

# TAKING THE NEXT STEP

**2008 Credit Suisse Energy Summit  
February 6, 2008**



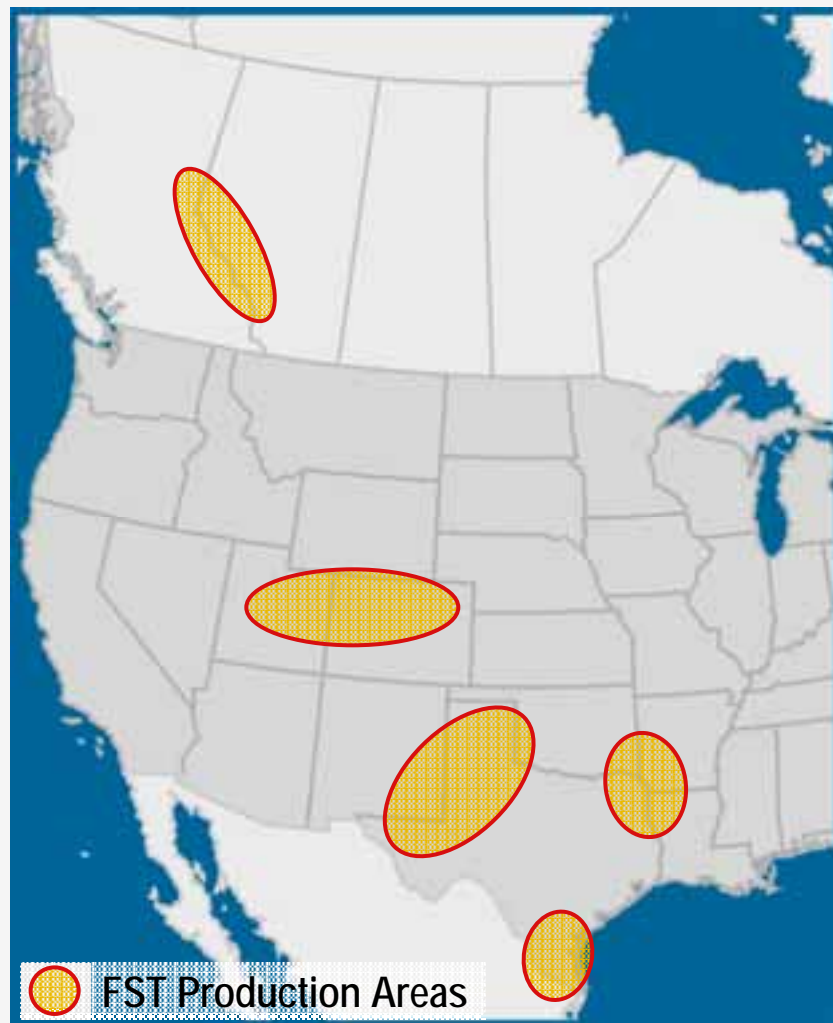
# Forest Oil Corporation Snapshot

Fully Diluted Shares Outstanding ( <i>MM</i> )	88.0
Equity Market Capitalization ( 1/31/08 <i>\$MM</i> )	3,978
Net Debt ( 9/30/07 <i>\$MM</i> )	1,673
<b>Enterprise Value (<i>\$MM</i>)</b>	<b>5,651</b>
Pro Forma Proved Reserves ( 12/31/06 <i>Bcfe</i> )*	1,929
Pro Forma Proved Developed Percentage (%)*	70
Pro Forma 2006 Production ( <i>MMcfe/d</i> )	476
Pro Forma R / P Ratio ( <i>Years</i> )	11.1
Guided 2H 2007 Production ( <i>MMcfe/d</i> )	500-510

\* *Forest's estimated proved reserves as of December 31, 2006 are pro forma for the divestiture of Alaska assets and for the acquisition of Houston Exploration's estimated proved reserves as of September 30, 2006*



# Assets Strengthen Our Growth Areas



## Southern

Reserves (Bcfe)*	<b>467</b>
2H 2007(e) Prod. (MMcfe/d)	<b>153</b>
12/31/06 Net Acreage (M)	<b>163</b>

## Eastern

Reserves (Bcfe)*	<b>473</b>
2H 2007(e) Prod. (MMcfe/d)	<b>103</b>
12/31/06 Net Acreage (M)	<b>235</b>

## Western

Reserves (Bcfe)*	<b>756</b>
2H 2007(e) Prod. (MMcfe/d)	<b>164</b>
12/31/06 Net Acreage (M)	<b>997</b>

## Canada

Reserves (Bcfe)*	<b>232</b>
2H 2007(e) Prod. (MMcfe/d)	<b>85</b>
12/31/06 Net Acreage (M)	<b>733</b>

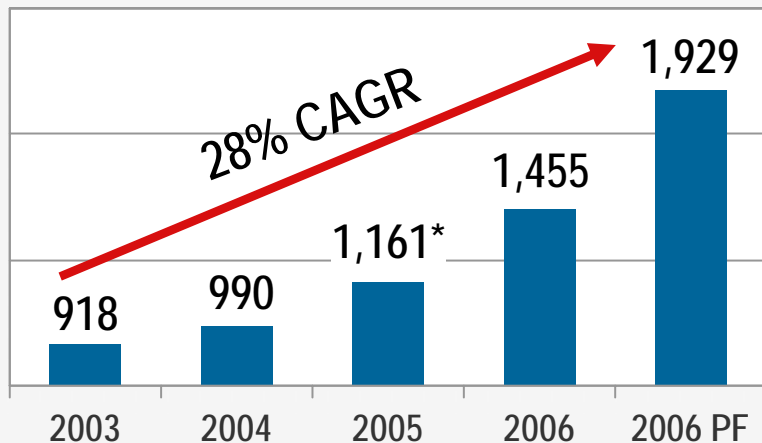
## Consolidated

Reserves (Bcfe)*	<b>1,929</b>
2H 2007(e) Prod. (MMcfe/d)	<b>505</b>
12/31/06 Net Acreage (M)	<b>5,461</b>

