

IN THE ZONE



FOREST OIL CORPORATION

**Credit Suisse Energy Summit**  
**February 4, 2009**



# Forest Oil Corporation - Snapshot

Market Capitalization (at 2/2/09): \$1.4 Billion

Enterprise Value: \$3.9 Billion

Corporate Credit Ratings: BB- / Ba3

2008 Year-end Estimated Proved Reserves: 2.7 Tcfe  
(75% natural gas)

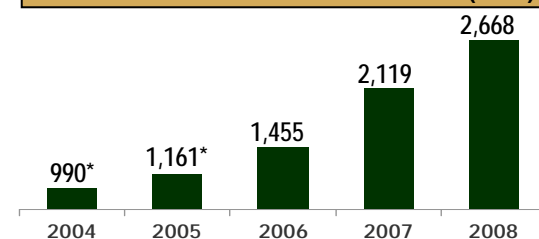
R/P Ratio: 14.0 Years

Potential Locations (Fully Developed)\*\*: 18,275

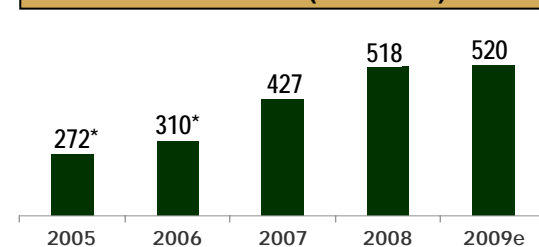
Net Unrisked Potential\*\*: 17.0 Tcfe

2009 Production Guidance: 185 – 195 Bcfe

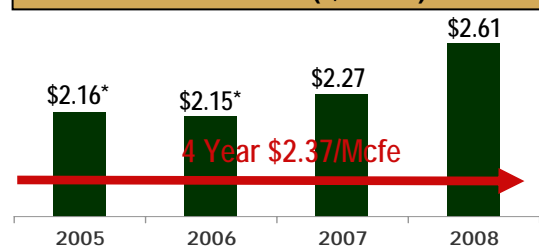
ESTIMATED PROVED RESERVES (Bcfe)



PRODUCTION (MMcfe/d)



FD&A COSTS (\$/Mcf)



TOTAL CASH COSTS (\$/Mcf)



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

\* Pro forma for the spin-off of the Gulf of Mexico operations

\*\* Does not include estimated proved reserves or locations associated with estimated proved reserves

# 2008 Highlights

- Estimated proved reserves grew 26% to a record 2.7 Tcfe
- All-in reserve replacement of 549% with FD&A costs of \$2.61 per Mcfe\*
- Organic reserve replacement of 281% with F&D costs of \$2.54 per Mcfe\*
- 2008 net production rose 22% (17% organic) to a record 190 Bcfe
- Added over 150,000 net undeveloped acres primarily in E. Texas/N. Louisiana and the Texas Panhandle (including Haynesville/Bossier)
- Significant horizontal success in East Texas, Arkoma and Alberta
- Sale of \$300 million of non-core assets primarily located in the Rockies

\* Does not include revisions

# Core Areas – Tight-Gas Sand Development

As of 9/30/2008



|                                    | Current Spacing | Fully Developed | Total |
|------------------------------------|-----------------|-----------------|-------|
| <b>Greater Buffalo Wallow Area</b> |                 |                 |       |
| Gross Project Inventory            | 1,829           | 752             | 2,581 |
| Net Unrisked Potential (Bcfe)*     | 1,755           | 652             | 2,407 |
| <b>Canada Deep Basin</b>           |                 |                 |       |
| Gross Project Inventory            | 112             | 200             | 312   |
| Net Unrisked Potential (Bcfe)*     | 92              | 177             | 269   |
| <b>East Texas / N. Louisiana</b>   |                 |                 |       |
| Gross Project Inventory            | 1,333           | 890             | 2,223 |
| Net Unrisked Potential (Bcfe)*     | 760             | 551             | 1,311 |
| <b>South Texas</b>                 |                 |                 |       |
| Gross Project Inventory            | 448             | -               | 448   |
| Net Unrisked Potential (Bcfe)*     | 434             | -               | 434   |
| <b>Arkoma</b>                      |                 |                 |       |
| Gross Project Inventory            | 893             | -               | 893   |
| Net Unrisked Potential (Bcfe)*     | 218             | -               | 218   |
| <b>Core Areas</b>                  |                 |                 |       |
| Gross Project Inventory            | 4,615           | 1,842           | 6,457 |
| Net Unrisked Potential (Bcfe)*     | 3,259           | 1,380           | 4,639 |

