



**Citigroup Annual  
High Yield Conference**

**February 9, 2004**



*Forest Oil Corporation*

# FOREST OIL PROFILE

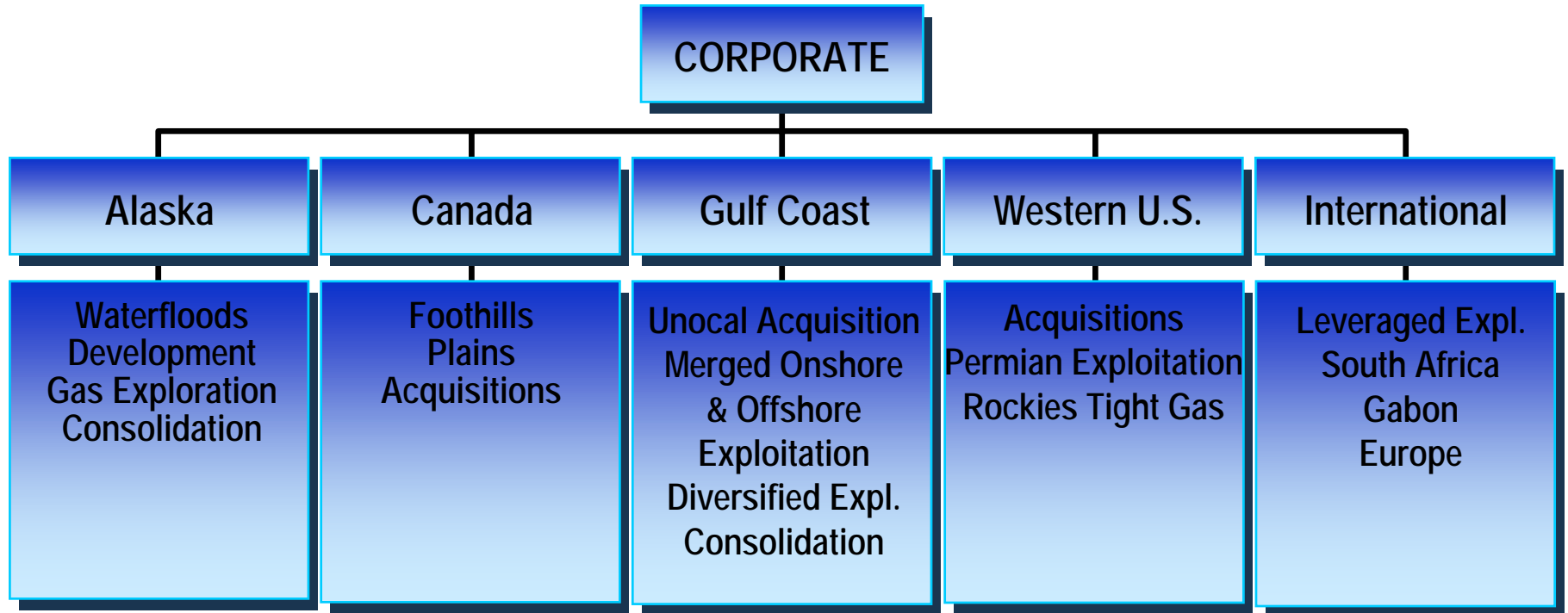
Market Capitalization *(as of 2/6/04)* \$1.4 Billion

Enterprise Value \$2.3 Billion

Headquartered Denver, Colorado

Business Units Gulf Coast, Western U.S.,  
Alaska, Canada and International

# BUSINESS UNIT ORGANIZATION



# THE “4-POINT” GAME PLAN

1. Continued reduction in costs
  - Achieving higher margins is equivalent to drilling “no cost” wells
2. Lower exposure to frontier exploration
  - Shift investment emphasis toward low-risk exploitation and development
3. Implement acquisitions as an integral part of our investment program
  - Acquisitions will compete for capital with drilling
4. Maintain strong balance sheet
  - Prudent capital structure and financial flexibility are critical to act quickly and optimize investment returns

# 1. COST DISCIPLINE

## *Create a Culture of Cost Discipline*

- Maintain absolute lease operating expenses achieved in 2003
- Reduce general and administrative expenses by greater than 5%
- Reduce interest expense through fixed/floating % and debt reduction
- Capex budget adherence with improved drilling efficiencies

