



FORESTAR
A Vision for Every Acre

Investor Presentation

June 2012

Recognizing and Responsibly Delivering the Greatest Value From Every Acre and Growing Through Disciplined Investments



Notice to Investors



This presentation contains “forward-looking statements” within the meaning of the federal securities laws. Forward-looking statements are typically identified by words or phrases such as “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target,” “forecast,” and other words and terms of similar meaning. These statements reflect management’s current views with respect to future events and are subject to risk and uncertainties. We note that a variety of factors and uncertainties could cause our actual results to differ significantly from the results discussed in the forward-looking statements, including the timing to consummate the proposed merger, the risk that a condition to closing of the proposed merger may not be satisfied; our ability to achieve the synergies and value creation contemplated by the proposed merger; our ability to promptly and effectively integrate Credo’s businesses, and the diversion of management time on merger-related matters. Other factors and uncertainties that might cause such differences include, but are not limited to: general economic, market, or business conditions; changes in commodity prices; the opportunities (or lack thereof) that may be presented to us and that we may pursue; fluctuations in costs and expenses including development costs; demand for new housing, including impacts from mortgage credit availability; lengthy and uncertain entitlement processes; cyclicity of our businesses; accuracy of accounting assumptions; competitive actions by other companies; changes in laws or regulations; and other factors, many of which are beyond our control. Except as required by law, we expressly disclaim any obligation to publicly revise any forward-looking statements contained in this presentation to reflect the occurrence of events after the date of this presentation.

Important Additional Information and Where to Find It

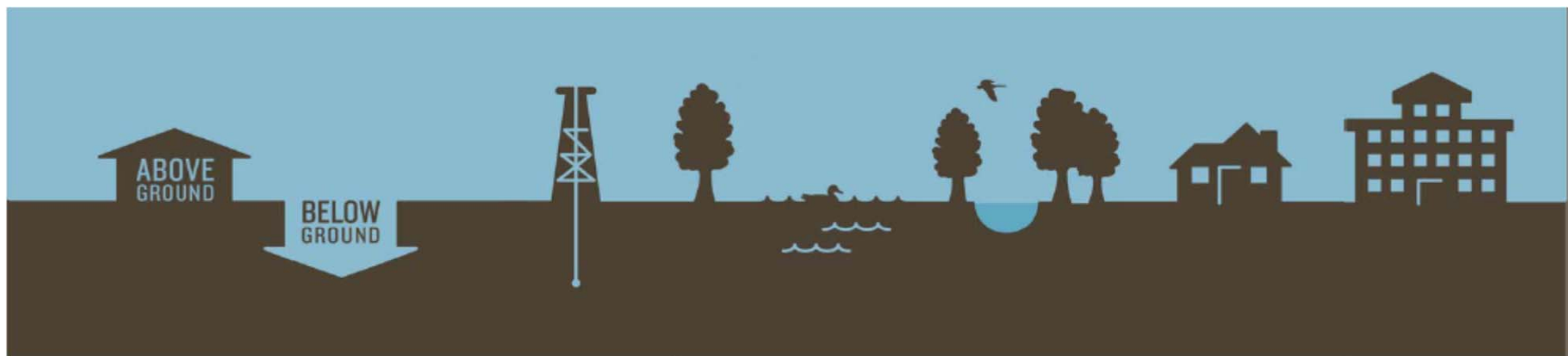
Credo intends to file with the SEC and mail to its stockholders a Proxy Statement on Schedule 14A pursuant to Section 14(a) of the Exchange Act in connection with the merger. This document will contain important information about Forestar, Credo, the merger and other related matters. Credo’s investors and security holders are urged to read this document carefully when it is available. Credo’s investors and security holders will be able to obtain free copies of the Proxy Statement and other documents to be filed with the SEC by Credo through the web site maintained by the SEC at www.sec.gov. Credo’s investors and security holders may also obtain these documents, free of charge, from Credo’s website (www.credopetroleum.com) under the tab “Corporate Governance” and then under the heading “SEC Filings” or by contacting Credo’s Investor Relations Department at 303-297-2200.

Credo and its directors and executive officers may be deemed to be participants in the solicitation of proxies in respect of the transactions contemplated by the merger agreement. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of Credo stockholders in connection with the merger will be set forth in the proxy statement when it is filed with the SEC. Credo’s investors and security holders can find information about Credo’s executive officers and directors in its definitive proxy statement filed with the SEC on February 28, 2012.

The Forestar Difference



- 🍃 Strategically located in key growth regions and active oil and gas basins
- 🍃 Focused strategy to deliver the greatest value from real estate and natural resources
- 🍃 Experienced management team with proven ability to deliver
- 🍃 Strong balance sheet
- 🍃 Disciplined investment approach; well positioned to capitalize on growth opportunities

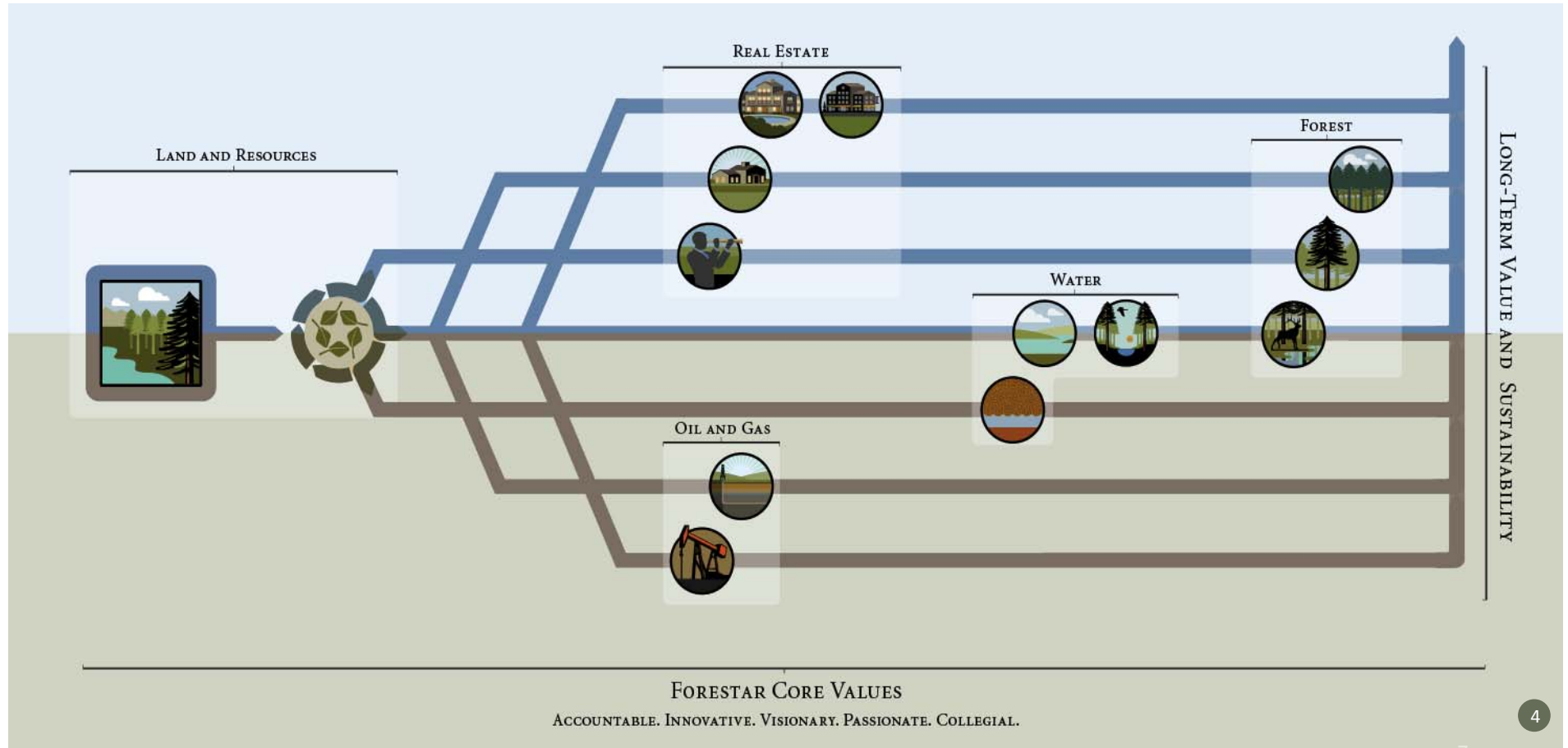


Our Strategy – The Dimensional Land Model™



Forestar is a real estate and natural resources company with a strategy focused on maximizing the value of its assets by:

- Recognizing and responsibly delivering the greatest value from every acre
- Growing through strategic and disciplined investments



Delivering The Greatest Value From Every Acre



146,000 acres of low-basis land



130,000 real estate acres generating fiber growth and sales



89 projects residential and mixed-used communities in 7 states and 11 markets



4 significant commercial and income producing assets

3 Multifamily Properties (Austin - 2, Houston - 1)
Radisson Hotel (Austin, TX)



594,000 net mineral acres principally located in 5 basins and 7 states



1,600,000 acres of water interest*



17,800 acres of groundwater leases in central Texas

Note: Information as of Q1 2012 and includes ventures.