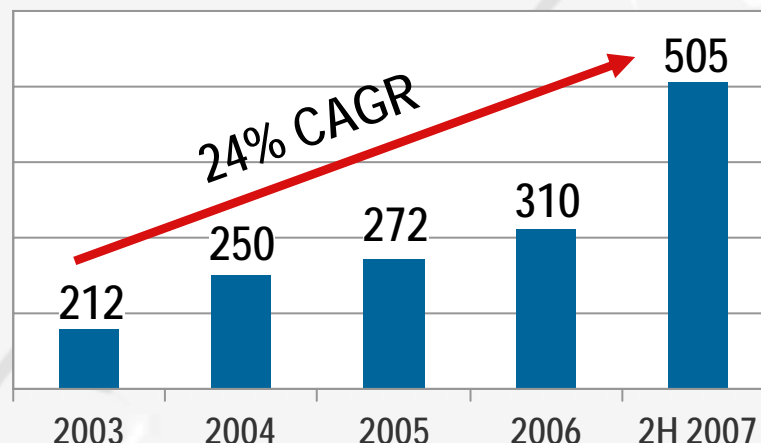
\* Forest's December 31, 2006 estimated proved reserves; THX estimated proved reserves as of September 30, 2006

# Results from "4-Point" Transformation

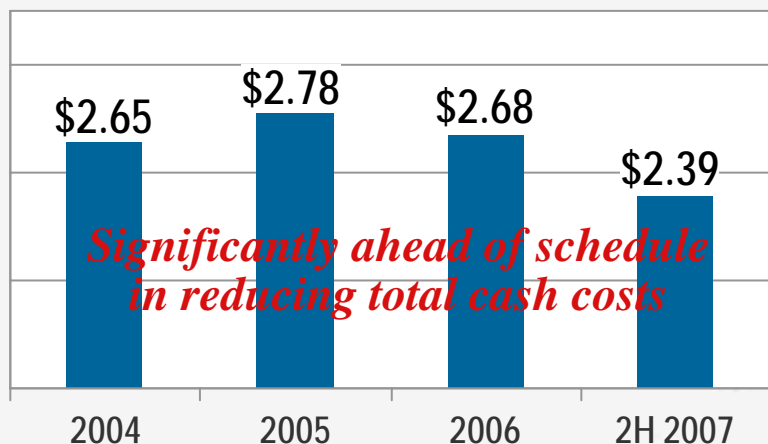
RESERVE GROWTH ( *Bcfe* )



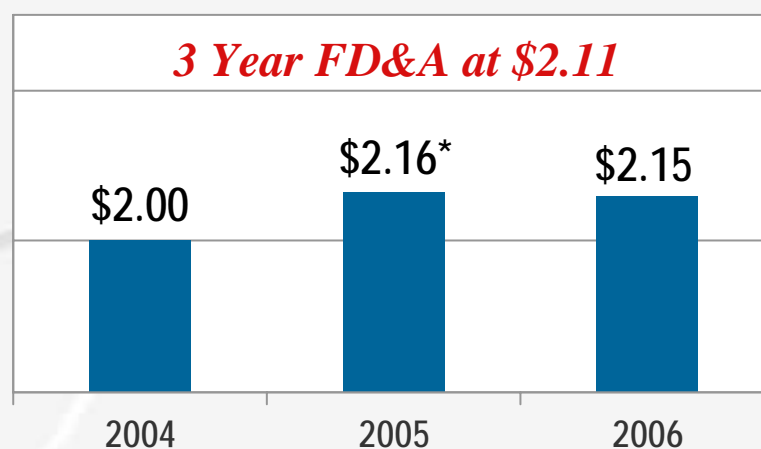
PRODUCTION ( *MMcfe/d* )



TOTAL CASH COST ( *\$/Mcfe* )



FD&A COSTS ( *\$/Mcfe* )



\* Pro forma estimated proved reserves at December 31, 2005 for the spin-off and merger with ME

# Successful Acquire & Exploit Results

*Does not include recent Houston Exploration acquisition*

June 30, 2007

	INVESTMENT	RESERVES	COST
	(\$MM)	(Bcfe)	(\$/Mcfe)
Original Acquisition	1,249	741	1.69
Cash Flow / Production*	(755)	(191)	4.07
Special Dividend** <i>(Unocal and Wiser Offshore)</i>	(399)	(95)	4.18
Subtotal	75	455	0.16
Capital Projects	794	376	2.11
<b>Total Investment</b>	<b>868</b>	<b>831</b>	<b>1.05</b>

- 94% of original investment paid out - 61% of reserves remaining
- 30% of total investment paid out - 112% of reserves remaining

\* Does not include value or income from drilling rigs

\*\* Dividend occurred on 3/2/06 and included properties from both the Unocal and Wiser acquisitions



# Prospect Inventory Has Expanded

June 30, 2007

GROSS PROJECT  
INVENTORY

NET UNRISKED  
POTENTIAL\*  
(Bcfe)

## KEY GROWTH AREAS

Greater Buffalo Wallow Area	704	692
Canada Deep Basin and Foothills	192	122
Ark-La-Tex	842	377
South Texas	416	438
Barnett Shale	113	122
Permian	1,188	544
Rockies** / Niobrara	1,875	531
<b>Total</b>	<b>5,330</b>	<b>2,826</b>

*Total identified project inventory of over 5,300 projects and total net unrisked potential of 2.8 Tcfe*

\* Does not include current estimated proved reserves

\*\* Does not include Uinta or San Juan Basin gross project inventory or net unrisked potential (Bcfe)