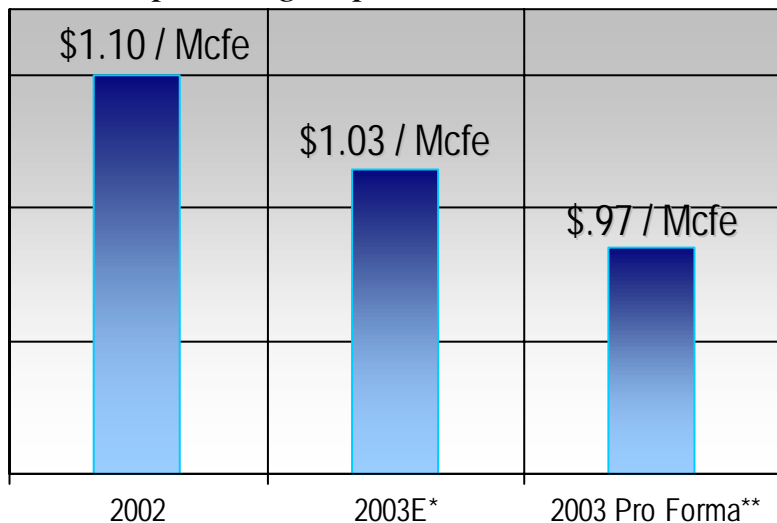
# 1. COST DISCIPLINE

## *Why Costs, Costs, Costs?*

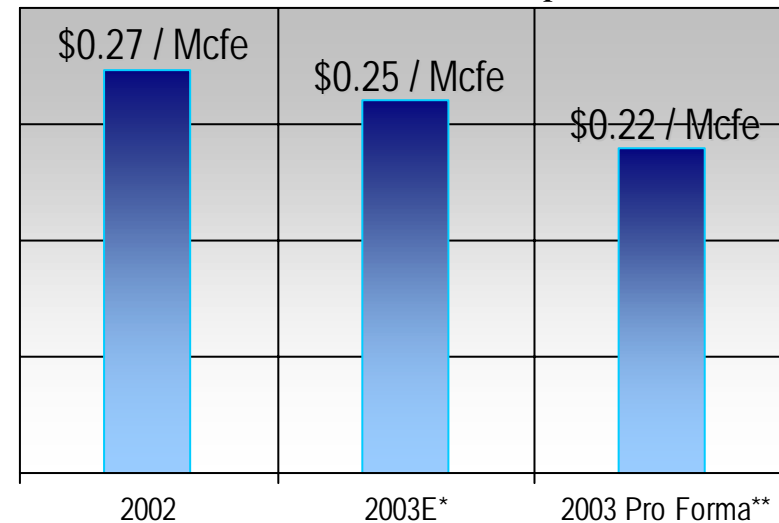
- Expense reductions can add more value over time
- Offset to smaller reserve targets
- Driver in mature property acquisitions
- Last survivor in a basin will be most efficient
- Consolidation offers major cost synergies