* Includes a 45% non-participating royalty interest from approximately 1.4 million acres in TX, LA, GA & AL

Forestar Minerals - Oil and Gas

Building Momentum By Driving Leasing and Exploration to Increase Production and Reserves



Delivering The Greatest Value From Every Acre



Minerals Greatest Value		Pipeline (Acres) ¹	Terms – Activity	Financials
	Production - Reserves	32,000	20% - 27% Royalty and Working Interest	534 Wells ² Cash Flow = \$134mm ³
	Lease - Bonus	49,000	<ul style="list-style-type: none"> • 3 – 5 year term • Delay rentals • Drilling requirements 	\$250 - \$1,500 per acre lease rate
	Explore	58,000	Seismic, Ventures and Prospects	Up to \$100 per acre Knowledge gain
	Market - Promote	<u>455,000</u>	Market and promote through multiple channels	Low Basis Low Cost
		594,000	Total Net Mineral Acres	

¹ Acres as of Q1 2012; includes ventures

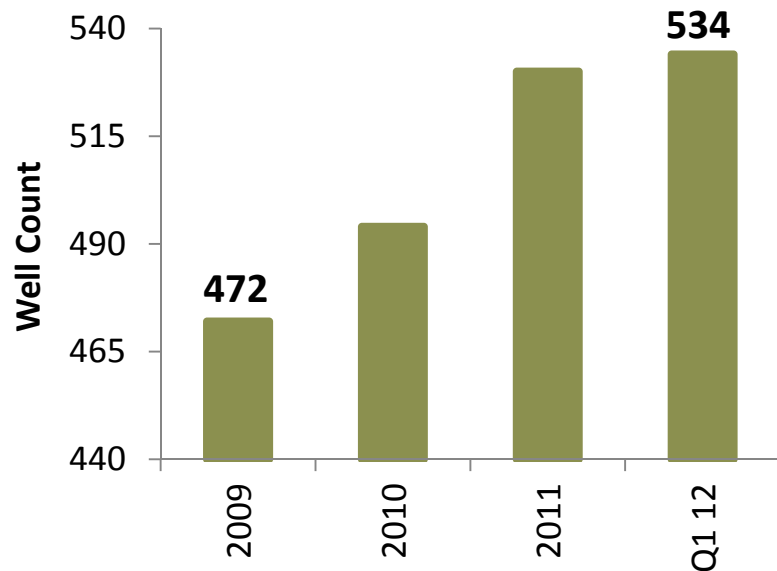
² Wells owned and operated by third party lessees / operators as of Q1 2012

³ Undiscounted future net cash flows before income taxes as of YE 2011

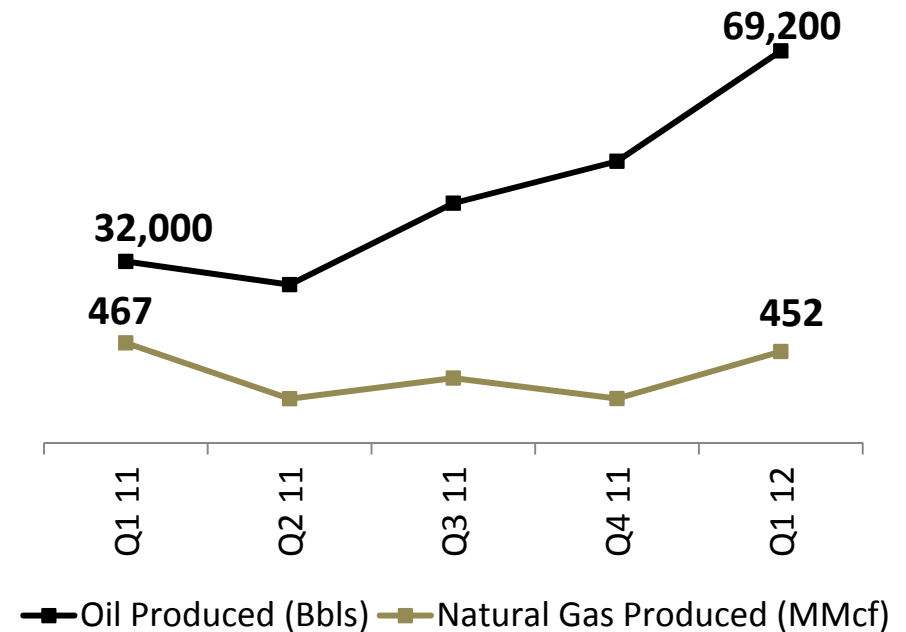
Increased Oil Production Driving Higher Royalties



**Growth in Drilling Activity
Well Count
YE 2009 – Q1 2012**



**Forestar's Share of
Quarterly Oil & Gas Production
Q1 2011 – Q1 2012**



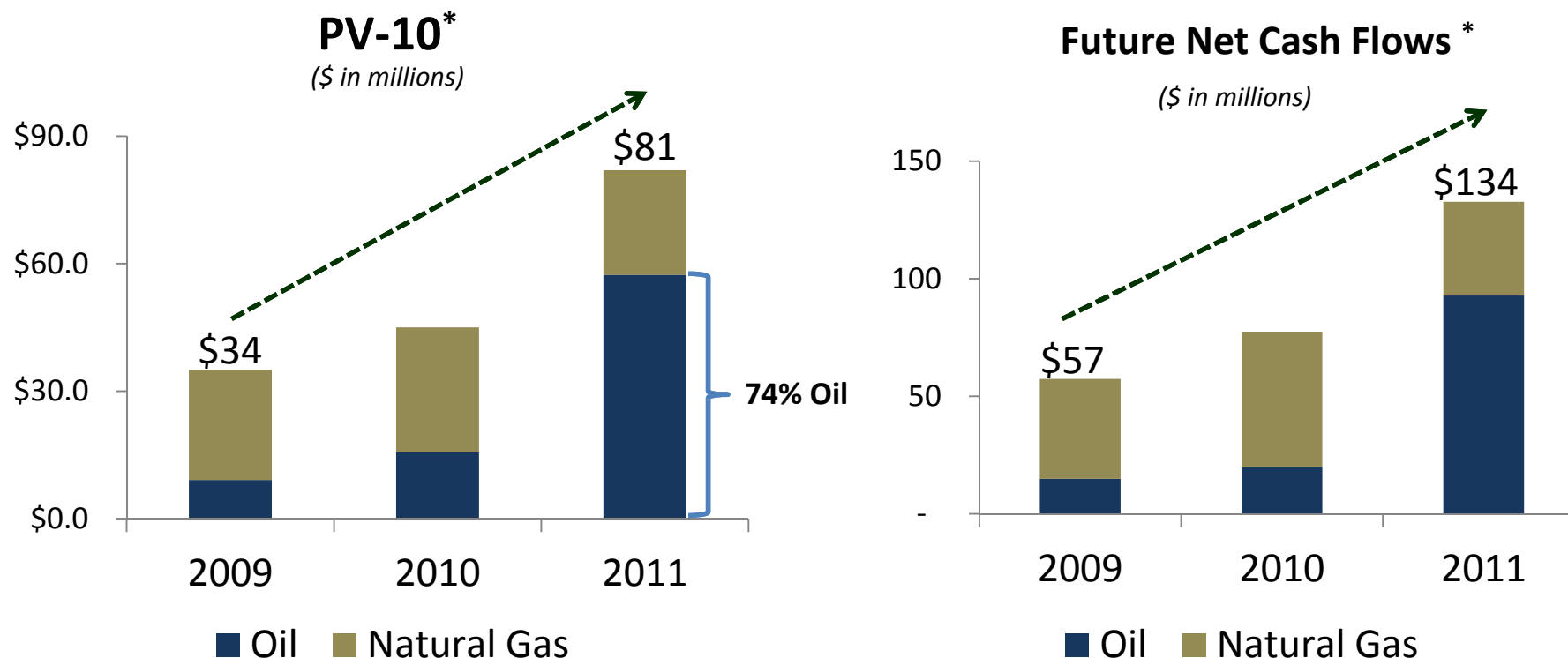
Note: Includes ventures; wells owned and operated by third party lessees / operators

Accelerating Value Realization of Minerals Through Proven Reserve Growth



Proven Reserves

(Before Income Taxes)



Significant Oil Exploration and Development Drives 246% Reserve Replacement in 2011

Note: Includes ventures

*PV-10 represents present value of estimated future oil and gas revenues, net of estimated direct expenses, discounted at an annual discount rate of 10%.

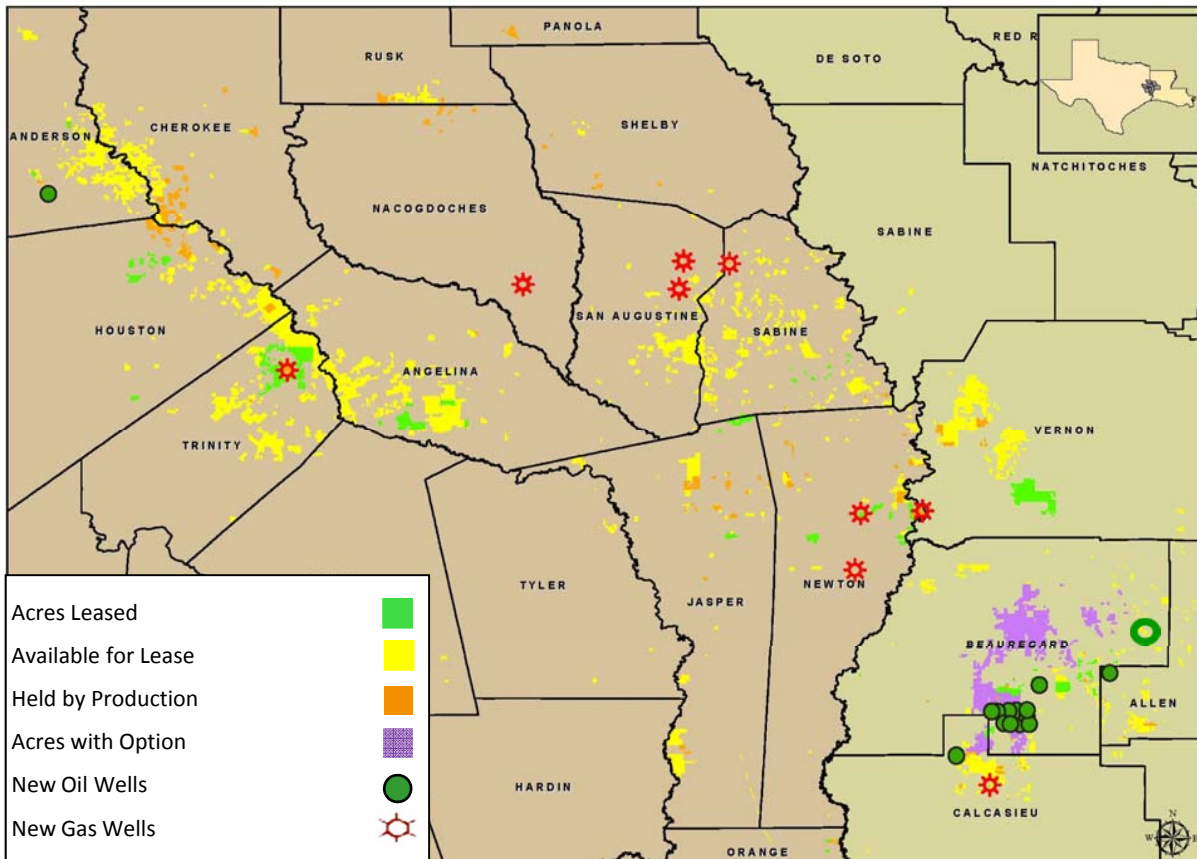
Future Net Cash flows represents an undiscounted value based upon estimate of future net cash flows from proved developed reserves after deducting estimated severance and ad valorem taxes, but before deducting estimates of future income taxes

These are Non-GAAP financial measures. The reconciliation between GAAP and Non-GAAP financial measures is provided in the tables following this presentation, and on the company's investor relations website.