\* Does not include estimated proved reserves

*“The Core Expanding – To The Benefit Of Our Shareholders”*

# New "Frontier" Program – Developing Impact Positions

As of 9/30/2008



|  | Current Spacing | Fully Developed | Total |
|--|-----------------|-----------------|-------|
|--|-----------------|-----------------|-------|

| <b>Utica Shale</b>             |   |       |       |
|--------------------------------|---|-------|-------|
| Gross Project Inventory        | - | 3,390 | 3,390 |
| Net Unrisked Potential (Bcfe)* | - | 4,138 | 4,138 |

| <b>Barnett Shale</b>           |     |     |     |
|--------------------------------|-----|-----|-----|
| Gross Project Inventory        | 151 | 254 | 405 |
| Net Unrisked Potential (Bcfe)* | 163 | 195 | 358 |

| <b>Greater Vermejo/Haley</b>   |     |   |     |
|--------------------------------|-----|---|-----|
| Gross Project Inventory        | 90  | - | 90  |
| Net Unrisked Potential (Bcfe)* | 305 | - | 305 |

| <b>Haynesville Shale</b>       |       |   |       |
|--------------------------------|-------|---|-------|
| Gross Project Inventory        | 1,148 | - | 1,148 |
| Net Unrisked Potential (Bcfe)* | 5,071 | - | 5,071 |

| <b>New Frontier Program</b>    |       |       |       |
|--------------------------------|-------|-------|-------|
| Gross Project Inventory        | 1,389 | 3,644 | 5,033 |
| Net Unrisked Potential (Bcfe)* | 5,539 | 4,333 | 9,872 |

\* Does not include estimated proved reserves

*“Plays That Move The Needle”*



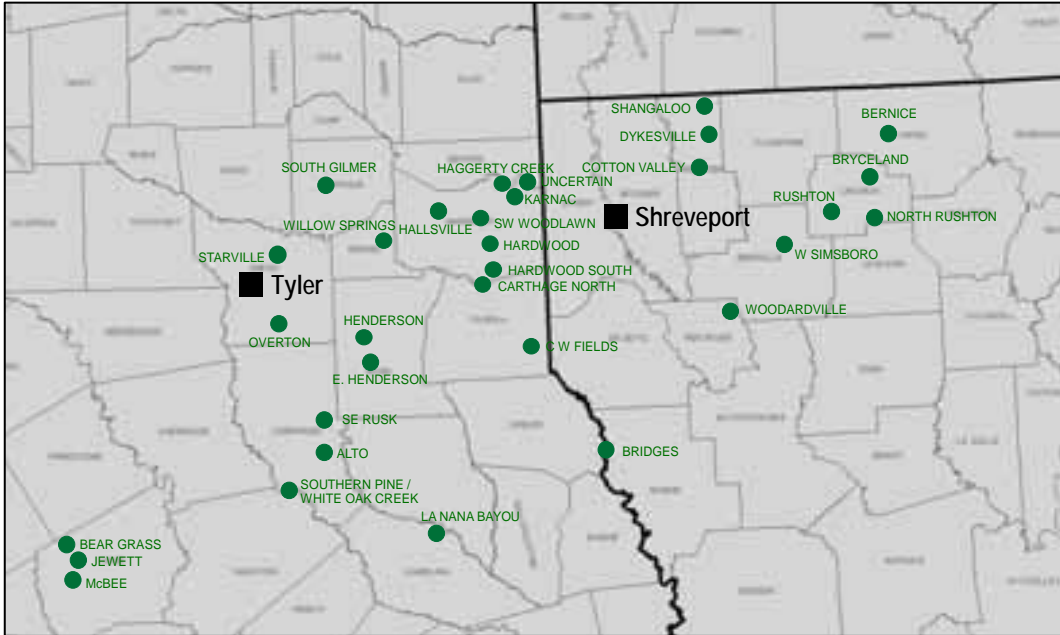
# Large Focused Inventory With “Running Room”\*

|                         | 9/30/08 Locations* | Net Unrisked Potential (Bcfe)* |
|-------------------------|--------------------|--------------------------------|
| North America Tight-Gas | 11,156             | 5,978                          |
| Shale Plays             | 4,943              | 9,567                          |
| Conventional Assets     | 2,176              | 1,488                          |
| <b>Total</b>            | <b>18,275</b>      | <b>17,033</b>                  |