# 1. COST DISCIPLINE - 2003 Cost Momentum

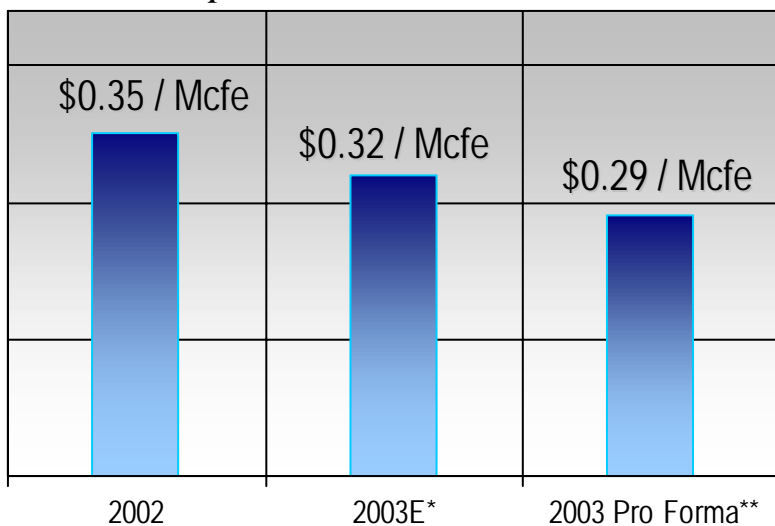
*Lease Operating Expense*



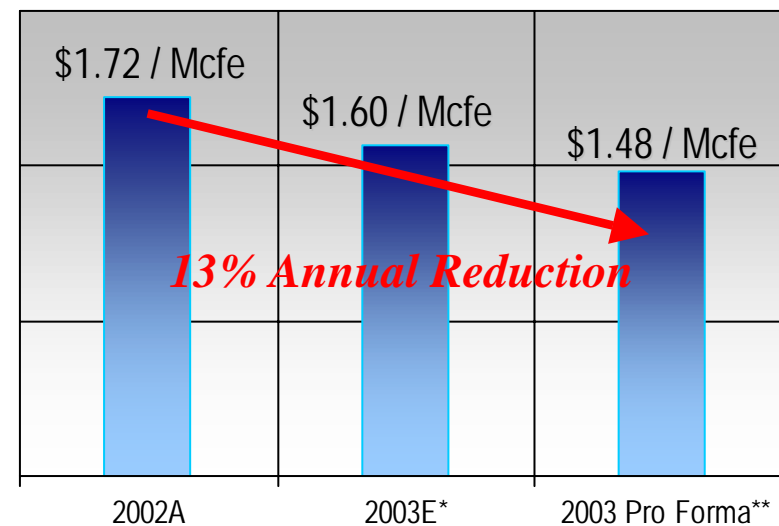
*General and Administrative Expense*



*Interest Expense*



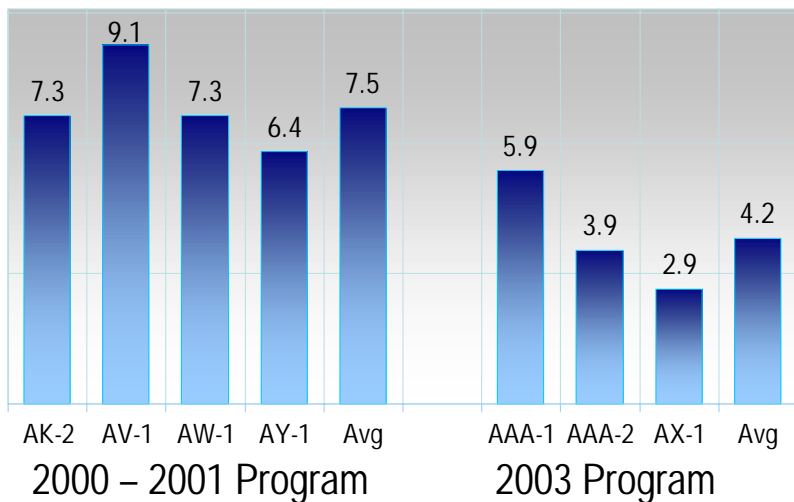
*Total Cash Costs*



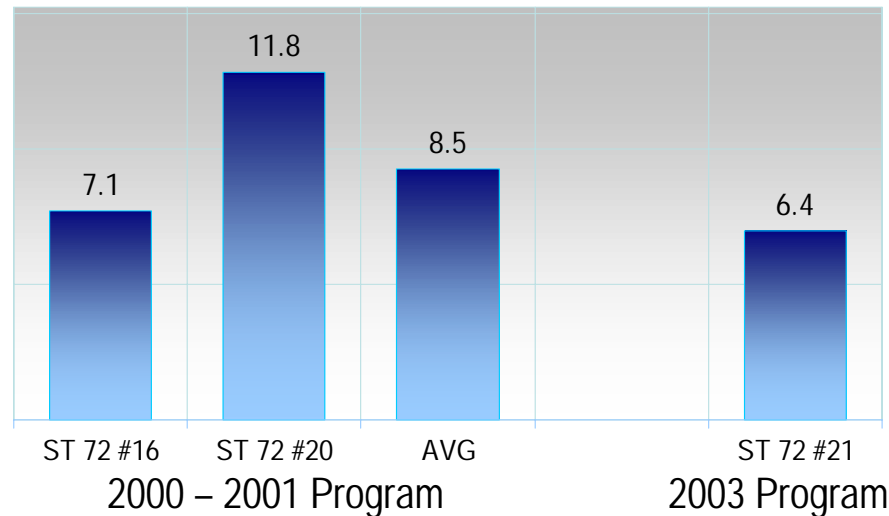
\* Current Guidance ; \*\* Post-Unocal Acquisition

# 1. COST DISCIPLINE – Drilling Efficiencies (Gross \$MM)

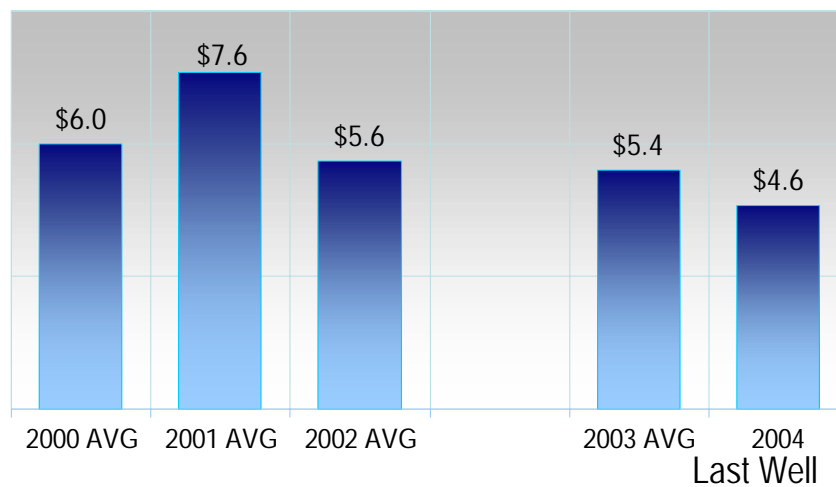
### Offshore South Africa



### South Timbalier



### Alberta Foothills



## 2. EXPLORATION EXPOSURE

### *Lower Exposure to Frontier Exploration*

- Allocate 5 - 10% of invested capital to frontier exploration compared with historical 20%
- Fewer frontier areas
- Reinvest capital in “traditional areas”
- Evaluate significant acreage position for leverage, trades or monetization (*saved \$45 mm in 2003*)
- The purpose of Exploration is.... Production!

## 2. EXPLORATION EXPOSURE

### *Return to Traditional Areas*

- Reallocated capex to most successful areas
- Gulf Coast region had free cash flow of \$67 mm in 2002 and \$142 mm in first nine months of 2003
- Recent drilling success at EI 284, VR 102, HI 53, and South Texas
- Deep shelf success at ST 72 (2,000 Bbls/d), WC 111 drilled in 4Q/03
- Acquired development opportunities in Gulf Coast and Permian

### 3. ACQUISITION PROGRAM

- Focus a portion of our capital on acquisitions
- Acquisition opportunities to compete for capital with drilling activities
- Acquisition strategy:
  - “B-2 Stealth” asset program
  - “One-Off” asset acquisition
  - Large packages