Diverse Exploration and Drilling Activity



2011-2012 Well Completions East Texas & Louisiana*

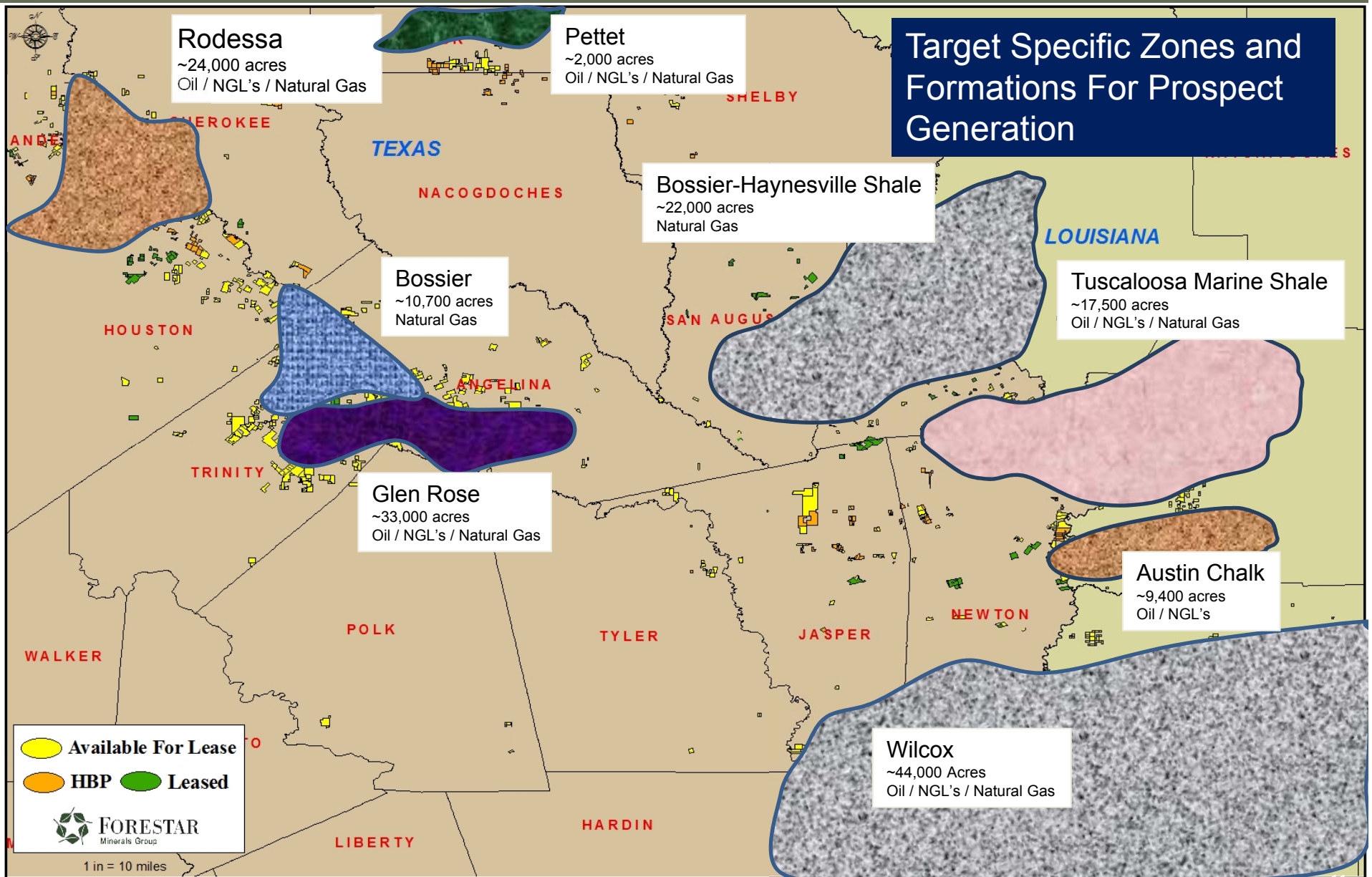


Target Formations

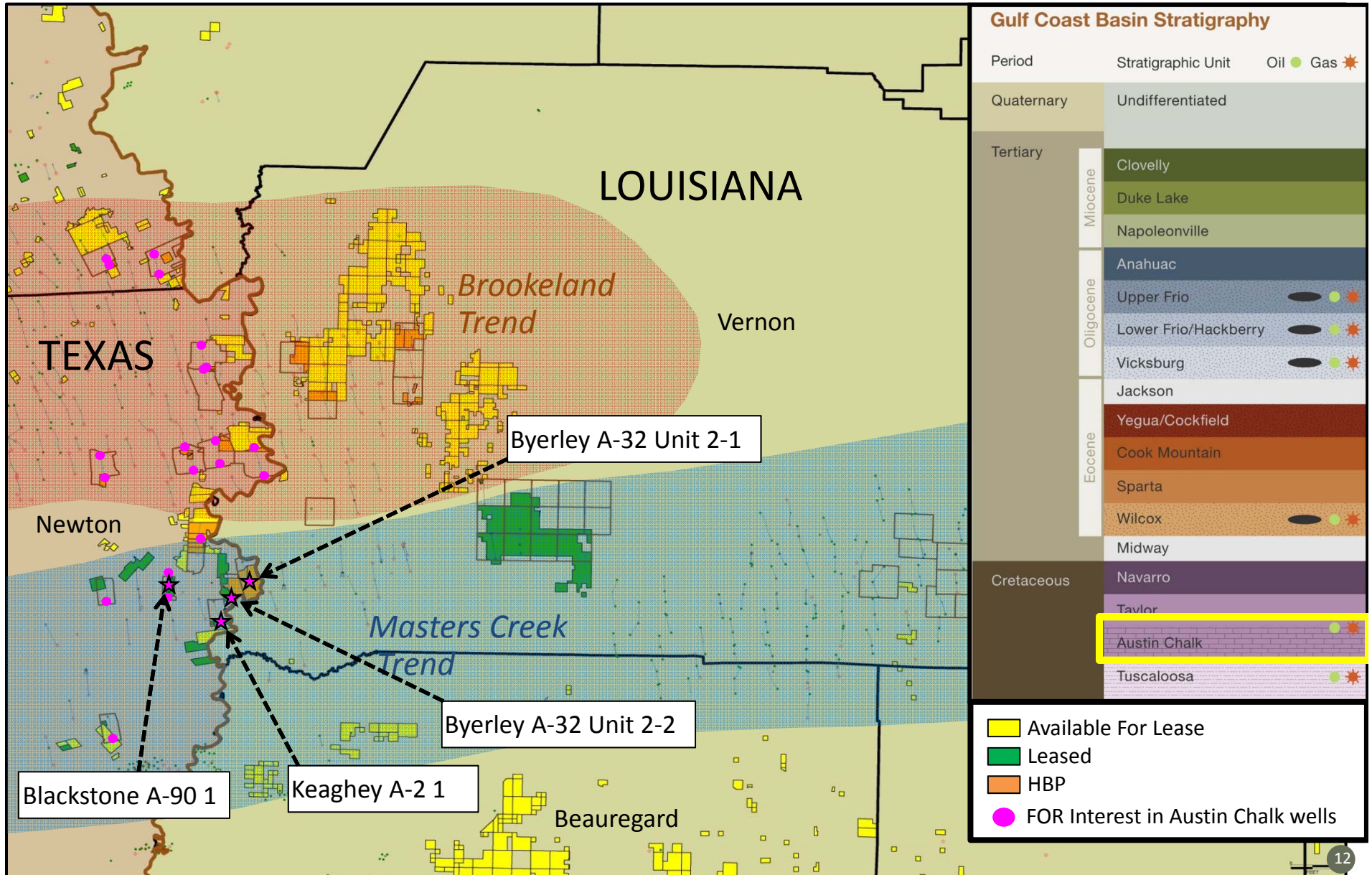
East Texas and Gulf Coast Basins	Wells Drilled Last 12 months	Target
Frio / Hackberry	1	● ☀
Yegua / Cockfield	2	☀
Wilcox	12	●
Austin Chalk	3	● ☀
Rodessa		
James Lime		
Pettit (Sligo)		
Travis Peak (Hosston)		
Cotton Valley		
Bossier	3	☀
Haynesville	2	☀
Fort Worth Basin		
Barnett Shale	6	☀
Colorado		
Niobrara / Codell	10	●

* Map excludes six wells located in Barnett Shale in North Texas and ten wells in Colorado completed in 2011