Does not include exploration or unbooked discoveries (S. Africa, Italy and Mackenzie Delta), estimated proved reserves or locations associated with estimated proved reserves



# East Texas / North Louisiana Potential



## Current Position – E. Texas/N. Louisiana

- Total of 193,000 gross acres (144,000 net)
- 140,000 gross acres (106,000 net) prospective for the Haynesville/Bossier Shale
- In excess of 3,300 drilling locations with 6 Tcfe of net unrisks potential
- Ten Haynesville/Bossier vertical wells achieved initial rates from 1.5 to 4.4 MMcfe/d
- First two Haynesville horizontals now being completed
- Evaluating deeper Lime potential

## E. Texas/N. Louisiana Geologic Zones



***“Forest Has Over 100,000 Net Acres With Approximately 5 Tcfe Of Haynesville Shale Net Unrisks Potential”***

# Macro Capital and Commodity Review

## Business Environment

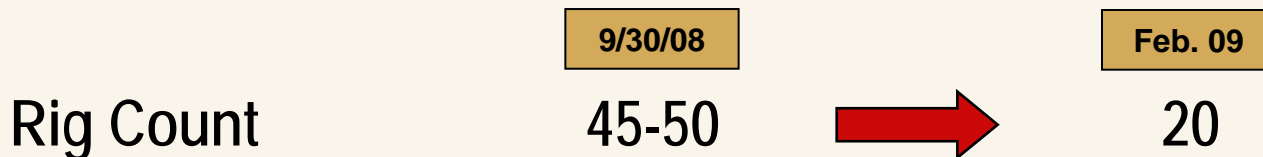
- Credit and equity markets very expensive with limited access evident
- Dollar strength, global demand reduction, and lack of credit to arbitrage the contango limit near-term price increases for oil
- Asset market dried up due to capital market seizure
- Severe cuts in capital expected to impact service companies in 2009 but improve E&P project economics in 2010

## Domestic Natural Gas Market

- Current productivity to extend six months after capital contracts due to completion backlog
- Higher industry base decline imbedded in unconventional reservoirs
- Industrial demand shows significant deterioration at the margin
- European prices narrowing spread to U.S. prices

# Forest's 2009 Capital Program Observations

1. Costs need to drop or prices need to increase significantly to make drilling attractive on a risk-weighted basis
2. Investors are mispricing capital structures and therefore owned oil and gas reserves
3. The asset market will be depressed until credit is available and pent-up sellers are cleared



*Forest's Current View Is To Dramatically Reduce Capital Spending To Allow A Bird's Eye View Of Drilling, Acquisitions, And Capital Markets Opportunities As They Unfold*

# 2009 Plan Observations

## Capital Expenditures

- E&D spending to be within cash flow
- Protect lease expirations or non-consent penalties
- Utilize Lantern rigs over third party rigs
- Prioritize "FOCUS" projects – recompletions/workovers
- Only ROR > 20% projects considered
- Horizontal drilling is favored economically versus vertical

## Cost Control

- Take advantage of lower service costs in late 2009
- Reduce "favorable" operating costs even further
- Operated well costs lower than non-operated

# 2009 Guidance

- E&D capital of \$500 – 600 million to be below estimated cash flow
- Over one-third of spending on horizontal activity
  - E. Texas/N. Louisiana – Cotton Valley and Haynesville/Bossier
  - Arkoma
  - Greater Buffalo Wallow
- Estimated production to be flat to 2008 (post new Canadian royalties)
- Operated rig count at 15 rigs, with only one third-party rig
- Lower production expense per Mcfe by 10% versus 2008 estimate
- Current capital plan assumes 5% reduction in average well costs
- Approximately 50% hedged in 2009 and 10% hedged in 2010

