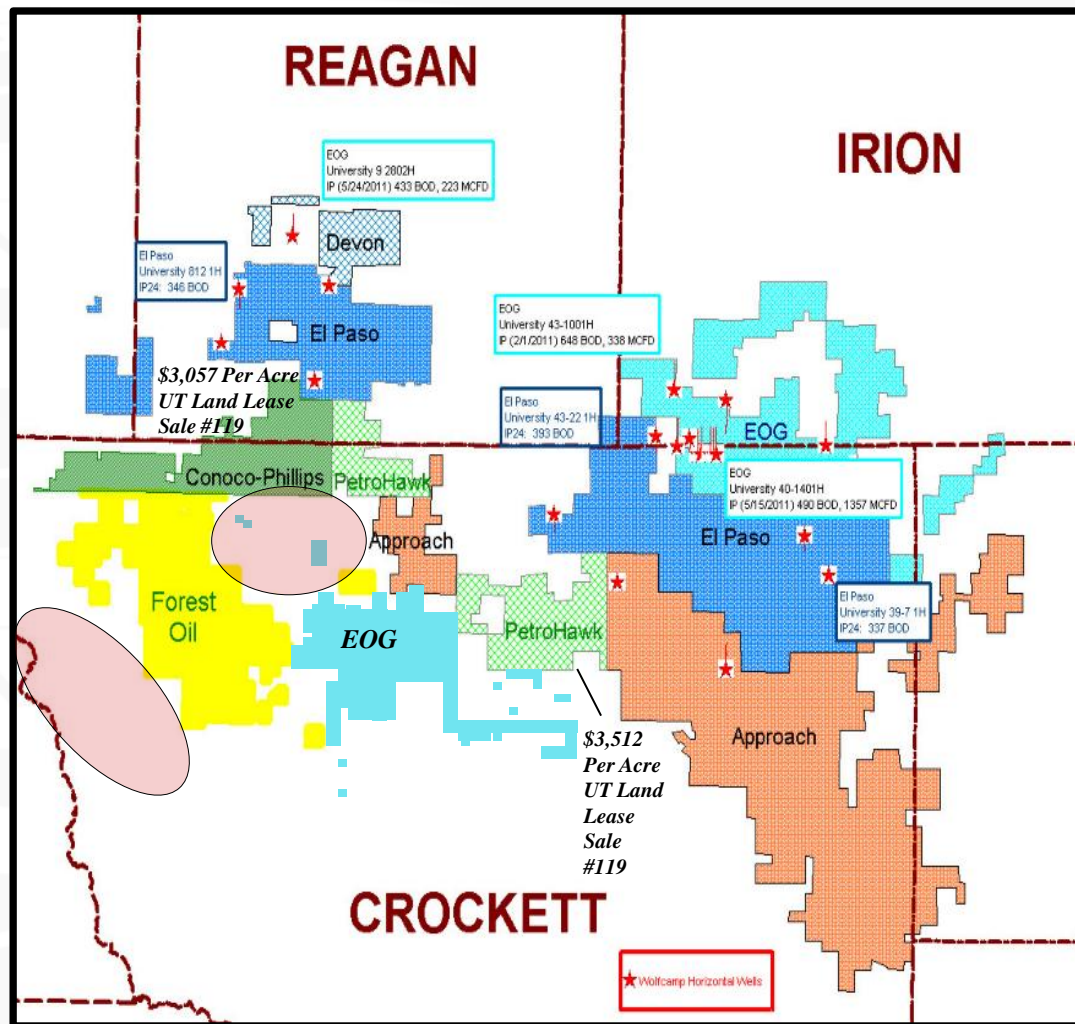
\* Based on select Wall Street research. Defined as the NYMEX price required to earn a 10% rate of return, based on pre-tax, direct costs that are unburdened by G&A, land, G&G and infrastructure.



# Wolfcamp Shale Oil Play

## New Oil Play Overview

- Entered play in early 2011 for less than \$1,000 per acre
  - Recent acreage sale went for \$5,000 + per acre
- Prospective for the Wolfcamp Shale oil play as well as other conventional targets
- One rig allocated to the Permian Basin in 2012



Gross Acres*	Net Acres*
58,000	51,000

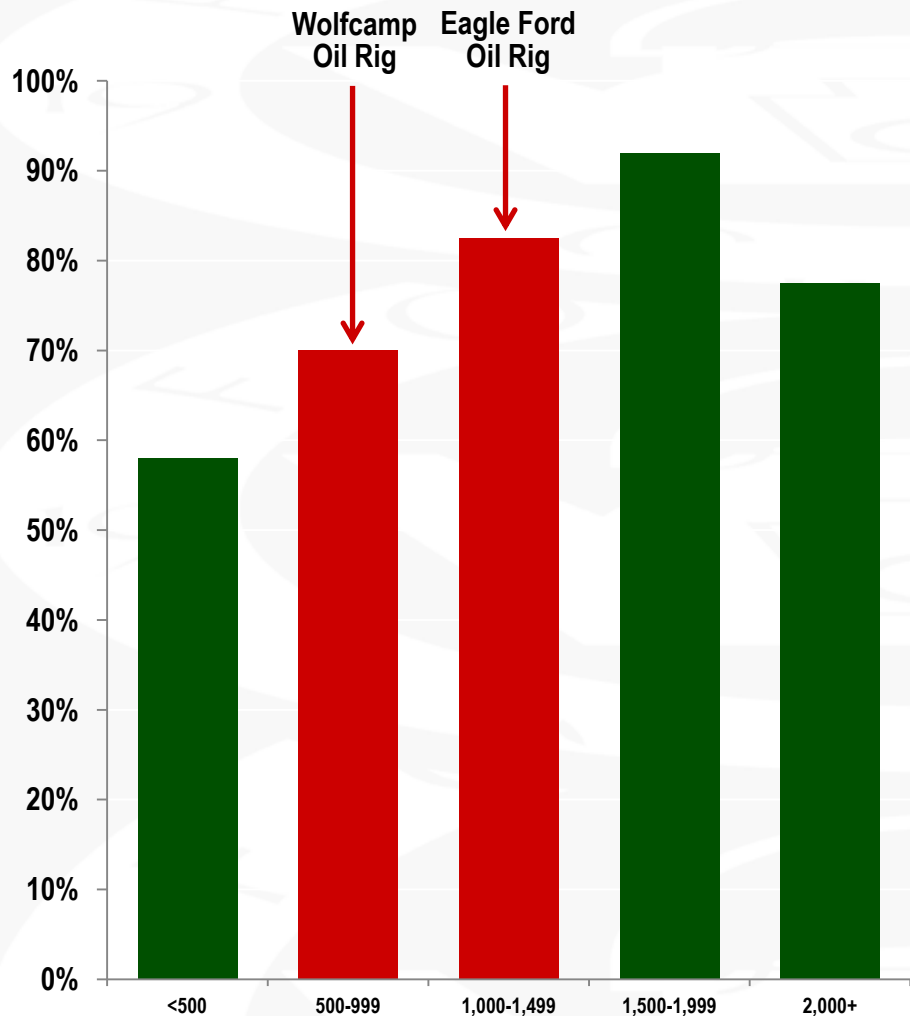

 Undisclosed Leaseholder

\* As of November 30, 2010



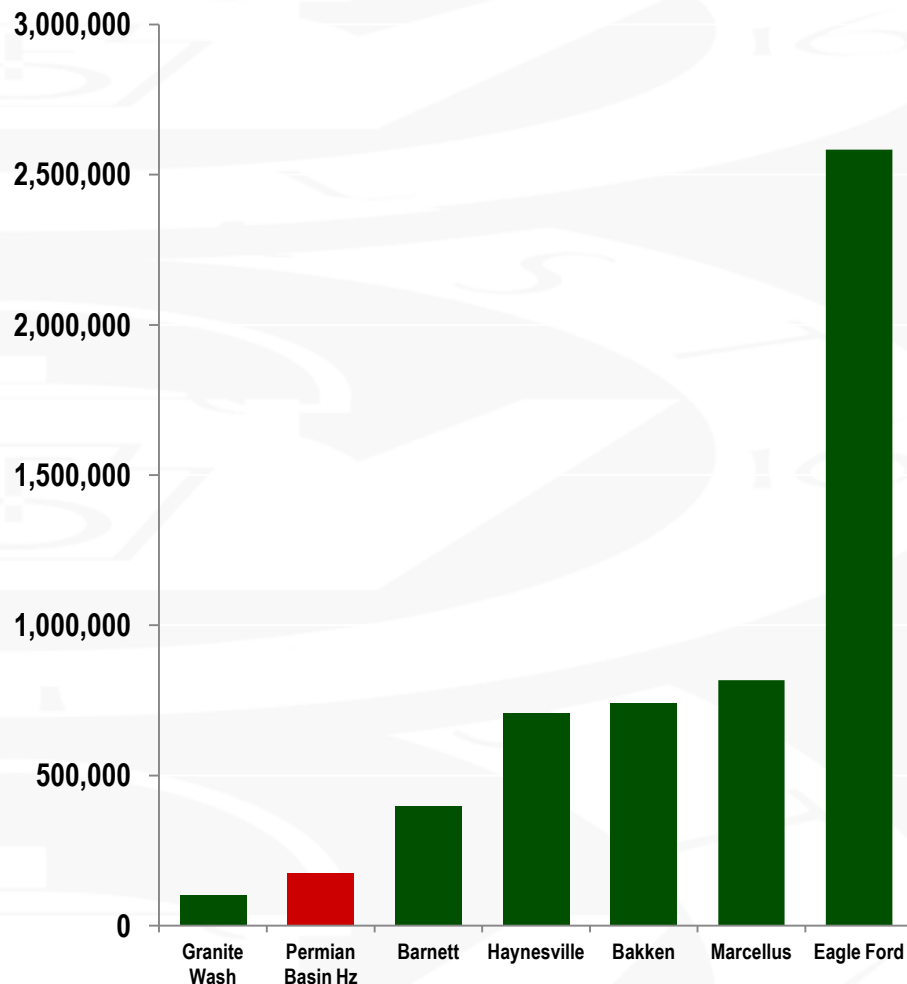
# Industry Rig Utilization

Current Rig Utilization By Horsepower Class



Source: The Land Rig Newsletter (August 2011).

Required Horsepower Per Day



Source: Simmons & Company Intl. – Update on NAM Pressure Pumping Market (August 26, 2011)



# Forest Investment Proposition

- **Oil focused transformation focused on capturing higher commodity price margins**
- **Proven success in horizontal drilling results in improved performance and cost efficiencies**
- **Focus on “profitable” organic growth with capital spending focused on liquids-rich areas in 2012**
- **Deep inventory that continues to expand**
- **Dominant position in the Granite Wash and Eagle Ford, exposure to Wolfcamp Shale oil play and significant natural gas optionality in East Texas / North Louisiana**



# Cautionary Statements

**Forward Looking Statements** – This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, that address activities that Forest assumes, plans, expects, believes, projects, estimates or anticipates (and other similar expressions) will, should or may occur in the future are forward-looking statements. The forward-looking statements provided in this presentation are based on management's current belief, based on currently available information, as to the outcome and timing of future events. Forest cautions that its future natural gas and liquids production, revenues, cash flows, liquidity, plans for future operations, expenses, outlook for oil and natural gas prices, timing of capital expenditures, and other forward-looking statements are subject to all of the risks and uncertainties normally incident to the exploration for and development and production and sale of oil and gas.

These risks include, but are not limited to, oil and natural gas price volatility, Forest's access to cash flows and other sources of liquidity to fund its capital expenditures, its level of indebtedness, its ability to replace production, the impact of the current financial crisis on Forest's business and financial condition, a lack of availability of, or increase in costs relating to, goods and services, environmental risks, drilling and other operating risks, regulatory changes, including changes relating to regulation of the oil and gas industry and regulation of derivatives, the uncertainty inherent in estimating future oil and gas production or reserves, economic conditions and other risks as described in reports that Forest files with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. Also, the financial results of Forest's foreign operations are subject to currency exchange rate risks. Any of these factors could cause Forest's actual results and plans to differ materially from those in the forward-looking statements.