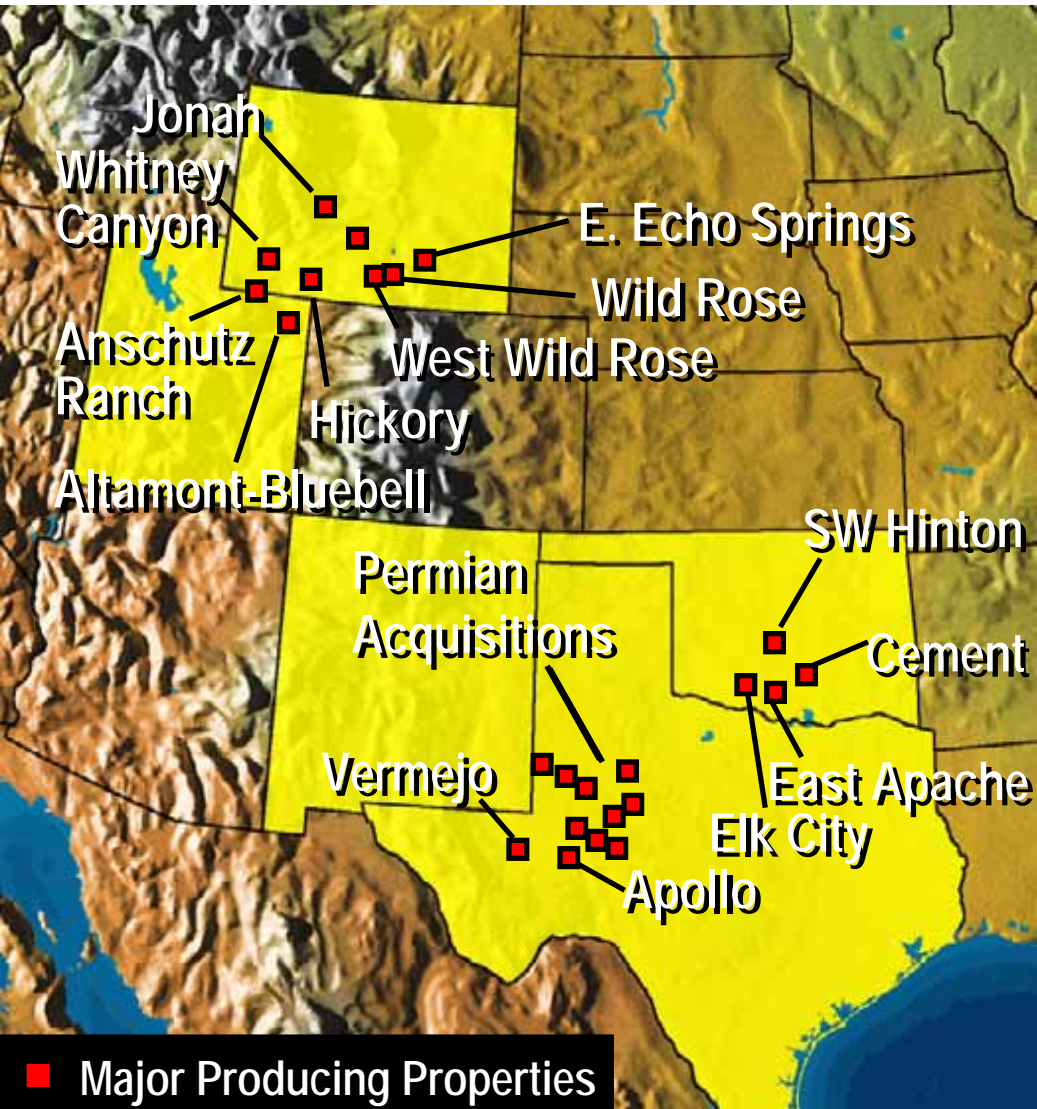
### 3. ACQUISITION PROGRAM - Results

	Purchase Price (mm)	Production (MMcfe/d)	Trans. Reserves (Bcfe)	Amount Per Mcf/Res.	Net Acreage	Undevel. Acreage	Other Assets	Reserve Amount Per Mcfe
South Bonus	\$ 5.8	2	5	\$1.16	50,000	46,000	9.2	n/a
McAllen	12.3	5	12	1.03	15,000	13,000	2.6	\$0.81
Oxy-Permian	33.2	9	32	1.04	26,000	-	-	1.04
Unocal	211.0	66	138	1.53	252,000	93,000	15.9	1.41
New Permian	103.0	25	102	1.00	32,000	5,000	-	1.00
Others	5.7	3	21	.27	-	-	-	.27
<b>Total</b>	<b>\$371.0</b>	<b>110</b>	<b>310</b>	<b>\$1.19</b>	<b>375,000</b>	<b>157,000</b>	<b>27.7</b>	<b>\$1.10</b>

- Five significant negotiated transactions in 2003 YTD
- Total F&D cost of \$1.19 on 310 Bcfe of reserves w/o allocation, \$1.10 w/ allocation
- Production per Mcfe/d acquired at \$3,363 with R/P of 8 years
- Plants, pipelines and other assets included