Targeting 160,000 Acres For Oil and Gas Prospects



Austin Chalk Drilling Activity Increasing



Austin Chalk Drilling Activity Increasing



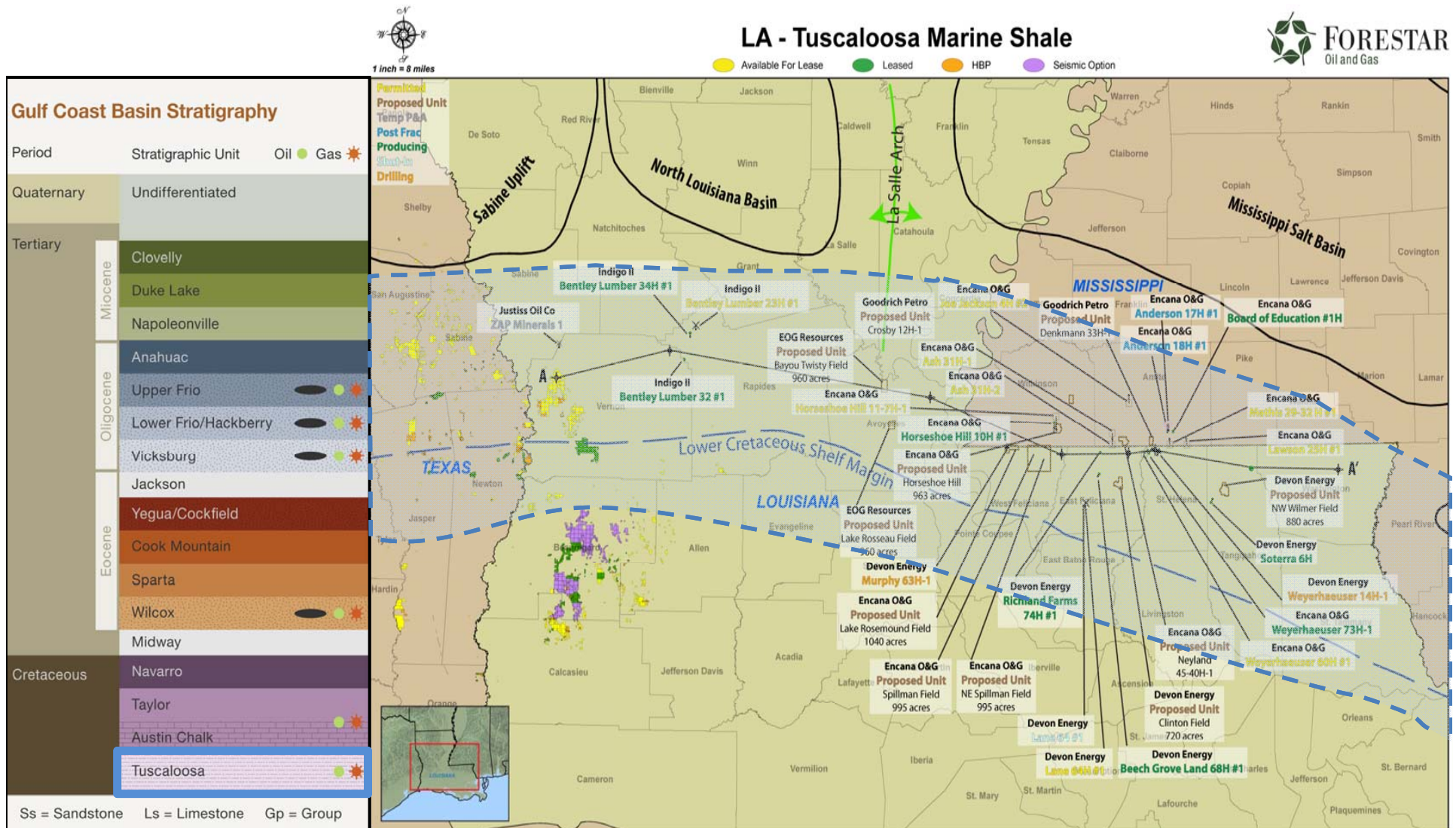
<i>(\$ in millions)</i>			Estimated Ultimate Recoveries			
Well	Completion Date	FOR Net Royalty Interest	Condensate MB	Natural Gas Liquids MB	Dry Gas MMCF	Total MMBOE
Forestar Blackstone A-90 Unit 1	Nov-09	7.6%	29	38	482	0.1
Forestar Keaghey A-253 Unit 1	Jan-11	5.1%	13	15	172	0.1
Forestar Byerley A-32 Unit 1	Nov-11	14.4%	52	51	475	0.2
Forestar Byerley A-32 Unit 2 No 1	Apr-12	14.3%	<u>43</u>	<u>45</u>	<u>472</u>	<u>0.2</u>
Total			136	148	1,601	0.6
12-Month NYMEX Strip Pricing, \$/bbl or \$/mcf or \$/boe			<u>\$97.46</u>	<u>\$48.73*</u>	<u>\$3.08</u>	<u>\$46.09</u>
Potential Royalties to Forestar (Current Pricing)			<u>\$13.2</u>	<u>\$7.2</u>	<u>\$4.9</u>	<u>\$25.4</u>

* Based upon 50% of NYMEX 12-month strip price as of May 9, 2012

Note: Wells owned and operated by third-party lessees; EUR's based upon internal estimates, actual future results may vary

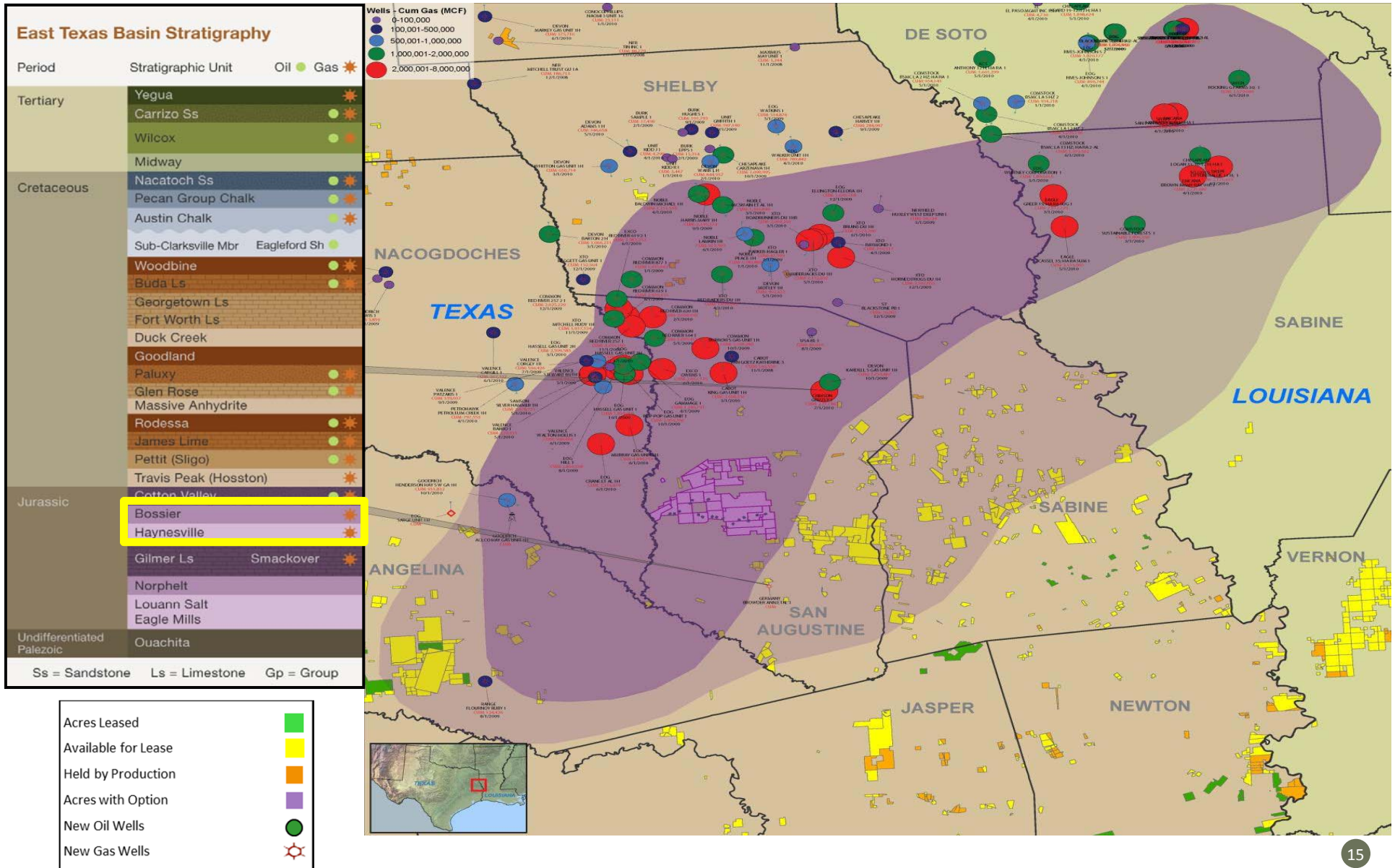
Tuscaloosa Marine Shale Prospect Generation