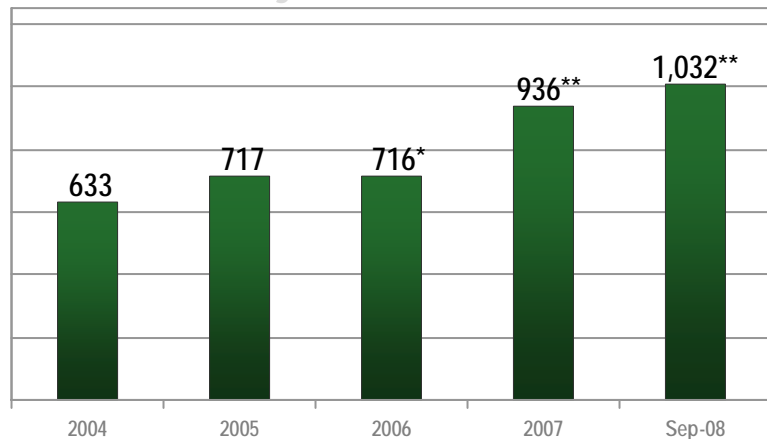
# Preserving Financial Flexibility

- 2009 capital plan designed to be below discretionary cash flow
- Strong liquidity position
  - Staggered long term debt maturity schedule with first maturity in 2011
  - Estimated \$500 – 600 million in liquidity under \$1.8 billion credit facilities at year-end
  - Borrowing base calculation holds up at estimated bank pricing
  - Bank group built entirely of commercial banks
  - All hedging contracted with bank group
- Favorably hedged
  - Recently added to 2009/2010 hedge portfolio including basis hedges
- Significant acreage position and low cost structure allows for development of Core Areas in a depressed NYMEX environment
  - 575,000 gross acres in Core Areas with 6,457 drilling locations

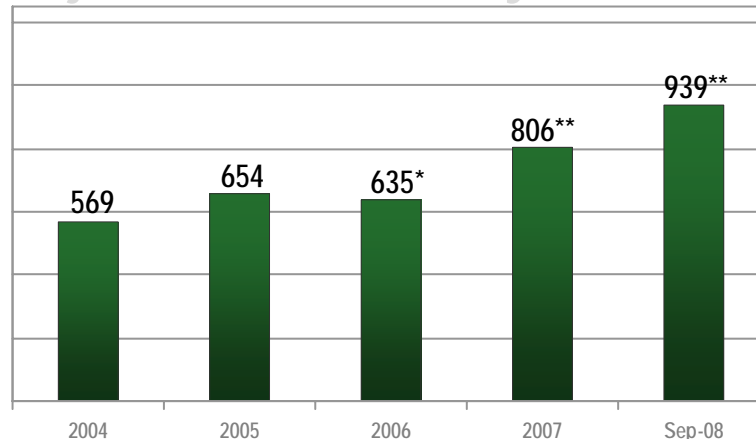
# Free Cash Flow Model

(\$MM)