# Major Assets – Focused Operations



## Texas Panhandle

Gross Acreage	<b>51,000</b>
Net Unrisked Potential (Bcfe)*	<b>692</b>

## Canada Deep Basin

Gross Acreage	<b>69,700</b>
Net Unrisked Potential (Bcfe)*	<b>122</b>

## Cotton Valley

Gross Acreage	<b>90,000</b>
Net Unrisked Potential (Bcfe)*	<b>286</b>

## South Texas

Gross Acreage	<b>117,000</b>
Net Unrisked Potential (Bcfe)*	<b>438</b>

## Arkoma

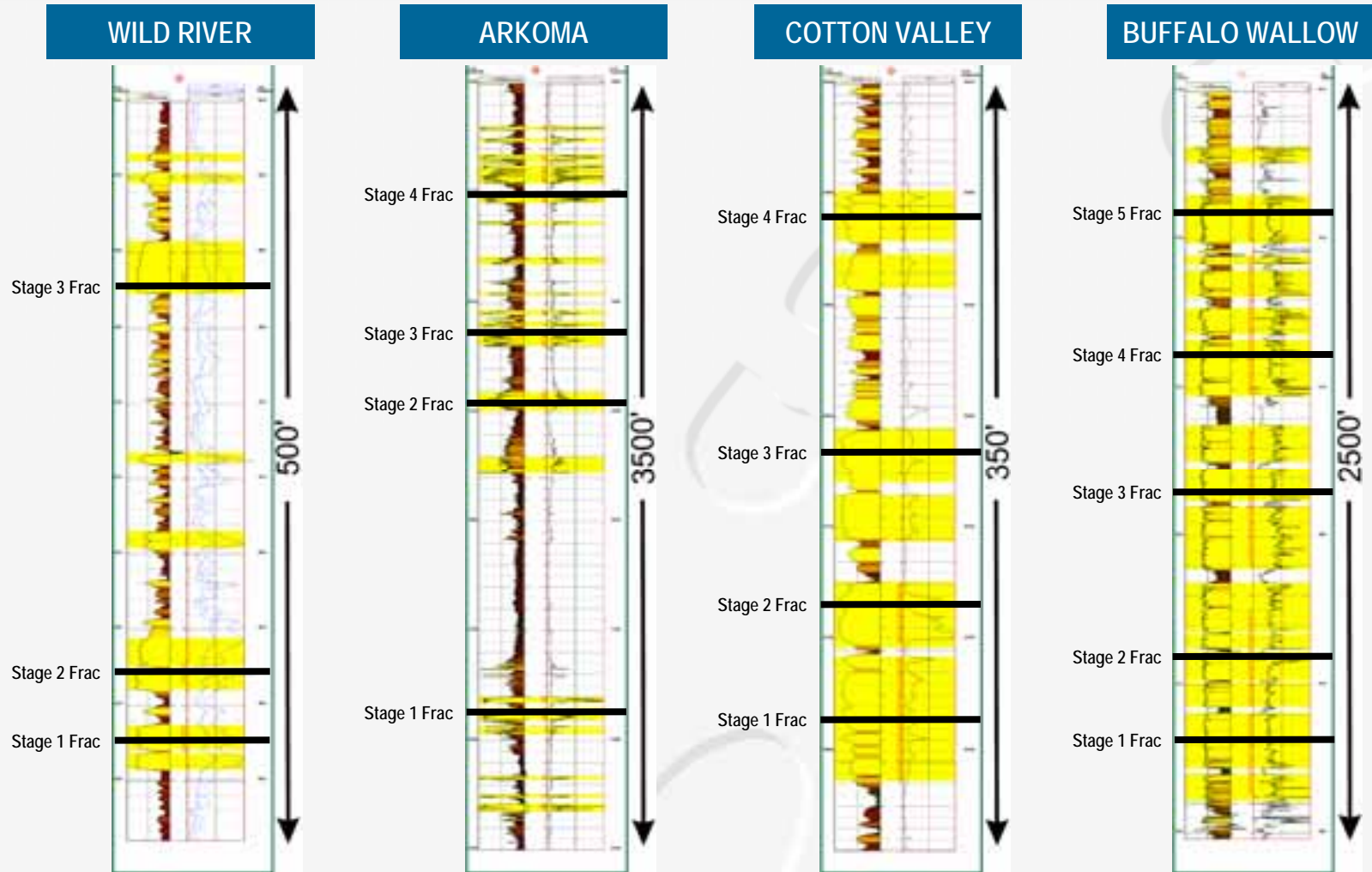
Gross Acreage	<b>71,000</b>
Net Unrisked Potential (Bcfe)*	<b>91</b>

## "Big 5" Total

		<u>% of Total</u>
3Q 2007 Production (MMcfe/d)	<b>315</b>	<b>62%</b>
Gross N.A Acreage	<b>398,700</b>	<b>12%</b>
Net Unrisked Potential (Bcfe)*	<b>1,629</b>	<b>58%</b>

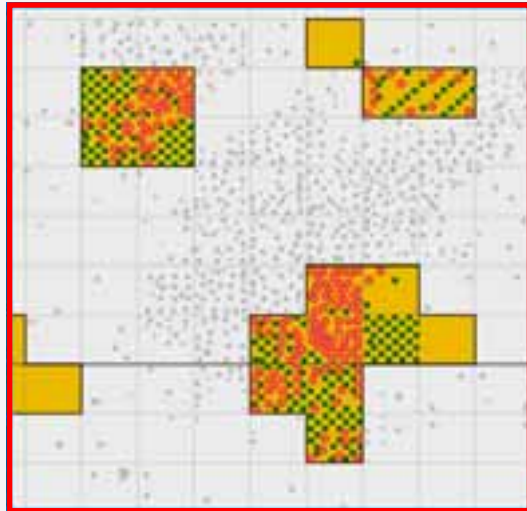
\* Does not include current estimated proved reserves

# Similar Geology – Different Geography



*“Multi-rig, multi-frac, multi-year drilling inventories with similar geologic and completion technology characteristics”*

# Greater Buffalo Wallow - Texas Panhandle

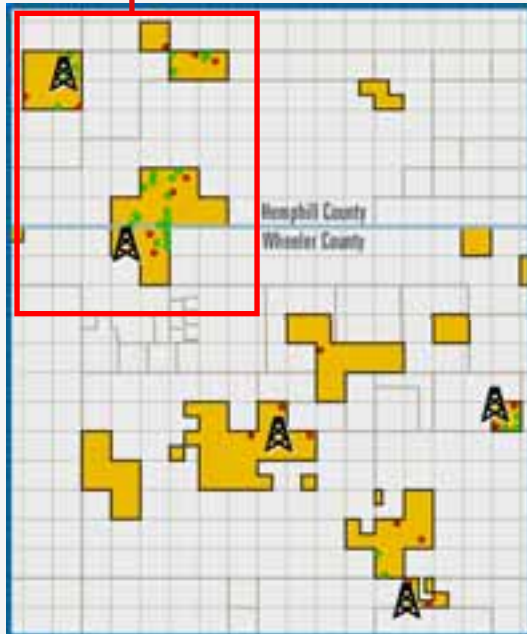


## Buffalo Wallow Proper

- Field approved for 20 acre downspacing
- 3 rigs currently drilling

## Offset Buffalo Wallow Acreage

- Completed offset deeper Granite Wash wells at 2.7 MMcfe/d to 8.0 MMcfe/d
- Additional acreage acquired
- Deeper Atoka zones tested higher rates
- 2 rigs currently drilling
- Frye Ranch area approved for 40 acre downspacing