# 3. ACQUISITION PROGRAM – Western Region Activity

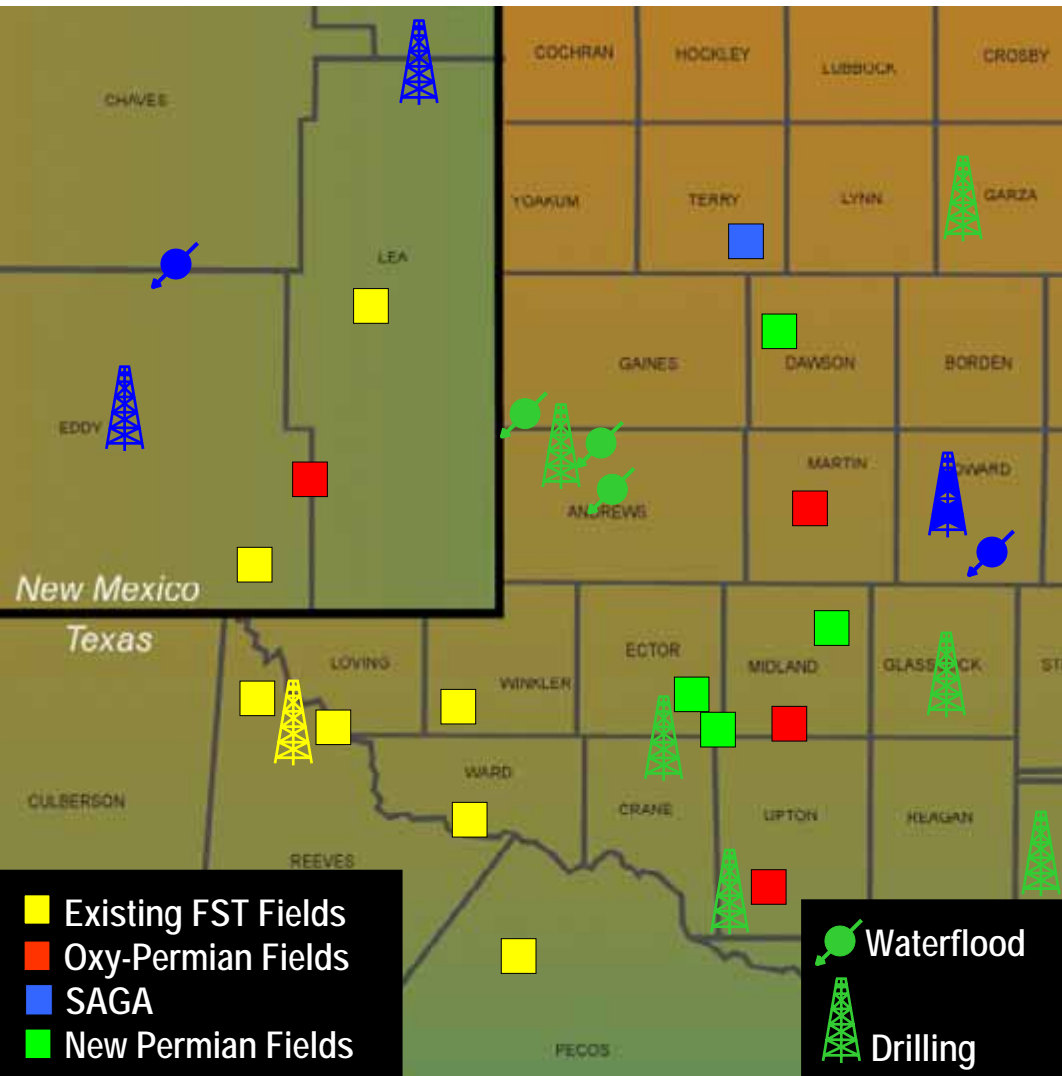
## *Long R/P, Repeatable Plays*



- Established production in mature basins
- Exploitation focus in Permian, Mid-Continent and Rockies
- Established focused exploitation asset teams
- Target acquisitions within core areas

# 3. ACQUISITION PROGRAM – “Building Blocks” for Success

## *Permian Basin 2003 Activity*



- 2003 acquisitions have made a significant impact on the BU
- 45% increase in proved reserves
- 51% increase in production
- Proximity of fields have created “core” property
- 37 wells planned in 2004 on newly acquired properties

### 3. ACQUISITION PROGRAM – More “Building Blocks” for Success

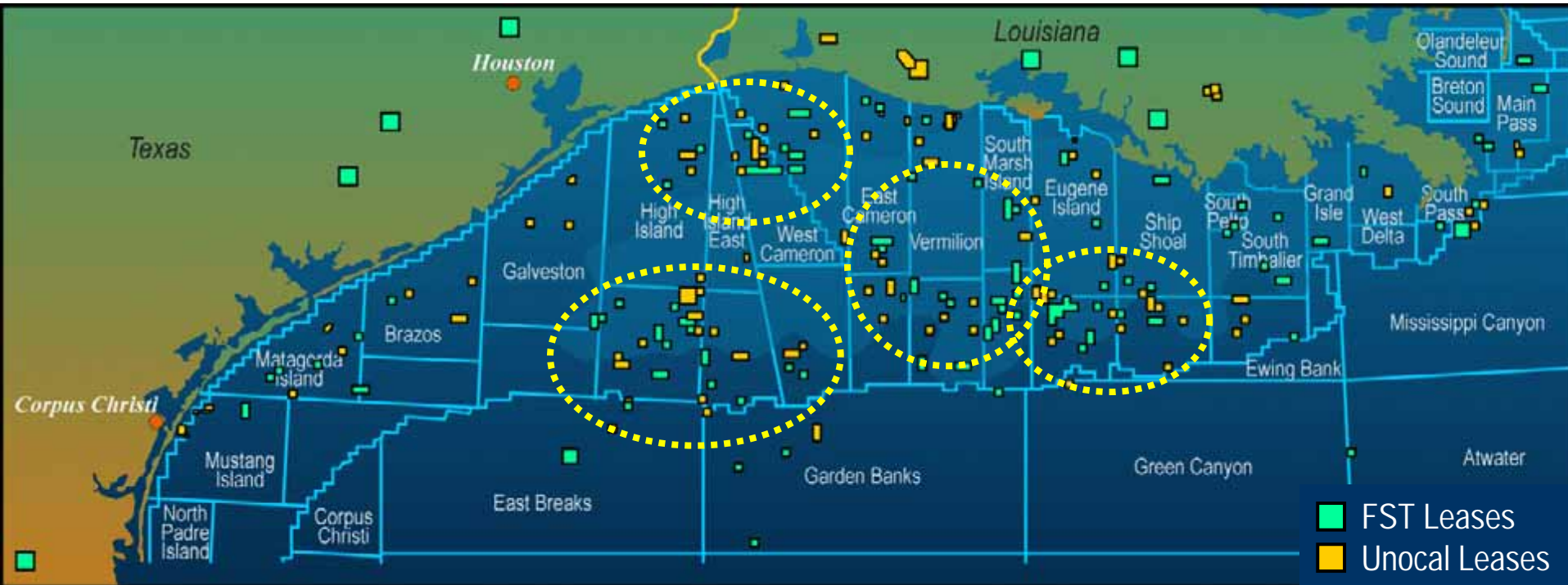
#### *Gulf Coast – South Texas*



- Increased activity at Katy, Bonus and McAllen Ranch
- Acquired 3-D seismic at Bonus and Katy
- Acquired S. Bonus production and 46,000 undeveloped acres
- Purchased partner W.I.% in McAllen Ranch plus acreage
- Acquired S. Texas fields from New Permian acquisition
- Drilling activity in 3 fields

### 3. ACQUISITION PROGRAM

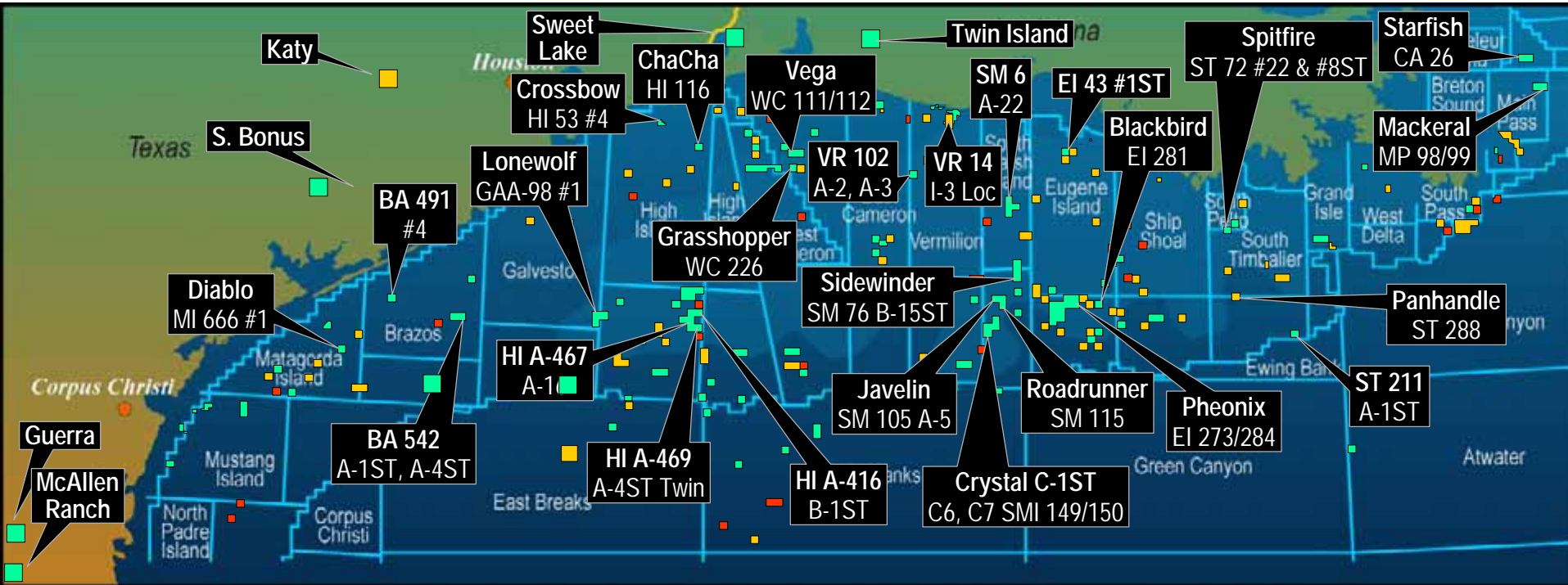
## *FST / Unocal Combined Properties on GOM Shelf*



- Establishes dominant position on the Gulf of Mexico Shelf
- Significant efficiencies in operations and costs expected
- Behind pipe and shallow drilling opportunities in South Louisiana and GOM
- Deep shelf exploration

# 3. ACQUISITION PROGRAM – Drilling Diversity

## Gross Unrisked Near Term Potential



### Preliminary 2004 "Exploration"

- 17 Shelf
- 3 Shelf Deep
- 1 Sub Salt
- 20 Onshore

**548 Bcfe**  
**Unrisked Potential**

## 4. MAINTAIN STRONG BALANCE SHEET

### *Financial Theme*

- Maintain liquidity to allow flexibility for acquisitions
- Debt: Book capitalization target of 30-40%
- Manage debt portfolio to reduce refinancing risks and minimize cost of capital
- Access public capital markets to fund larger opportunities as appropriate
- Actively manage commodity price and interest rate risks

## 4. MAINTAIN STRONG BALANCE SHEET

### *Pro Forma Capitalization Table*

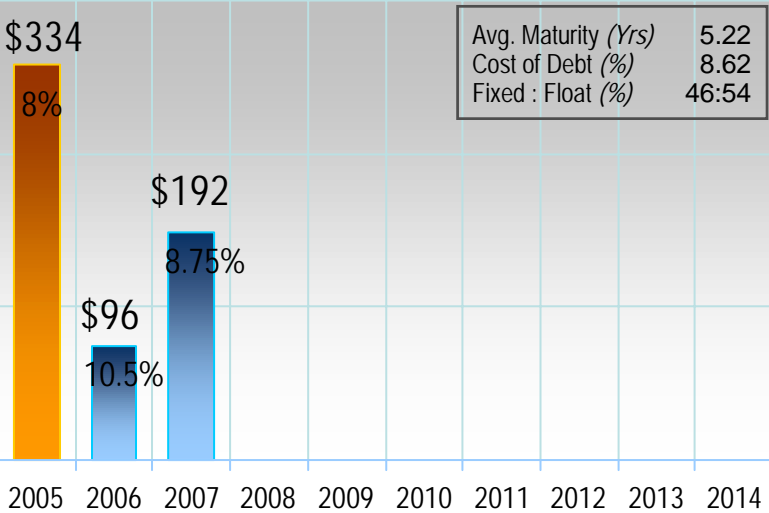
	FST Standalone*	Adjustments	Pro Forma
Senior Bank Facility ( <i>\$ mm</i> )	145	178	323 **
Senior Notes ( <i>\$ mm</i> )	575	-	575
Shareholders Equity ( <i>\$ mm</i> )	1,084	113	1,197
Total ( <i>\$ mm</i> )	1,804	291	2,095
<i>Debt to Book Cap (%)</i>	40%	61%	43%

\*FST standalone @ September 30, 2003 and estimated adjustments for Unocal and Permian acquisitions

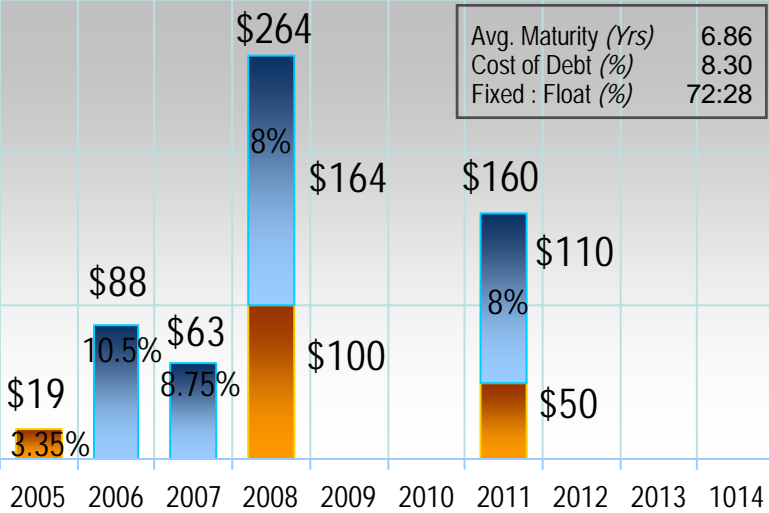
\*\* Anticipated borrowing base of \$575 million, reflects actual 12/31/03 Credit Facility

# 4. MAINTAIN STRONG BALANCE SHEET

12/31/00

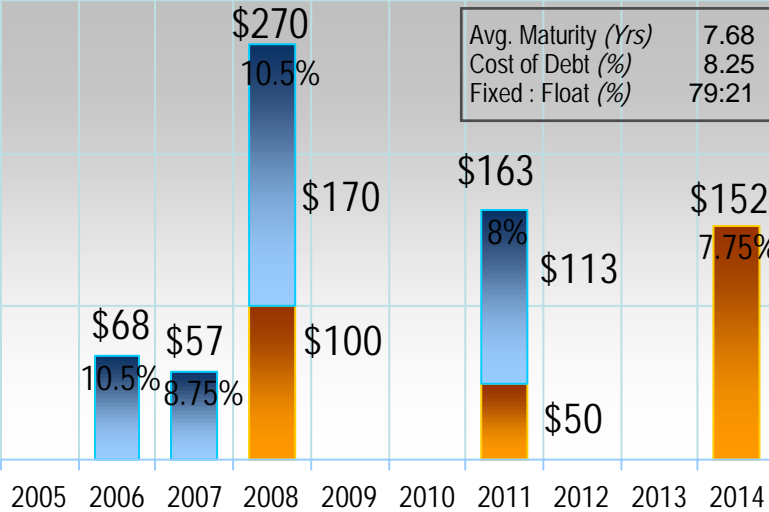


12/31/01

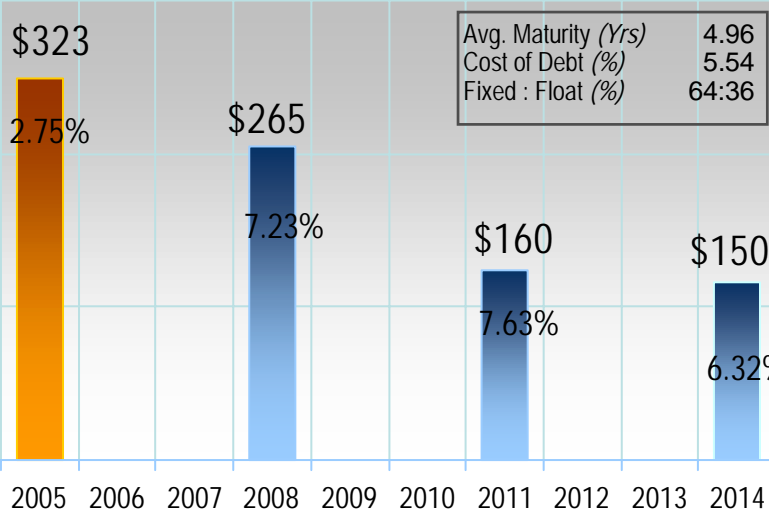


■ Floating ■ Fixed

6/30/02



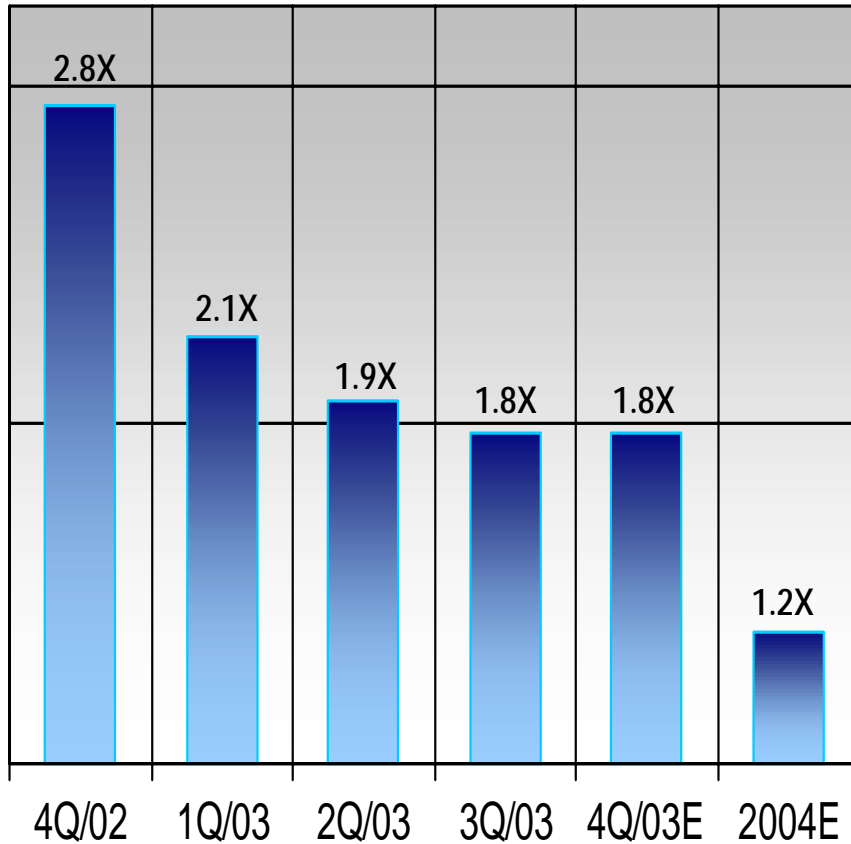
12/31/03



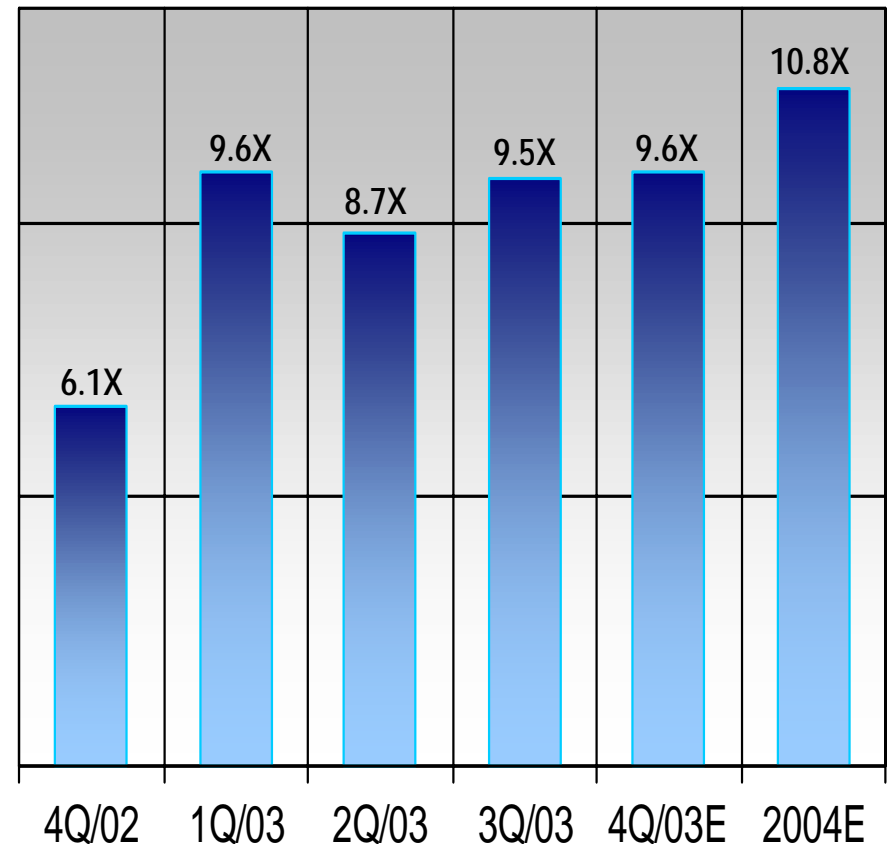
- 65% of debt matures on or after 2008

# 4. MAINTAIN STRONG BALANCE SHEET

Total Debt/LTM EBITDA



EBITDA/Total Interest



Source: JPMorgan and Company Reports

# 4. MAINTAIN STRONG BALANCE SHEET

## *Hedging Price Risk*

	2003	Weighted Price Floor/Ceiling	2004	Weighted Price Floor/Ceiling
<b>Natural Gas Swaps</b>				
Contract Volumes ( <i>BBtu/d</i> )	97.2		101.3	
Weighted Average Price ( <i>per MMBtu</i> )	\$4.48		\$4.81	
<b>Natural Gas Collars</b>				
Contract Volumes ( <i>BBtu/d</i> )	39.9		15.1	
Weighted Average Ceiling Price ( <i>per MMBtu</i> )	\$4.89		\$5.77	
Weighted Average Floor Price ( <i>per MMBtu</i> )	\$3.47		\$4.03	
<b>Three-Way Natural Gas Collars</b>				
Contract Volumes ( <i>BBtu/d</i> )	-		22.9	
Weighted Average Ceiling Price ( <i>per MMBtu</i> )	-		\$6.80	
Weighted Average Floor Price ( <i>per MMBtu</i> )	-		\$4.92	
Three-Way Weighted Average Floor Price ( <i>per MMBtu</i> )	-		\$3.50	
<b><i>Estimated Price Floor/Ceiling</i></b>	<b><i>35-50%</i></b>	<b><i>\$4.18-\$4.59</i></b>	<b><i>30-40%</i></b>	<b><i>\$4.74-\$5.24</i></b>
<b>Oil Swaps</b>				
Contract Volumes ( <i>MBbl/d</i> )	9.0		10.6	
Weighted Average Price ( <i>per Bbl</i> )	\$24.25		\$25.73	
<b>Oil Collars</b>				
Contract Volumes ( <i>MBbl/d</i> )	3.6		0.5	
Weighted Average Ceiling Price ( <i>per Bbl</i> )	\$26.02		\$24.08	
Weighted Average Floor Price ( <i>per Bbl</i> )	\$22.51		\$22.00	
<b><i>Estimated Price Floor/Ceiling</i></b>	<b><i>38-43%</i></b>	<b><i>\$23.64-\$24.65</i></b>	<b><i>35-40%</i></b>	<b><i>\$25.56-\$25.66</i></b>

## SUMMARY – Disciplined People, Disciplined Action

- Costs are being reduced across the board
- Allocation of more capital to traditional areas
- ROCE and free cash flow will be rewarded
- Acquisition program has been successfully “kicked-off”
- Strong balance sheet
- Attractive valuation

# CAUTIONARY STATEMENTS

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use the terms “probable” and “possible” reserves, reserve “potential” or “upside” or other descriptions of volumes of reserves potentially recoverable through additional drilling or recovery techniques that the SEC’s guidelines strictly prohibit Forest from including in filings with the SEC. These estimates are by their nature more speculative than estimates of proved reserves and accordingly are subject to substantially greater risk of being actually realized by us. Investors are urged to consider closely the disclosure in Forest’s Form 10-K for fiscal year ended December 31, 2002, available from Forest at 1600 Broadway, Suite 2200, Denver, CO 80202, Attention: Investor Relations. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

This presentation may include 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. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurances that expected results will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include the timing and extent of changes in commodity prices for oil and gas, operating risks, regulatory changes and other risk factors as described in the Company’s 2002 Annual Report on Form 10-K as filed with the Securities and Exchange Commission.