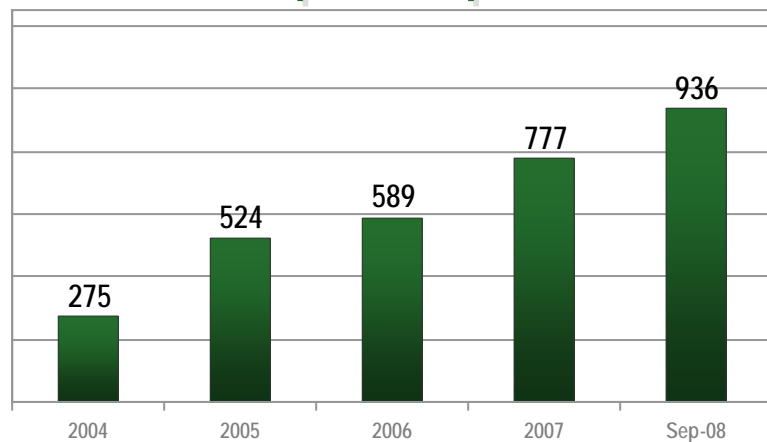
## Adjusted EBITDA



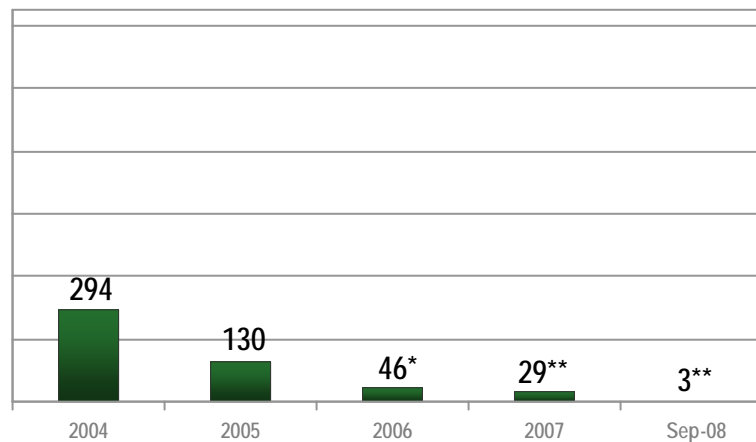
## Adjusted Discretionary Cash Flow



## E&D Capital Expenditures



## Free Cash Flow



***“Forest Intends To Continue Its Successful Free Cash Flow Business Model in 2009”***

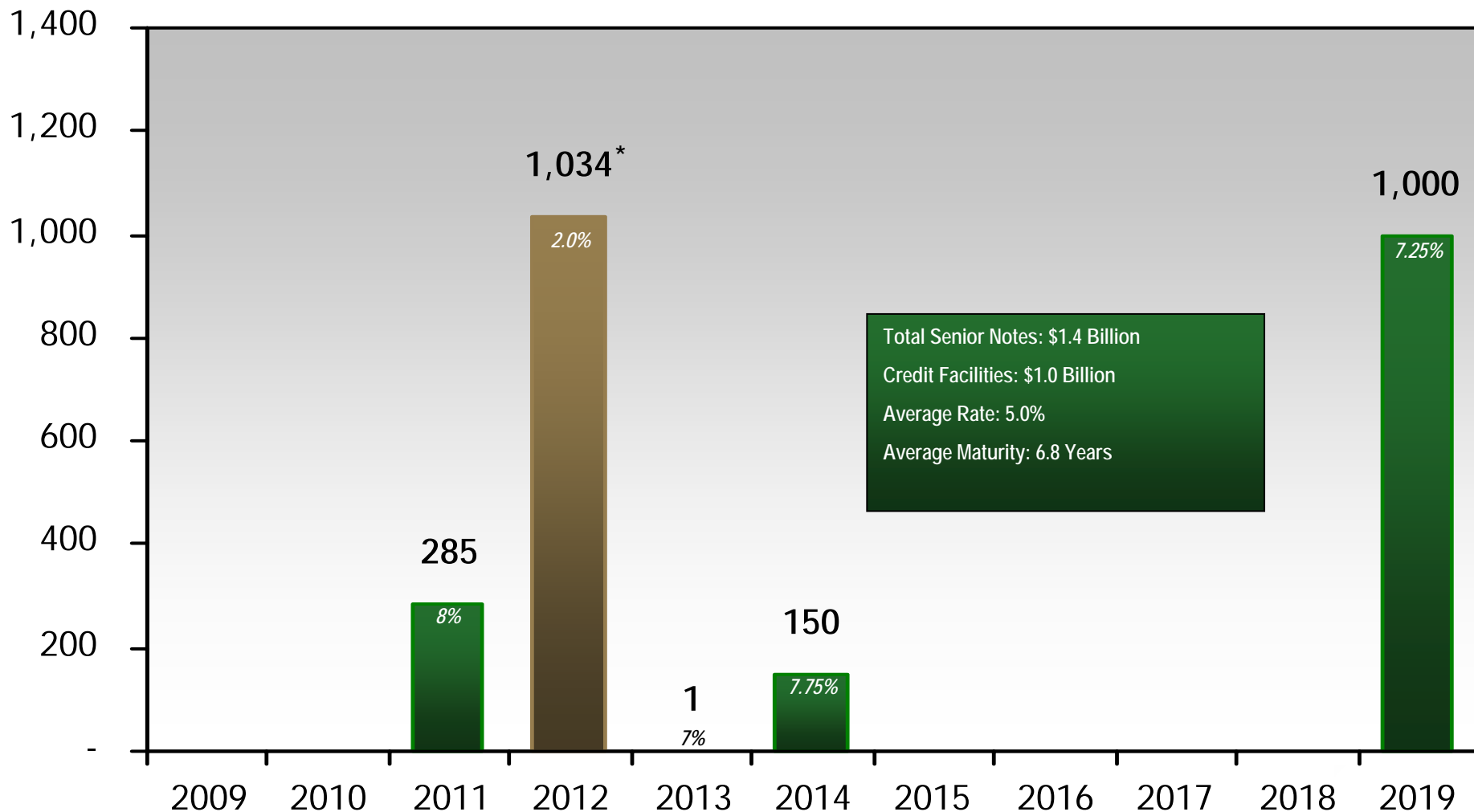
\* Includes \$200 MM of proceeds from spin-off in 2006