## The Greater Buffalo Wallow Area

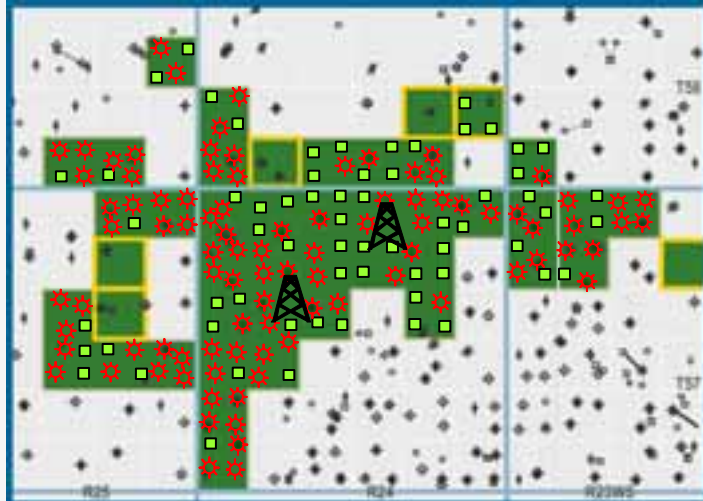
- 704 estimated non-proved locations identified at 6/30/07
- Increased acreage to 51,000 gross acres
- Evaluating horizontal drilling by others

*Initial Application*

*Expanded Footprint*

*Increased Scale*

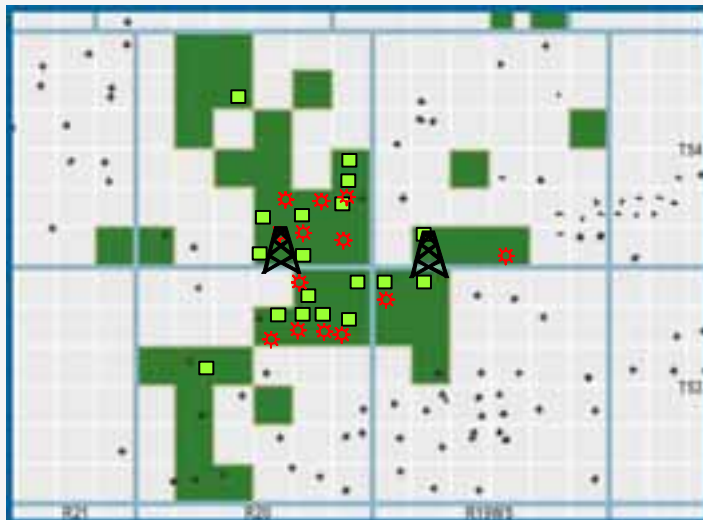
# Canadian Deep Basin - Cretaceous Play



■ Potential Locations   \* Producing Well   ▲ Currently Drilling

## Wild River

- 160 acre down-spacing approved
- 28,800 gross acres, average WI 50%
- Uphole behind pipe zone tested at 1.1 MMcfe/d; could indicate significant uphole potential in existing wellbores
- Deep potential



■ Potential Locations   \* Recent Completions   ▲ Currently Drilling

## Ansell

- New area similar to Wild River
- Recently increased gross acreage to 26,200
- Average WI: 50%
- Extensive 3D seismic coverage
- Employ Wild River completion techniques