**Reserves** – The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves that meet the SEC's definitions of such terms. Forest discloses only proved reserves in its filings with the SEC. Forest's proved reserves as of December 31, 2010 contained in this presentation were estimated by Forest's internal staff of engineers and comply with recently revised rules and definitions promulgated by the SEC. Forest engaged independent reserve engineers to audit a substantial portion of its proved reserves. The reserve audit procedures followed by the independent reserve engineers on behalf of Forest are described in Forest's Annual Report on Form 10-K. For the years ended December 31, 2010, 2009, and 2008, Forest engaged DeGolyer and MacNaughton, an independent petroleum engineering firm, to perform reserve audit services with respect to its proved reserves.

In this presentation, Forest also uses internal estimates of resource "potential" or "upside" or other descriptions of volumes of resources potentially recoverable through additional exploratory drilling or recovery techniques, which volumes the SEC's guidelines strictly prohibit Forest from including in filings with the SEC. These estimates, as well as estimates of probable and possible reserves, are by their nature more speculative than estimates of proved reserves and accordingly are subject to substantially greater risk of being actually realized by Forest. Resource potential refers to Forest's internal estimates of hydrocarbon quantities that may be potentially discovered through exploratory drilling or recovered with additional drilling or recovery techniques. Resource potential does not constitute reserves within the meaning of the Society of Petroleum Engineer's Petroleum Resource Management System. Area wide unrisks resource potential has not been risked by Forest's management. Actual quantities that may be ultimately recovered from Forest's interests will differ substantially. Factors affecting ultimate recovery include the scope of Forest's ongoing drilling program, which will be directly affected by the availability of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals and other factors; and actual drilling results, including geological and mechanical factors affecting recovery rates. Estimates of resource potential may change significantly as development of our resource plays provides additional data. Investors are urged to consider closely the disclosures in Forest's Annual Report on Form 10-K and Forest's Quarterly Reports on Form 10-Q, copies of which are available for free from Forest by writing Forest at 707 17th Street, Suite 3600, Denver, CO 80202, Attention: Investor Relations, or by calling Investor Relations at 303-812-1400, or visiting Forest's website at [www.forestoil.com](http://www.forestoil.com).