\*\* Includes \$64 MM and \$24 MM of proceeds from non-reserve based divestitures in 2007 and 2008, respectively

# Debt Maturity Profile

(\$MM)

9/30/08



\* Pro forma for \$200 million cash proceeds from the Rockies divestiture that closed on November 25, 2008

■ Floating
 ■ Fixed

# Opportunistic Capital Allocator

| Year   | Acq Costs           |                    | F&D Costs           |                    | Total               |                    |
|--------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
|        | (\$MM)              | (\$/Mcf)           | (\$MM)              | (\$/Mcf)           | (\$MM)              | (\$/Mcf)           |
| 2004*  | 298                 | 1.37               | 176                 | 8.42               | 474                 | 2.00               |
| 2005*  | 241                 | 1.91               | 358                 | 2.35               | 599                 | 2.16               |
| 2006*  | 315                 | 2.28               | 589                 | 2.09               | 904                 | 2.15               |
| 2007** | 1,598               | 2.43               | 777                 | 1.99               | 2,375               | 2.27               |
| 2008   | <u>1,369</u>        | <u>2.68</u>        | <u>1,356</u>        | <u>2.54</u>        | <u>2,725</u>        | <u>2.61</u>        |
| Total  | <u><u>3,821</u></u> | <u><u>2.32</u></u> | <u><u>3,256</u></u> | <u><u>2.36</u></u> | <u><u>7,077</u></u> | <u><u>2.34</u></u> |

***“Forest’s Ability To Allocate Capital Efficiently Should Allow For Excellent Investor Returns In Any Environment”***



\* Pro forma for the spin-off of the Gulf of Mexico operations

\*\* Does not include effects of the Alaska properties during 2007

# Hedging Portfolio – NYMEX Hedges

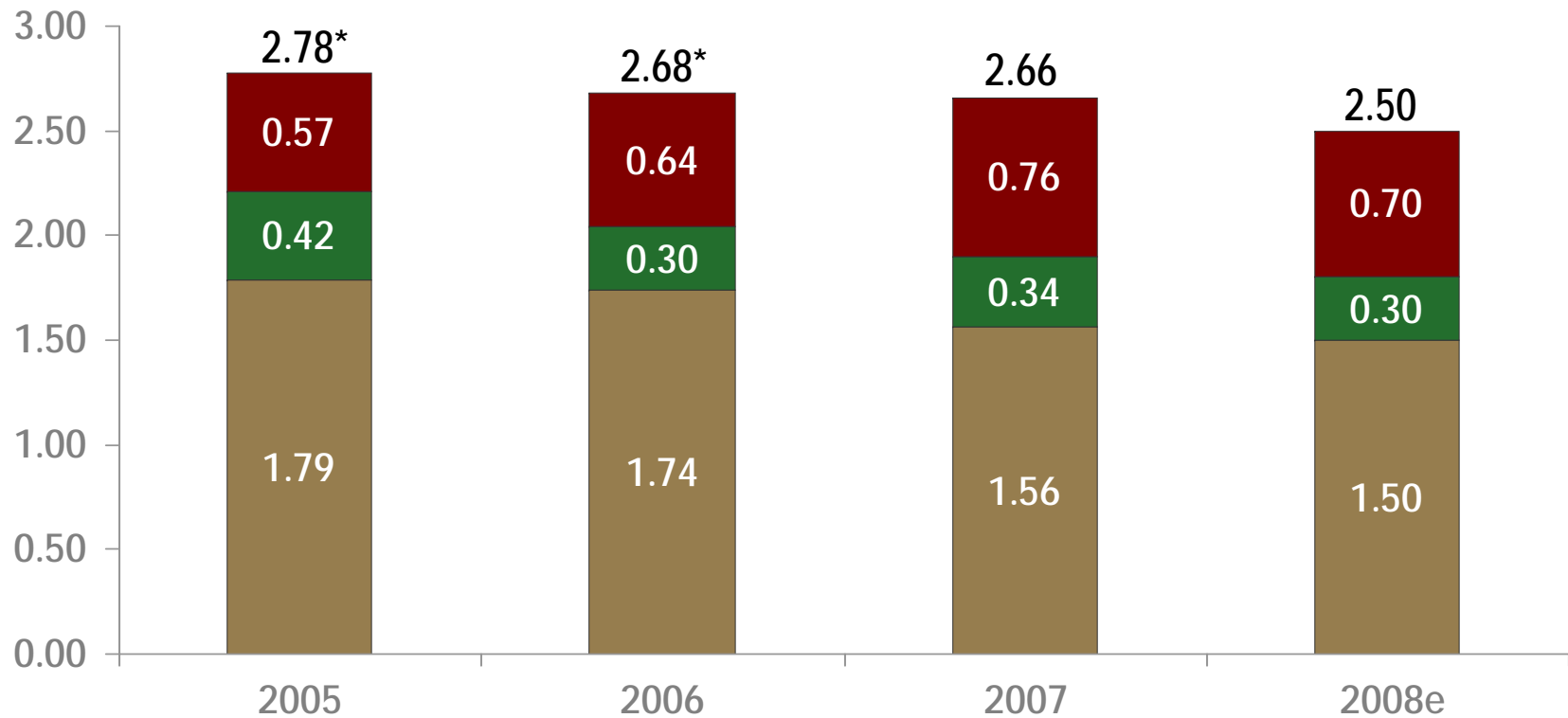
## Hedging Price Risk

|   | 2009    | Weighted Price<br>Floor/Ceiling | 2010  | Weighted Price<br>Floor/Ceiling |
|---|---------|---------------------------------|-------|---------------------------------|
| <b>Natural Gas Swaps</b>                      |         |                                 |       |                                 |
| Contract Volumes (BBtu/d)                     | 160.0 * |                                 | 45.0  |                                 |
| Weighted Average Price (\$ per MMBtu)         | 8.24    |                                 | 6.50  |                                 |
| <b>Natural Gas Collars</b>                    |         |                                 |       |                                 |
| Contract Volumes (BBtu/d)                     | 40.0    |                                 | -     |                                 |
| Weighted Average Ceiling Price (\$ per MMBtu) | 9.76    |                                 | -     |                                 |
| Weighted Average Floor Price (\$ per MMBtu)   | 7.31    |                                 | -     |                                 |
|   |         | \$8.05 - \$8.54                 |       | \$6.50 – \$6.50                 |
| <b>Oil Swaps</b>                              |         |                                 |       |                                 |
| Contract Volumes (MBbl/d)                     | 4.5     |                                 | 1.5   |                                 |
| Weighted Average Price (\$ per Bbl)           | 69.01   |                                 | 72.95 |                                 |
| <b>Oil Collars</b>                            |         |                                 |       |                                 |
| Contract Volumes (MBbl/d)                     | -       |                                 | -     |                                 |
| Weighted Average Ceiling Price (\$ per Bbl)   | -       |                                 | -     |                                 |
| Weighted Average Floor Price (\$ per Bbl)     | -       |                                 | -     |                                 |
|   |         | \$69.01                         |       | \$72.95                         |

\* 10.0 Bbtu/d of natural gas swaps are subject to a written put of \$6.00 per MMBtu

# Total Cash Costs Per Unit Profile

(\$ / Mcfe)



Production Expense   G&A   Interest and Cash Taxes

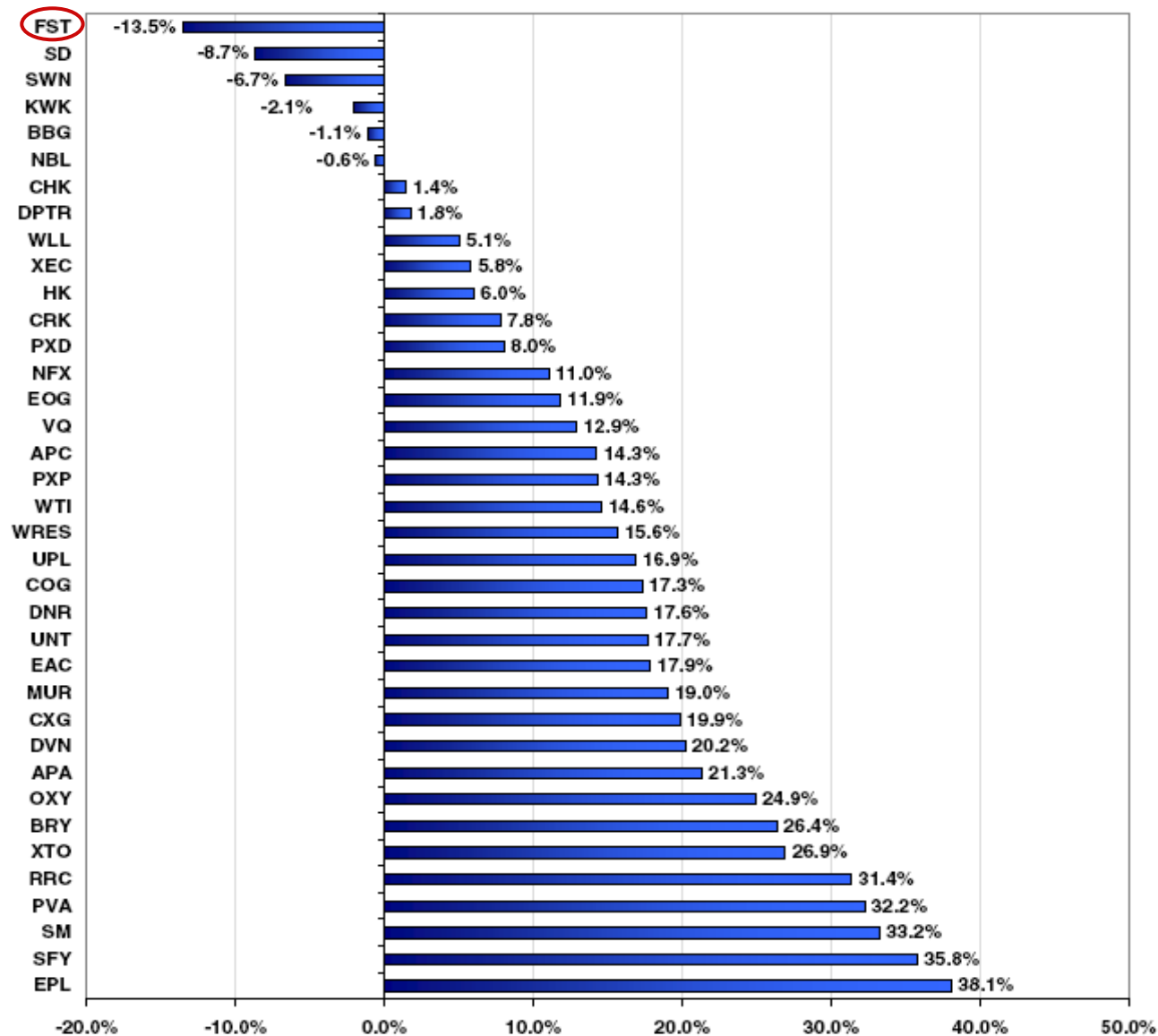
*“Always Focus on Cost”*

\* Pro forma for the spin-off of the Gulf of Mexico operations



# Year-Over-Year Cost Structure Change

Exhibit 6: Q208 Total Cost Structure YoY Change (%)



# Summary of Forest Oil

- Unprecedented decline in capital structure value supported by significant unconventional assets with high daily production and PDP reserve base
- Low cost operator and experienced managers of free cash flow business model will thrive in adverse environments
- Significant liquidity and cash flow allows for optimal capital allocation
- 2009 capital plan designed to ensure adequate liquidity under our credit facilities
  - Capital plan designed to be below discretionary cash flow
- Utilize Lantern Drilling fleet to maximize capital efficiency while minimizing term drilling contracts

**Same Business Tenets + Increased Focus = Capital Efficiency**



# Investment Proposition

- Portfolio management has created substantial North American tight-gas sand and shale assets
- 18,275 fully developed locations provide over 17.0 Tcfe of additional net unrisks potential
- Despite high quality assets, substantial liquidity, proven track record of management, substantial upside in asset portfolio and stewardship of capital structure, FST presently trades at low end of peer group
- Forest's liquidity and cash flow will allow it to invest optimally in 2009

*“FST Provides The Best Risk Weighted North American E&P Investment”*

# 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 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, the uncertainty in executing our pending divestiture program and other risks as described in reports that Forest files with the Securities and Exchange Commission (SEC), including its 2007 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 Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves, which are estimates that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Forest uses the terms "probable" and "possible" reserves, resource "potential" or "upside" or other descriptions of volumes of reserves or resources 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 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 and does not include any proved reserves. 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 disclosure in Forest's Annual Report on Form 10-K for fiscal year ended December 31, 2007, 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).