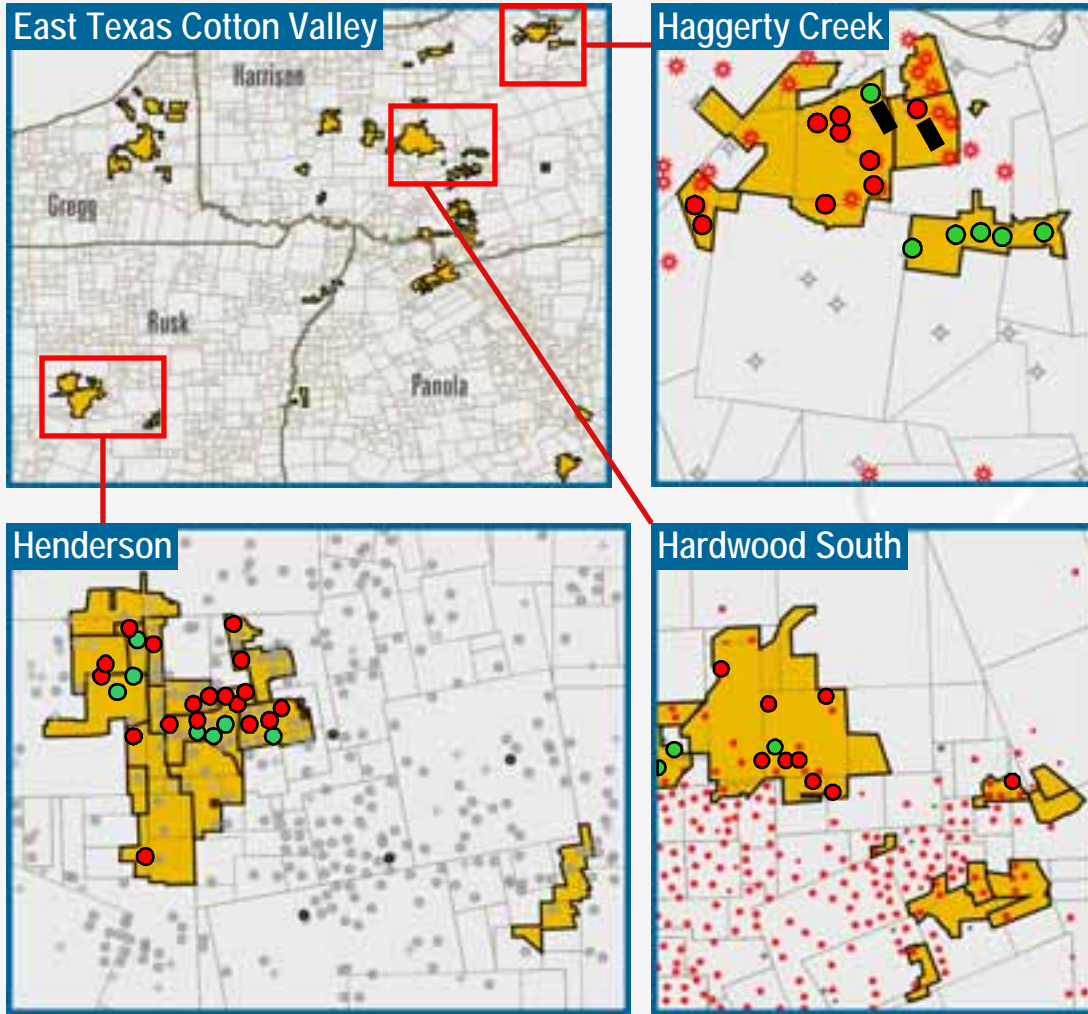
## Hinton

- 14,700 gross acres
- The next growth area?

*Technique  
Enhancement*

*Next  
Application*

# East Texas Cotton Valley

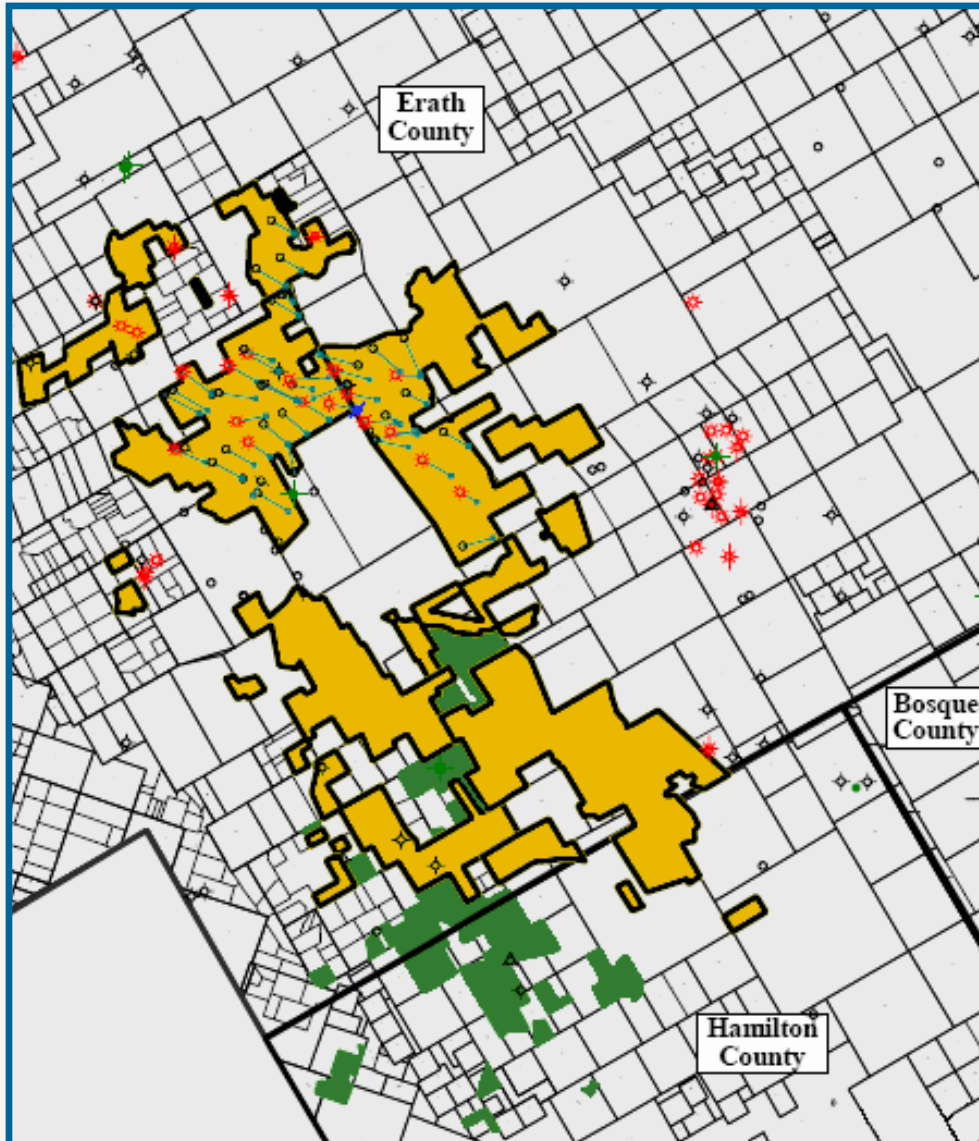


- Multiple rig, multiple year drilling inventory
  - 450 + unproved locations
  - 90,000 gross acres
- First horizontal Cotton Valley tested 4.1 MMcfe/d; second horizontal well tested at 7.8 MMcfe/d
- Eight additional candidates in 2008
- Acquisition strengthens position in basin to achieve critical mass
- Gas gathering system will lower costs and improve efficiency

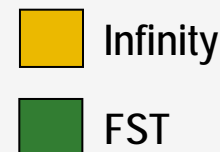
- Well Drilled 01-08/2007
- Well Planned 09-12/2007



# Barnett Shale Activity - Erath County, Texas Area

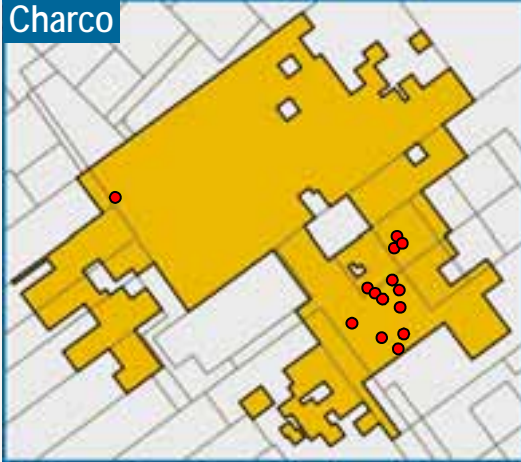


- Recently negotiated farm-in for additional acreage and seismic
- Total Barnett acreage position 70,000 gross acres (34,000 net)
- Plan is to increase activity from one to three rigs in 2008