Evaluating 17,500 acres for Drilling Prospects

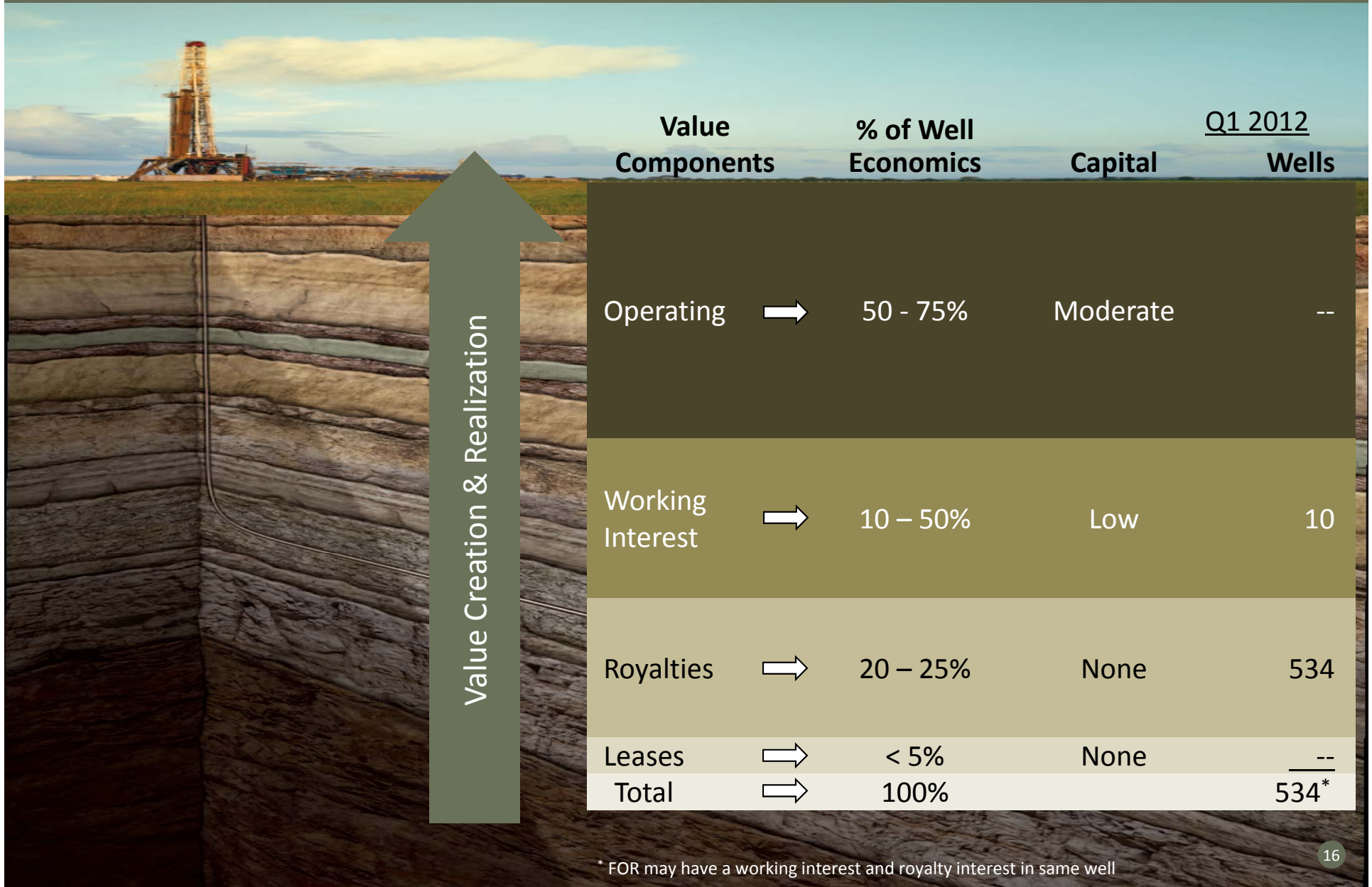


Haynesville Bossier Prospect Generation

Evaluating 22,000 acres for Drilling Prospects



Enhancing Minerals Value Creation and Realization



Minerals - Oil and Gas

Acquisition of Credo Petroleum Corporation

Doubles Production and Reserves, Provides Meaningful Ownership in Strategic Oil and Gas Basins, Further Enhances Transparency and Disclosure, and Creates Solid Platform for Additional Growth



Credo Acquisition Overview



- Acquisition of CREDO Petroleum (NASDAQ:CRED) for \$14.50 per share
- Total equity value \$146 million - all cash
- Consistent with Strategy and *Triple in FOR* initiatives
 - ✓ Accelerate value realization
 - ✓ Optimize transparency and disclosure
 - ✓ Raise net asset value through strategic and disciplined investments

Note: Credo is an oil and gas company based in Denver, CO which owns leasehold interests in almost 125,000 net mineral acres, with operations in the Bakken and Three Forks formations of North Dakota, the Lansing – Kansas City formation in Kansas and Nebraska, and the Tonkawa and Cleveland formations in the Texas Panhandle.

Note: Acquisition price represents 34% premium based on Credo pre-announcement closing price of \$10.86 per share on June 1, 2012

Acquisition Benefits



- Doubles production and reserves, enhances disclosure
- Creates meaningful scale, ownership and operations in strategic basins
- Maintains solid financial position, enhanced by recurring cash flows
- Provides a strong operating platform for growth and investment
- Exceeds return requirements and drives additional shareholder value
- Operating option accelerates Forestar Minerals value realization

Attractive Leasehold Interests In Prolific Basins



CREDO Leasehold Interests – Q1 2012			
Market	Net Acres	Basins	Formations
North Dakota	6,000	Williston	Bakken & Three Forks
Kansas	43,000	Central Uplift	Lansing – Kansas City
Nebraska	41,000	Denver – Julesburg Central Uplift	Lansing – Kansas City
Oklahoma	17,000	Anadarko	Morrow
Texas	4,000	Anadarko	Tonkawa & Cleveland
Other*	<u>14,000</u>		
Total	125,000		

Q1 2012 Producing Wells	
Working Interest**	337
Royalty Interest	<u>1,180</u>
Total Wells	1,517

Q1 2012 Leasehold Interest (Acres)	
Held By Production	30,000
Undeveloped	<u>95,000</u>
Total Net Mineral Acres	125,000

* Includes approximately 8,000 net mineral acres located in various states related to overriding royalty interests

** Includes approximately 108 wells operated by CREDO

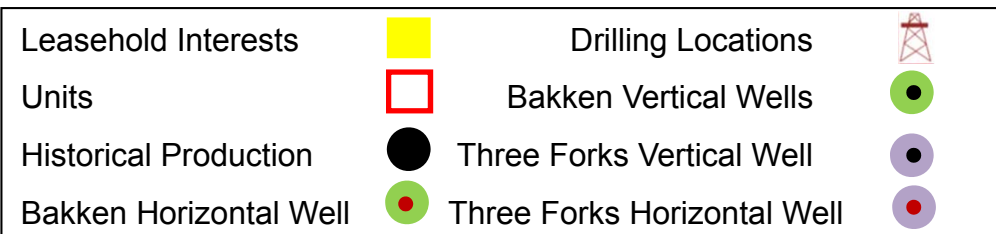
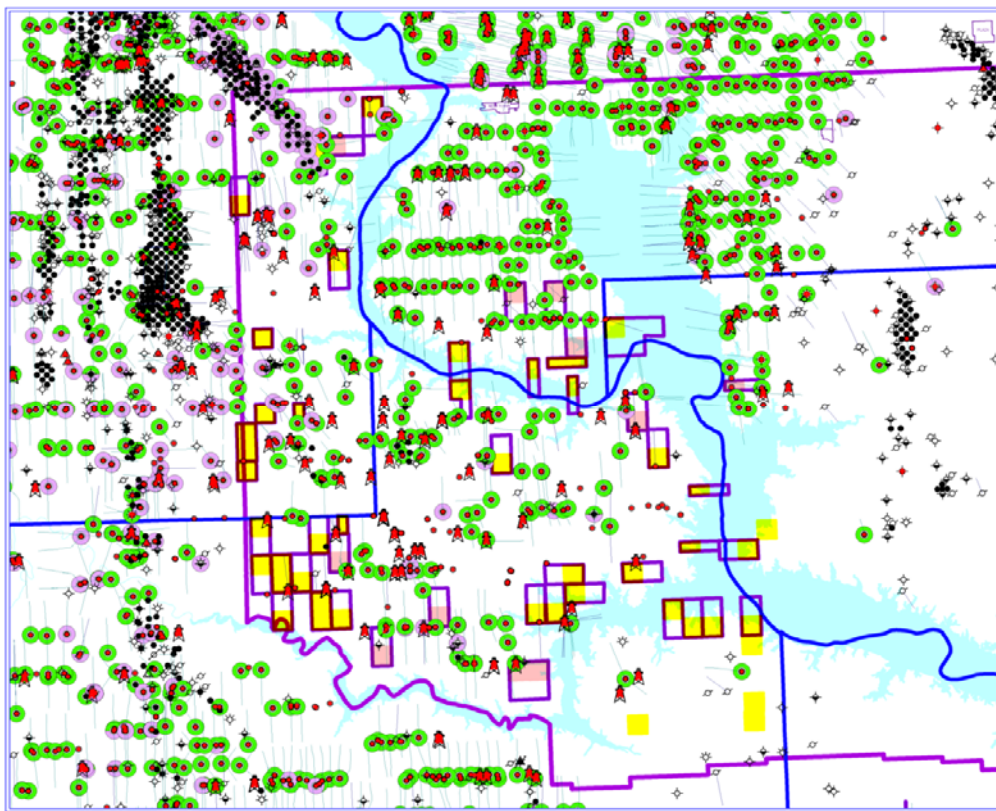
Note: Acres may vary

Bakken Provides Significant Value Creation Potential

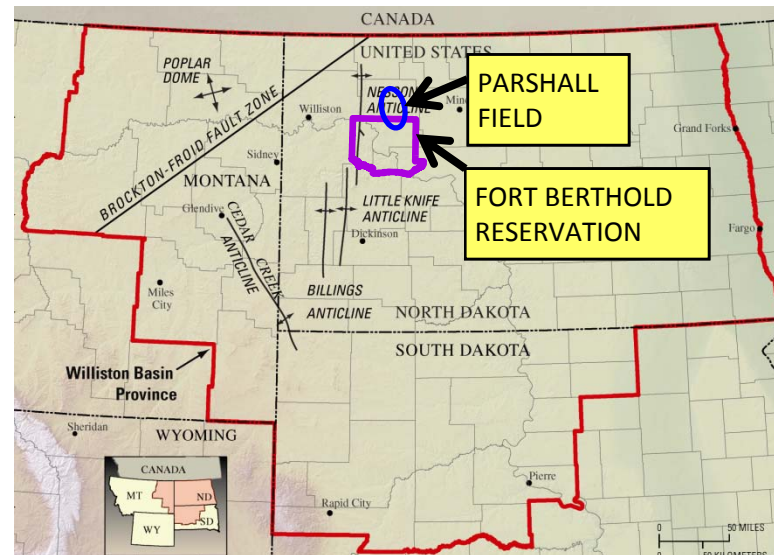
6,000 net mineral acres in core of Bakken & Three Forks