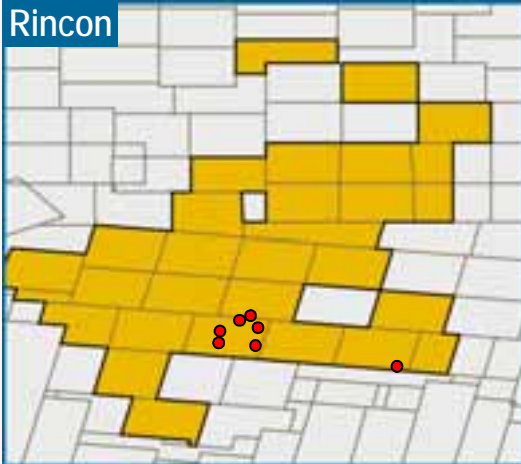


# South Texas

Charco



Rincon



## South Texas Program

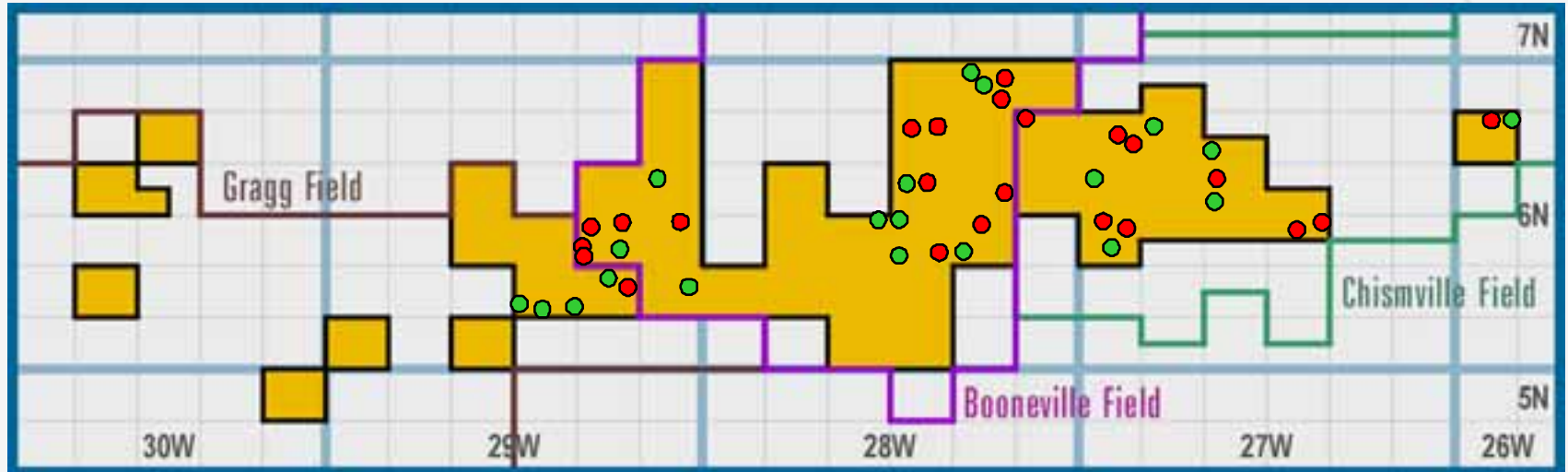
- Multiple rig, multiple year drilling inventory
  - 400 + unproved locations
  - 117,000 gross acres
- Rig activity reduced as newly acquired 3-D seismic is interpreted targeting the Perdido and Lobo sands
- Large 3-D seismic database
- High production – short cycle time
- Exposure to shallow and deep objectives
- Horizontal drilling and exploration potential

*Acquisition / Enhancement*

*Acreage*

*Application*

# Arkoma Basin



- Multiple rig, multiple year drilling inventory
  - 400 + drilling locations
  - 71,000 gross acres
  - Four rig program
- Currently drilling first horizontal well
- Low risk, low cost repeatable play with downspacing potential
- Opportunities to upgrade gathering and compression

- Well Drilled 01-08/2007
- Well Planned 09-12/2007



# Financial Approach

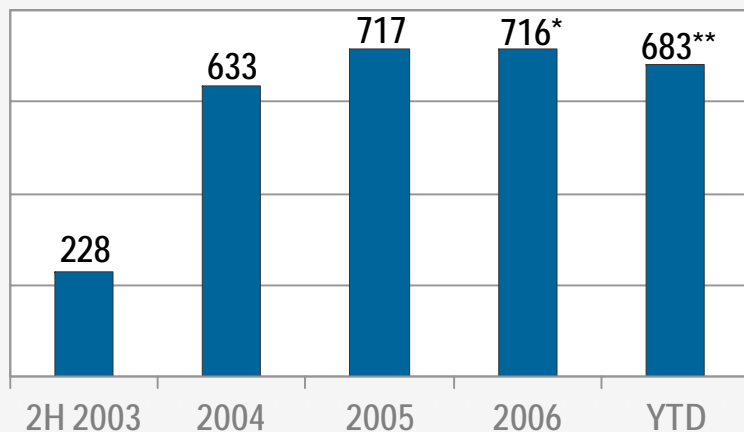
- 1. Free cash flow model to generate acquisition equity**
  - Approximately \$550 million in free cash flow in four years
  - Free cash flow supported acquisitions
  - Monetization of non-reserve based assets
- 2. Balance fixed/floating risk exposures**
  - Interest rates
  - Commodity hedging
  - Drilling rig control
  - Mid-stream ownership
- 3. Firm control over cash costs**
  - Project FOCUS in field
  - Quick hit projects
  - Protect our tax position
- 4. Financial toolbox to value creation**
  - Reverse Morris Trust
  - Forest Alaska Operating LLC
  - Sale Leaseback of Lantern Drilling Rigs
  - Tax deferrals using approximately \$700 MM NOLs



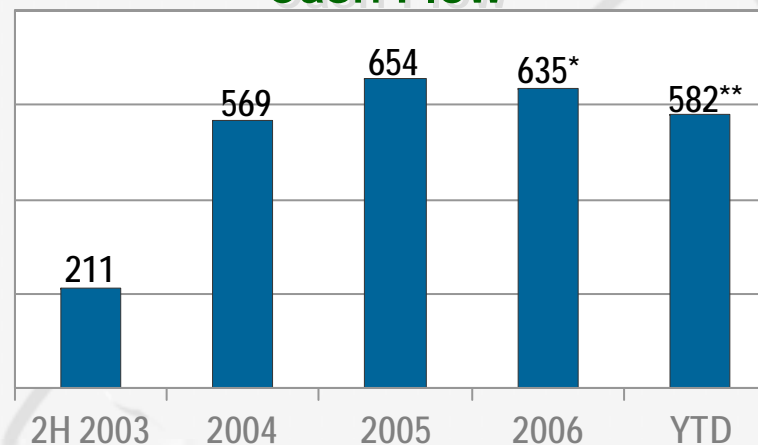
# Free Cash Flow

\$MM

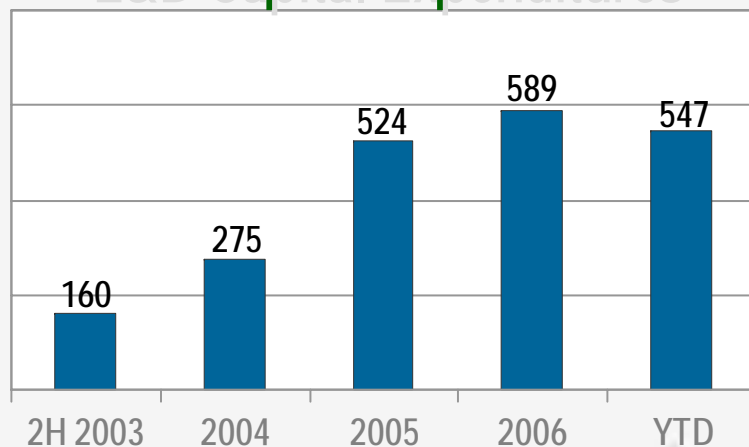
## EBITDA



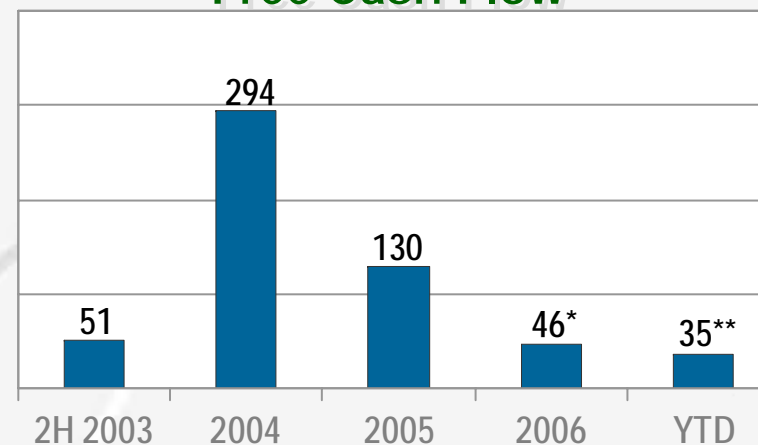
## Cash Flow



## E&D Capital Expenditures



## Free Cash Flow



\* Includes \$200 MM of proceeds from spin-off in 2006

\*\* Includes \$77 MM of proceeds from non-reserve based divestitures

# 2008 Plowback Ratio

Note: CS 2008 estimate is \$70.00 and \$7.50.

WTI Crude Oil (\$/Bbl)	\$70.00	\$75.00	\$80.00	\$85.00	\$87.71	\$95.00
NYMEX Natural Gas (\$/Mmbtu)	\$7.50	\$7.75	\$8.00	\$8.25	\$7.49	\$8.75

## Capex as a % of Cash Flow

### Mid-Cap

WTI	79%	73%	69%	64%	67%	57%
PXP	99%	88%	80%	73%	74%	62%
FST	99%	92%	86%	81%	89%	72%
EAC	100%	95%	90%	85%	84%	77%
EPL	101%	90%	81%	73%	78%	62%
CRK	110%	104%	98%	93%	101%	85%
SFY	114%	105%	97%	90%	88%	78%
UPL	118%	112%	106%	100%	111%	91%
RRC	122%	116%	110%	105%	112%	95%
CXG	131%	125%	119%	114%	131%	105%
XEC	132%	124%	117%	111%	116%	100%
ME	133%	125%	117%	110%	117%	98%
SWN	135%	130%	124%	120%	134%	111%
SM	141%	133%	126%	120%	120%	109%
DNR	149%	135%	124%	115%	113%	100%
HK	150%	142%	134%	127%	137%	115%
COG	152%	146%	140%	135%	148%	125%
WLL	176%	156%	140%	127%	127%	107%
PVA	184%	178%	172%	166%	180%	156%
BBG	192%	179%	167%	156%	182%	139%
KWK	290%	270%	253%	238%	259%	212%
PLLL	351%	306%	271%	243%	256%	202%

<b>Median:</b>	<b>133%</b>	<b>125%</b>	<b>118%</b>	<b>113%</b>	<b>117%</b>	<b>100%</b>
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# Risk Management

## Hedging Price Risk

	Remaining 2007	Weighted Price Floor/Ceiling	2008	Weighted Price Floor/Ceiling
Natural Gas Swaps				
Contract Volumes (BBtu/d)	60.0*		50.0*	
Weighted Average Price (per MMBtu)	7.88		8.38	
Natural Gas Collars				
Contract Volumes (BBtu/d)	145.0		116.6*	
Weighted Average Ceiling Price (per MMBtu)	9.27		9.15	
Weighted Average Floor Price (per MMBtu)	7.42		7.50	
Estimated Price Floor/Ceiling	53%	\$7.55 - \$8.86	42%	\$7.76 - \$8.92
Oil Swaps				
Contract Volumes (MBbl/d)	7.0		6.5	
Weighted Average Price (per Bbl)	70.03		69.72	
Oil Collars				
Contract Volumes (MBbl/d)	4.0		-	
Weighted Average Ceiling Price (per Bbl)	87.18		-	
Weighted Average Floor Price (per Bbl)	65.81		-	
Estimated Price Floor/Ceiling	56%	\$68.50 - \$76.27	32%	\$69.72