Leasehold Mineral Interests Locations



Bakken / Three Forks Acres Locator Map



Bakken Well Assumptions

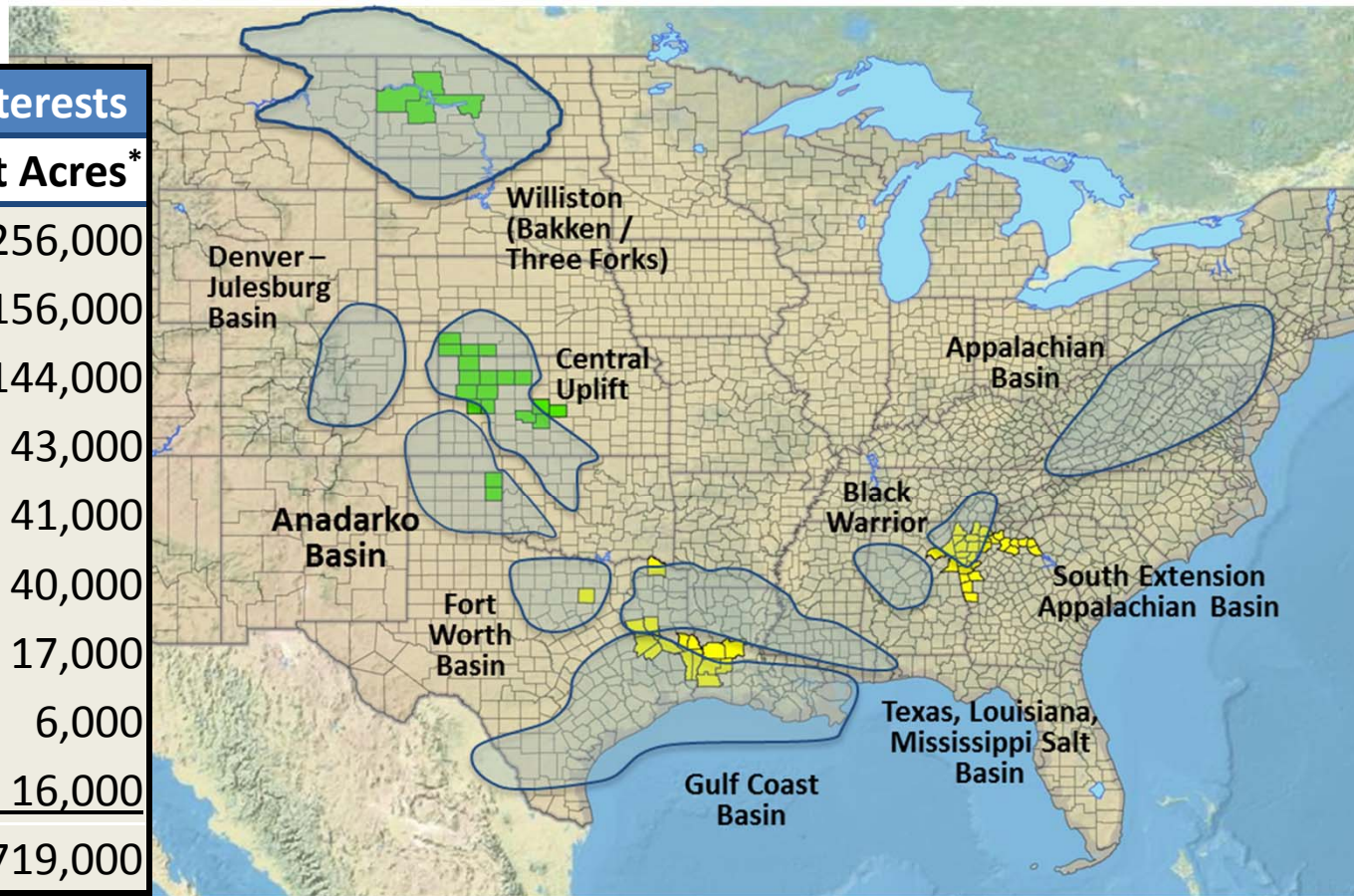
Avg. Well production (EUR)	>500 Mboe
Average working interest	8.0%
Units	50
Wells Completed*	16
Wells Drilling*	9
Add'l Wells Planned by YE 2012*	9
Total Potential Wells	400

* Source: Credo Petroleum news release dated April 17, 2012

Acquisition Provides Meaningful Scale and Solid Platform For Future Growth and Additional Investment



Combined Mineral Interests	
Market	Net Acres*
Texas	256,000
Georgia	156,000
Louisiana	144,000
Kansas	43,000
Nebraska	41,000
Alabama	40,000
Oklahoma	17,000
North Dakota	6,000
Other**	16,000
Total	719,000



CREDO Mineral Interests ■ FOR Mineral Ownership ■ Basins / Formations

Acquisition Provides Meaningful Ownership in Strategic Oil and Gas Basins

* Note: As of first quarter 2012; includes both fee and leasehold interests

** Includes approximately 8,000 net mineral acres located in various states related to overriding royalty interests

Compelling Combination Value Drivers



Value Drivers	2011 Metrics*	CRED	FOR	Combined
Increased Scale / Doubles Production and Reserves	<i>(\$ in millions)</i>			
	Production (BOE)	301,000	422,200	723,200
	Reserves (MMBOE)	4.1	3.0	7.1
	% Oil	48%	35%	42%
	PV-10	\$62	\$81	\$143
	Future Net Cash Flows	\$116	\$134	\$250
Meaningful Ownership and Operations in Prolific Basins	Net Mineral Acreage**	125,000	594,000	719,000
	Basins	5	5	10
	States	7	7	14
Disclosure Benefits	Additional transparency on Forestar minerals FOR YE 2011 reserves 98% PDP's – Yet to report PUD's			

Combination creates meaningful scale through production and reserve growth, additional ownership and operations in strategic basins and improves transparency and disclosures

*Note: Based on Credo Form 10-K for the year ended 10/31/11 and Forestar Form 10-K for the year ended 12/31/11, before income taxes

** Note: Includes both fee and leasehold interests; Forestar acres as of Q1 2012

Proved Developed Reserves Represent Only One Component of Reserve Value and Opportunity



Reserve reporting beyond proved developed requires the ability and intent to drill



	Forestar YE 2011 Reserves (MMBOE)	Forestar YE 2011 Net Acres	Reserve Disclosures	
Proved Developed	3.0	32,000	Mineral Owner	Operator
Proved Developed Non-Prod	n/m	100		
Proved Undeveloped	?	?		
Probable	?	?		
Possible	?	?		
Resource	?	?		
		595,000		

Acquisition Accelerates Value Realization of Forestar Minerals

Acquisition Analysis



(\$ in millions)

Credo Acquisition Price Per Share	\$14.50
<u>Equity Purchase</u>	\$146
+ Closing Costs*	<u>7</u>
Total Purchase Price	\$153

Financing**

Committed Loan	\$75
Revolver Availability & Cash	<u>78</u>
	\$153

Leverage & Liquidity (Post transaction)

Total Debt / Total Capitalization	38%
Available Liquidity	>\$100

Following the acquisition of Credo, Forestar will have a solid balance sheet, improved cash flow profile and ample liquidity

**Excludes financing costs*

***Forestar intends to pursue amendments to its existing credit facilities to fund a significant portion of the purchase price.*

Credo Acquisition Will Generate Scale, Create Platform for Growth and Investment, and Accelerate Value Realization



Q1 2012 Proforma Combined Portfolio of Assets

Oil & Gas

(\$ in millions)

Net Minerals Acres*	719,000
Reserves (MMBOE)	7.1
PV-10 Reserves	\$143
Future Net Cash Flows	\$250
Proforma Investment	\$200

Real Estate

Acres	146,000
Projects	99
Acres in Entitlement	27,600
Commercial Properties	4
Investment	\$570

Water

Acres	1.6 million**
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Acquisition Benefits

Increases exposure to Oil and NGLs
Enhances reserve reporting
Meaningful scale; ownership in strategic basins
Experienced team with proven track record
Accretive to earnings in first full year
Maintain solid balance sheet and ample liquidity

*Includes both fee and leasehold mineral acreage; Based on Credo Form 10-K for the year ended 10/31/11 and Forestar Form 10-K for the year ended 12/31/11

** Includes a 45% nonparticipating royalty interest in groundwater produced or withdrawn for commercial purposes or sold from approximately 1.4 million acres in TX, LA, GA, and AL

Note: Reserve information before income taxes

Real Estate - Community Development

Building Momentum by Increasing Residential Lot Sales And Developing Exceptional Master Plan Communities



Delivering The Greatest Value From Every Acre



Real Estate Greatest Value



Development



Entitled



Entitle



Timberland

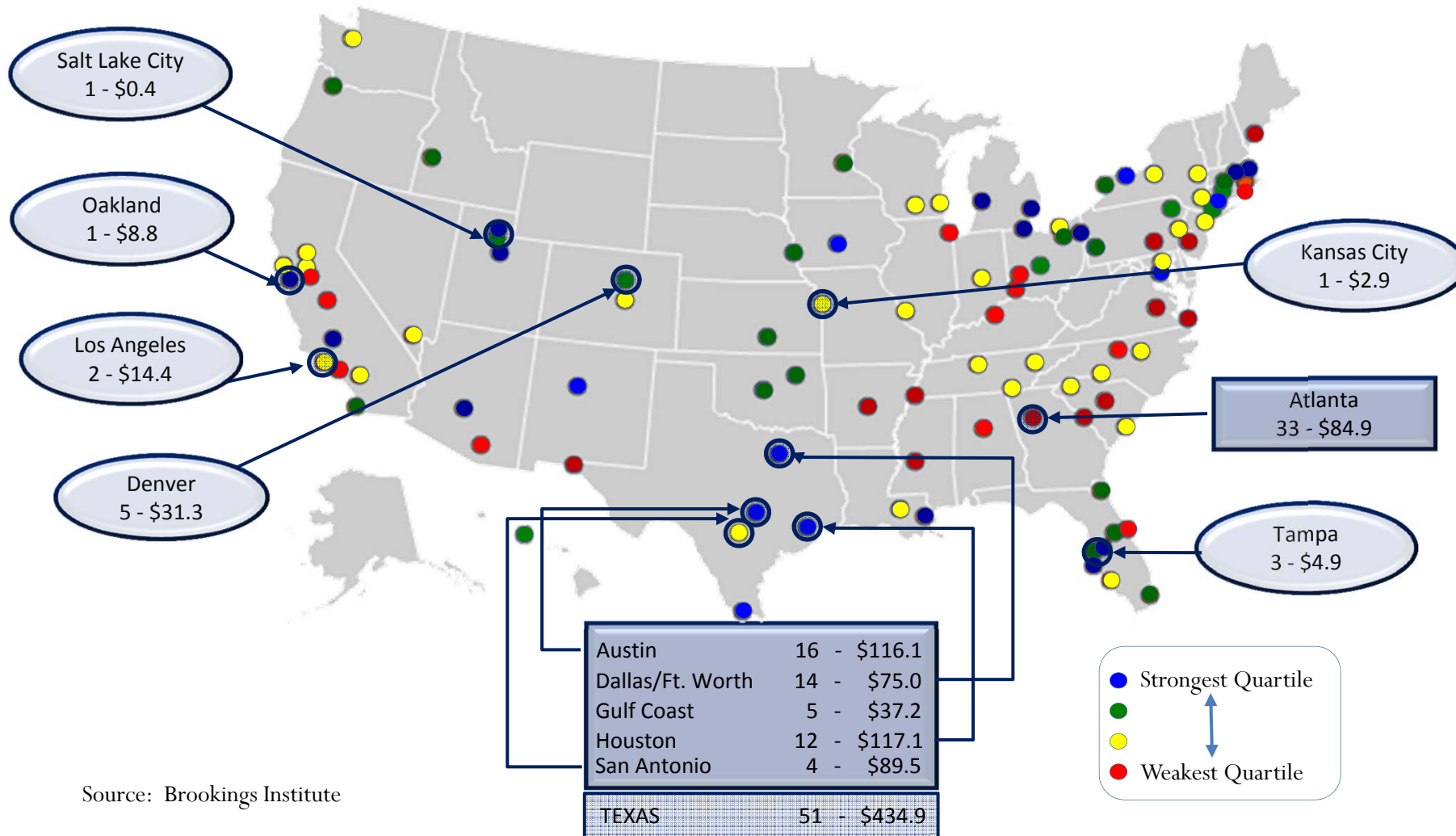
Pipeline (Acres) ¹	Activity – Uses	Financials ²
2,000 63 projects	1,348 acres – 2,815 lots 498 commercial acres	\$50K per lot \$90K per acre <small>(avg sales price)</small>
14,000 18 projects	Approved uses, ready for development	High Value Creation
28,000 16 projects	Planned Lifestyle Communities <small>(1st and 2nd move-up focus)</small>	Low Basis Low Cost
<u>102,000</u>	Timberland Sales Fiber Sales Recreational Leases	\$2K per acre <small>(avg sales price)</small>
146,000	Total Real Estate Acres - 97 Projects	

¹ Acres as of Q1 2012; Includes ventures.

² Based on historical sales activity.

Low Basis Assets Located in Stronger Markets

Texas Markets Represent 75% of our Investment in Real Estate



Source: Brookings Institute

Projects and investment as of Q1 2012; includes ventures

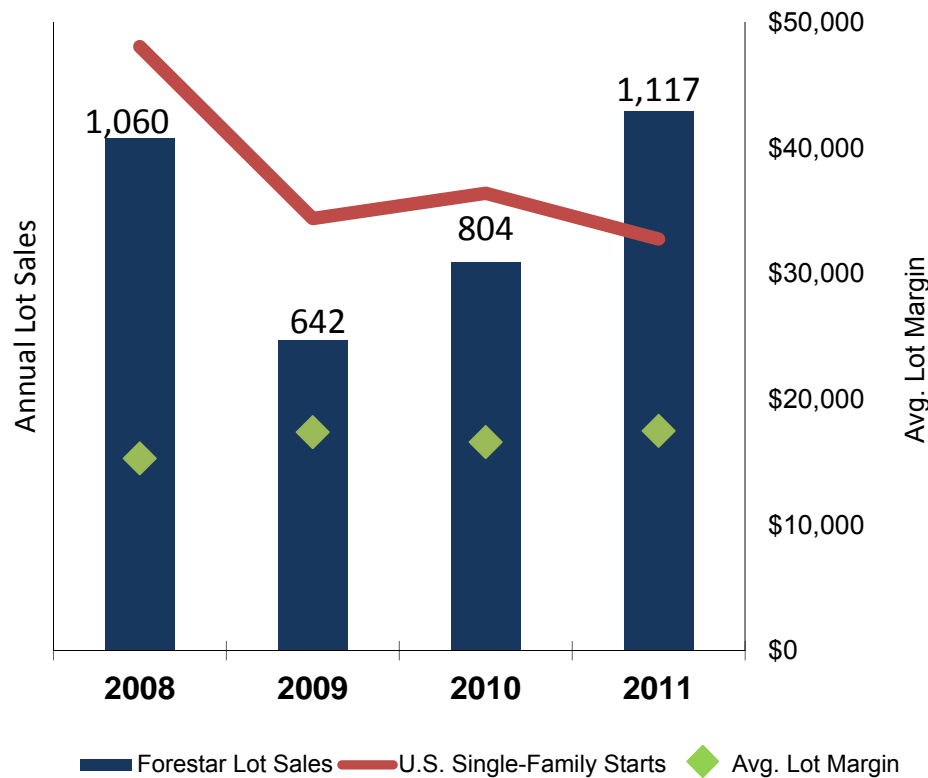
Note: Excludes investment in Light Farms which was sold in April 2012; includes \$21 million note secured by Discovery at Springs Trail Project in Houston, TX

Increased Residential Lot Sales Reflect Stable Demand and Reduced Finished Lot Inventories in Texas

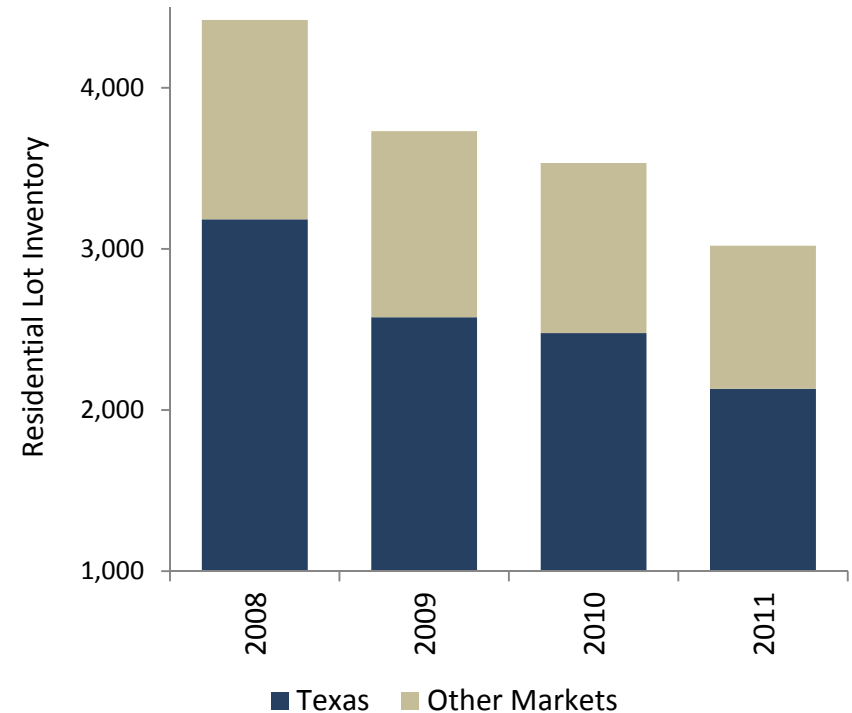


Annual Lot Sales & Avg. Lot Margin

2006 Peak Sales = 3,600 lots



Forestar Residential Lot Inventory*



Note: Includes ventures; excludes sale of undeveloped paper lots

* Represents developed and under development residential lots

Real Estate Pipeline Well Positioned For Recovery



Real Estate	Undeveloped	In Entitlement Process	Entitled	Developed and Under Development	Total Acres
Undeveloped Land					
Owned	95,360				102,261
Ventures	6,901				
Residential					
Owned		24,867	9,669	734	38,811
Ventures		---	3,240	301	
Commercial					
Owned		2,723	1,246	614	5,179
Ventures		---	399	197	
Total Acres	102,261	27,590	14,554	1,846	146,251
Estimated Residential Lots			24,108	2,815	26,923
Projects		16	18	63*	97

In addition, Forestar owns a 58% interest in a venture which controls over 16,000 acres of undeveloped land in Georgia with minimal investment

Note: Information as of Q1 2012; includes ventures

* Includes 4 significant commercial and income producing properties.

Triple in FOR Strategic Initiatives

Building Momentum By Increasing Oil Production, Proven Reserves and Residential Lot Sales



Our Focus: *Triple in FOR*



Initiatives	Historical Avg. (2008-2011)	Target
Focus on Accelerating Value Realization		
Triple Residential Lot Sales	850 lots	2,500 lots
Triple Oil & Gas Production (Mcfe)	2.3 Bcfe	6.7 Bcfe
Triple Total Segment Earnings	\$33 million	> \$100 million
Optimize Transparency & Disclosure		
Expand Reported Oil and Gas Resource Potential	PDP's	Additional Reserve / Resource Categories
Additional Transparency on Water Interests	Acres	Sustainable Production Potential
Report Corporate Sustainability Results	-	Responsibly integrating economic, social, and environmental resources
Raise NAV Through Strategic and Disciplined Investments		
Growth Opportunities which Prove Up Net Asset Value and Exceed Return Requirements	-	Target 35% ROC (20-25% IRR) Maintain Financial Flexibility
Accelerate Participation in Oil & Gas Working Interests	-	Lower Risk – Proven Formations Target > 20% Return on Capital
Develop Low-Capital, High-Return Multifamily Business	-	Minimal Capital Investment (10-20% of project equity)

Increasing Our Financial Flexibility

Light Farms Venture Sold 800 Acres for \$56 Million



April 2012: Light Farms Sale

- ✦ FOR / RPG Land Company sold 800 acres from proposed residential community near Dallas, TX for \$56 million in total consideration
- ✦ FOR received \$25 million in cash proceeds and reduced consolidated debt by \$31 million
- ✦ Sale eliminated over \$2 million in annual carrying costs
- ✦ Gain on sale of \$3.4 million in Q2 2012

(\$ in millions)	1st Quarter 2012	Pro forma Light Farms Sale
Credit Facility Borrowings	\$136	\$136
Other Consolidated Debt	<u>92</u>	<u>61</u>
Total Debt	\$228	\$197
Total Debt/Capital	31%	28%
Cash	\$5	\$30
Credit Availability	<u>155</u>	<u>155</u>
Total Liquidity	\$160	\$185

Focused on investments that provide near-term cash flow and earnings

Accelerating Value Realization



➤ Building momentum by increasing oil production and proven reserves



➤ Growing lot sales and increasing market share



➤ Harvesting value from stabilized commercial assets



➤ Capitalizing on growth opportunities and investments to generate near-term cash flow and earnings, accelerate value realization and raise NAV

Building Momentum By Accelerating Value Realization, Optimizing Transparency and Growing NAV

Appendix

Recognizing and Responsibly Delivering the Greatest Value From Every Acre and Growing Through Disciplined Investments



Mineral Resources Segment KPI's



	1st Quarter 2012	1st Quarter 2011	Full Year 2011	Full Year 2010
Leasing Activity				
Net Acres Leased	800	4,900	8,100	16,900
Avg. Bonus / Acre	\$360	\$340	\$279	\$457
Royalties*				
Oil Produced (Barrels)	69,200	32,000	151,900	115,400
Average Price / Barrel	\$97.57	\$82.49	\$96.84	\$73.09
Natural Gas Produced (MMCF)	452.2	466.8	1,622.0	1,796.4
Average Price / MCF	\$3.23	\$3.72	\$3.95	\$4.26
Total MMcfe	867.4	658.6	2,533.4	2,489.1
Average Price / Mcfe	\$9.47	\$6.64	\$8.34	\$6.46
Segment Revenues (\$ in Millions)	\$9.4	\$7.3	\$24.6	\$24.8
Segment Earnings (\$ in Millions)**	\$5.9	\$5.6	\$16.0	\$22.8
Producing Wells* (<i>end of period</i>)	534	496	530	494




* Includes our share of venture production: 1st Qtr. 2012 = 90 MMCF; 1st Qtr. 2011 = 159 MMCF; FY 2011 = 493 MMCF; FY 2010 = 573 MMCF

** Note: Segment results include costs associated with the development of our water initiatives: \$1.3 million in Q1 2012; \$1.1 million in Q1 2011; and \$3.9 million in FY 2011.

Real Estate Segment KPI's



	1st Quarter 2012	1st Quarter 2011	Full Year 2011	Full Year 2010
Residential Lot Sales *				
 Lots Sold	285	214	1,117	804
Average Price / Lot	\$53,000	\$48,200	\$47,400	\$49,500
Gross Profit / Lot	\$20,800	\$18,500	\$17,500	\$16,600
Commercial Tract Sales *				
 Acres Sold	-	20	26.4	17.8 ^{****}
Average Price / Acre	-	\$152,500	\$193,700	\$90,100
Land Sales *				
 Acres Sold	455	2,630	17,100	5,800
Average Price / Acre	\$2,400	\$2,300	\$2,400	\$3,500
Segment Revenues (\$ in Millions)	\$17.9	\$21.1	\$106.2	\$68.3
Segment Earnings (Loss) (\$ in Millions)	\$11.5 ^{**}	\$2.6	(\$25.7) ^{***}	(\$4.6)

* Includes ventures

** Q1 2012 results include \$11.7 million gain on sale of interest in Palisades West

*** Note: Full year 2011 real estate segment earnings include pre-tax non-cash asset impairment charges of \$45.2 million

**** KPI's include venture activity; but 2010 excludes sale of 625 acres for about \$20 million at Summer Creek venture located near Fort Worth, TX

Fiber Resources Segment KPI's



	1st Quarter 2012	1st Quarter 2011	Full Year 2011	Full Year 2010
Fiber Sales				
Pulpwood Tons Sold	24,400	65,600	266,200	392,900
Average Pulpwood Price / Ton	\$10.18	\$9.18	\$8.69	\$9.93
Sawtimber Tons Sold	4,400	15,500	56,800	144,300
Average Sawtimber Price / Ton	\$19.48	\$16.98	\$16.13	\$17.94
Total Tons Sold	28,800	81,100	323,000	537,200
Average Price / Ton	\$11.59	\$10.67	\$10.00	\$12.08
Recreational Leases				
Average Acres Leased	131,000	200,000	174,500	208,100
Average Lease Rate / Acre	\$8.80	\$8.91	\$8.80	\$8.32
Segment Revenues (\$ in Millions)	\$0.7	\$1.4	\$4.8	\$8.3
Segment Earnings (\$ in Millions)	\$0.4	\$0.6	\$1.9*	\$5.1



* Includes \$0.2 million gain on termination of timber lease in connection with the Ironstob venture

Note: Fiber resources segment earnings negatively impacted by sale of over 74,000 acres of timberland during 2011.

YE 2011 Proven Reserves



(\$ in millions)	2011	2010	% Change
Proved Developed Reserves¹			
Oil Reserves MBBL	1,053.7	608.7	73%
Gas Reserves BCF	11.4	10.5	9%
Future Net Revenues [*]	\$132.7	\$77.5	71%
PV-10 ^{3*}	\$81.0	\$45.3	79%
Proved Developed Non-Producing¹			
Oil Reserves MBBL	10.7	-	nm
Gas Reserves BCF	0.1	-	nm
Future Net Revenues [*]	\$1.0	-	nm
PV-10 ^{3*}	\$0.9	-	nm
Total Proven Reserves¹			
Oil Reserves MBBL	1,064.4	608.7	75%
Gas Reserves BCF	11.5	10.5	10%
Reserves Bcfe ²	17.9	14.2	26%
Future Net Revenues [*]	\$133.7	\$77.5	73%
PV-10 ^{3*}	\$81.9	\$45.3	81%

¹ Includes Forestar's share of equity method ventures

² Bcfe – Billion Cubic Feet Equivalent (converting oil to natural gas at 6 Mcf / Bbl)

³ PV-10 – Present Value at 10% (before income taxes)

Note: PV-10 analysis based on 2011 average benchmark prices of \$92.71 for oil and \$4.12 for natural gas; compared with 2010 average benchmark prices of \$75.96 for oil and \$4.38 for natural gas for 2010.

*These are Non-GAAP financial measures. The reconciliation between GAAP and Non-GAAP financial measures is provided in the tables following this presentation, and on the company's investor relations website.

Reconciliation of Non-GAAP Financial Measures (Unaudited)



In our full year and fourth quarter 2011 earnings release and conference call presentation materials furnished to the Securities and Exchange Commission on Form 8-K on February 22, 2012, we used certain non-GAAP financial measures. The non-GAAP financial measures should not be relied upon to the exclusion of GAAP financial measures. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP financial statements and the accompanying reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of our business. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety.

Reconciliation of Non-GAAP Financial Measures (Unaudited)

The following table shows a reconciliation of PV-10 (discounted future net cash flows before income taxes) to the standardized measure of discounted future net cash flows (the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles, or GAAP). PV-10 is an estimate of the present value of future net cash flows from proved developed reserves after deducting estimated severance and ad valorem taxes, but before deducting any estimates of future income taxes. The estimated future net cash flows are discounted at an annual rate of 10%. A reconciliation of PV-10 to the standardized measure of discounted future net cash flows as computed under GAAP is illustrated below:

<u>(\$ in 000's)</u>	<u>Year-End 2011*</u>	<u>Year-End 2010*</u>
PV – 10 (discounted future net cash flows before income taxes)	\$81,919	\$45,267
Less: discounted future income taxes (effective tax rate of 38%)	<u>(25,713)</u>	<u>(14,130)</u>
Standardized measure of discounted future net cash flows	<u>\$56,206</u>	<u>\$31,137</u>

The undiscounted value represents an estimate of future net cash flows from proved developed reserves after deducting estimated severance and ad valorem taxes, but before deducting estimates of future income taxes. A reconciliation of undiscounted future net cash flows before income taxes to the undiscounted future net cash flows after income taxes is illustrated below:

<u>(\$ in 000's)</u>	<u>Year-End 2011*</u>	<u>Year-End 2010*</u>
Undiscounted future net cash flows before income taxes	\$133,729	\$77,464
Less: undiscounted future income taxes (effective tax rate of 38%)	<u>(41,835)</u>	<u>(24,112)</u>
Undiscounted future net cash flows after income taxes	<u>\$91,894</u>	<u>\$53,352</u>

We believe both PV-10 and undiscounted values are important for evaluating the relative significance of our oil and gas interests and that the presentation of the non-GAAP financial measures provides useful information to investors because they are widely used by professional analysts and sophisticated investors in evaluating oil and gas companies. Because there are many unique factors that can impact an individual company when estimating the amount of future income taxes to be paid, we believe the use of a pre-tax measure is valuable for evaluating our mineral assets.

* Includes our share of proved developed reserves in equity-method ventures



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A Vision for Every Acre

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