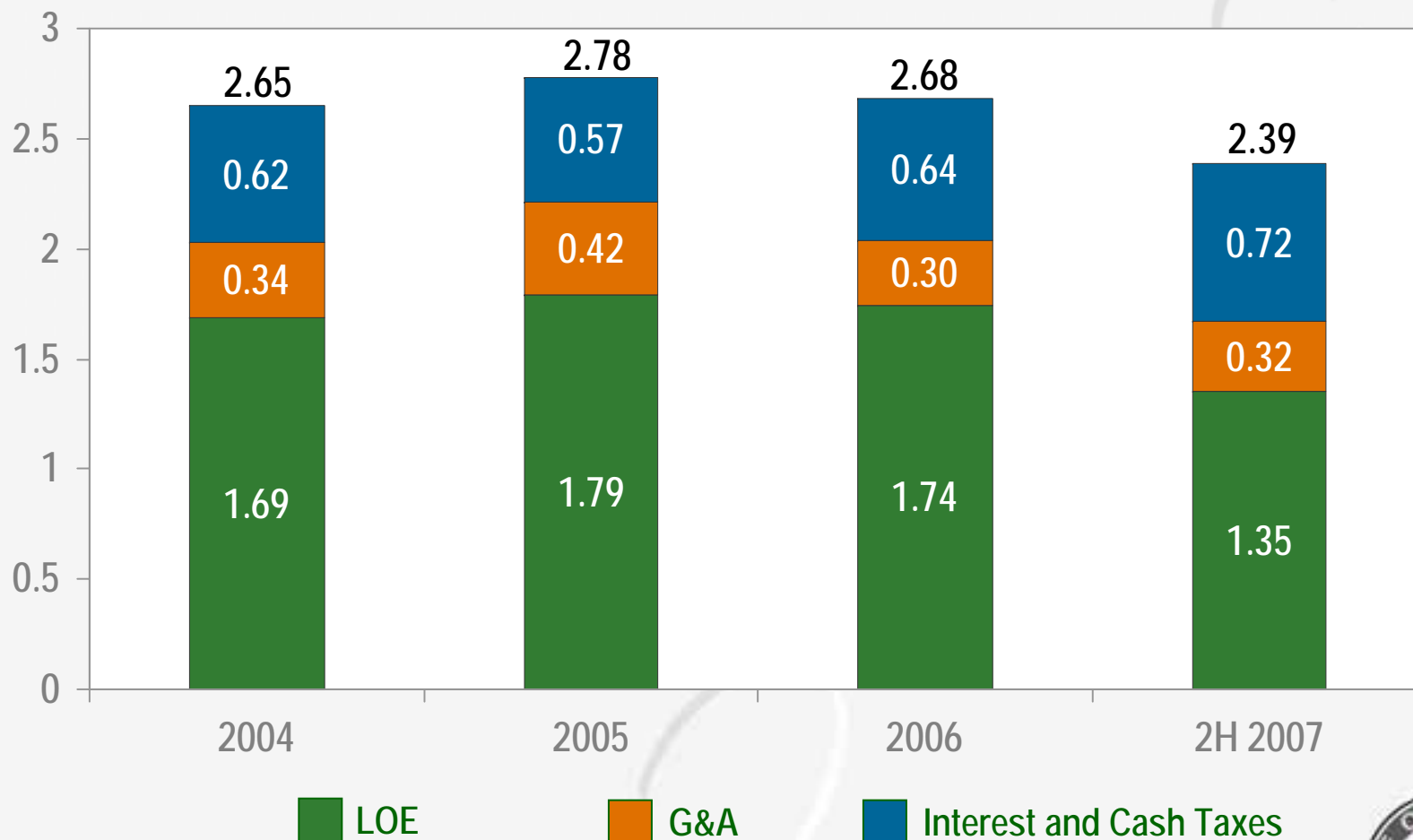
\*10.0 of the 50.0 Bbtu/d of natural gas swaps and 28.4 of the 116.6 Bbtu/d of natural gas collars are subject to a put of \$6.00 per MMBtu.



# Cash Costs Per Unit Profile

(\$ / Mcfe)

*“Decreasing Cash Costs in a Rising Price Environment”*



# Capitalization and Net Debt Reconciliation

Total Capitalization (\$ M)	9/30/07	6/30/07
Cash	8,814	15,730
Credit Facility (\$1.4 B borrowing base)	226,577	431,658
Long Term Debt		
Term Loans	-	263,750
Senior Notes	1,450,000	1,450,000
Senior Subordinate Notes	5,647	5,647
Total Net Debt	1,673,410	2,135,325
Total Shareholders' Equity	2,372,128	2,284,438
Net Debt / Total Capitalization	41%	48%

*“Significant debt reduction through asset sales yielding pro forma liquidity of \$1.2 billion”*



# Significant Shareholder Returns

\$MM

## Private Equity Model

Amount

Beginning Market Capitalization (July 31, 2003)	1,101
Equity Issuances	241
Equity Distributions	(307)
Net Equity Investment	<u>1,035</u>
December 31, 2007 Market Capitalization	4,479
December 31, 2007 Market Cap. / Net Equity Investment	4.2
Annual Rate of Return	39%

## Public Market Calculation

Amount

Share Price at July 31, 2003	\$ 15.29
Share Price at December 31, 2007	\$ 50.84
Current Price / Base Price	3.3
Annual Rate of Return	32%

*“Since Change in Management and Strategy, Equity Investors Have Experienced Superior Returns Whether Compared to Private Equity or Public Sector”*



# 2007 Summary

- Highly visible development drilling inventory with 250 - 300 projects identified in 2007 to generate 6 - 8% production growth
- Production expense per unit will decrease despite industry cost pressure
- Faster than expected G&A expense reduction on the integration of Houston Exploration properties and associated synergies
- Generate free cash flow from Business Units by maintaining capital discipline
- Opportunistically continue successful acquire and exploit program in known areas and trends



# 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, 2006, available from Forest at 707 17th Street, Suite 3600, Denver, CO 80202, Attention: Investor Relations. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

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 and expenses 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, price volatility, inflation or lack of availability of goods and services, environmental risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating future oil and gas production or reserves, and other risks as described in reports that Forest files with the Securities and Exchange Commission (SEC), including its 2006 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.

This presentation includes net debt, EBITDA, cash flow and free cash flow which are non-GAAP financial measures. Please go to our website, [www.forestoil.com](http://www.forestoil.com), for a reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures.