

IN THE ZONE



FOREST OIL CORPORATION

**Lehman Brothers CEO Energy / Power  
Conference  
September 2 - 3, 2008**



# Forest Oil Corporation - Snapshot

Market Capitalization (at 8/28/08): \$5.1 Billion

Enterprise Value: \$7.1 Billion

Corporate Credit Ratings: BB- / Ba3

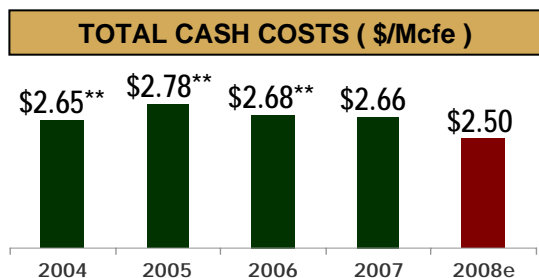
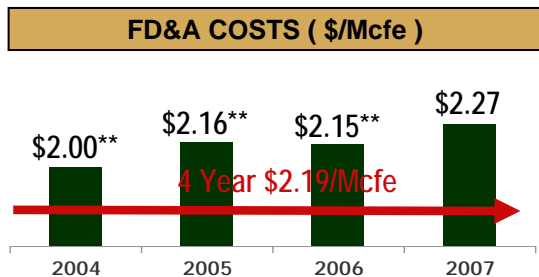
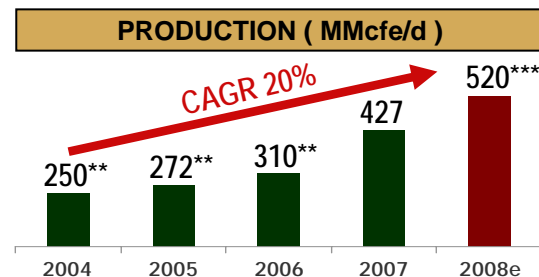
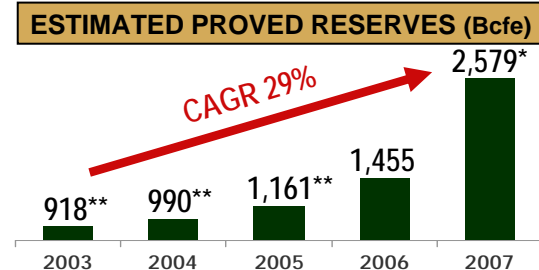
2007 Year-end Estimated Proved Reserves\*: 2.6 Tcfe  
(74% natural gas)

R/P Ratio\*: 13.8 Years

Potential Locations (Fully Developed)\*\*: 18,969

Net Unrisked Potential: 17.1 Tcfe

2008 Annual Production Guidance\*\*\*\*: 515 – 525 MMcfe/d



**FST  
LISTED  
NYSE**

\* Pro forma for the Ark-La-Tex acquisition that closed on May 2, 2008 and the pending Greater Buffalo Wallow and East Texas acquisition announced August 18, 2008  
 \*\* Pro forma for the spin-off of the Gulf of Mexico operations  
 \*\*\* Does not include locations associated with estimated proved reserves  
 \*\*\*\* Guidance will be updated for the pending Greater Buffalo Wallow and East Texas acquisition when the transaction closes

# The 4-Point Strategy “Transformed”

## Increase Organic Growth

- Concentrate and expand activity in our Core Area tight-gas basins which have a growth track record, horizontal potential and large project inventory
- Achieve step change growth through our New “Frontier” Program (North America exploration and unconventional)
- Divest non-growth assets to focus capital program on organic growth

## Maintain Capital Efficiency

- Utilize Core Area drilling experience across other Core Area applications
- Focus on supply chain and logistical efficiencies

## Control Costs

- Focus on margin extraction, do not be a “market taker”
- Expand efficiencies in Core Areas through consolidation
- Prudently allocate capital between Core vs. “Frontier” Areas and drillbit vs. acquisitions

## Preserve Financial Flexibility

- Maintain significant liquidity to allow for transactions without capital market support
- Use non-core asset sales as capital markets substitute for funding
- Employ tax assets as a tool in acquisitions to gain economic advantage

# "The 5 Year Anniversary" – 4 Point Strategy

## Forest Oil Stock Performance 7/31/03 – 8/26/08



5 year stock price appreciation of 278%

1998 – 2003 stock price appreciation of (7)%

## Transformation Highlights

- More than doubled reserves despite selling GOM and Alaska
- Paid special dividend of over \$1 billion
- Complete transformation:

Offshore



Onshore

Frontier Exploration



Focused Resource Plays

Low Growth



High Growth w/ Cash Flow

Limited Inventory



Large Unbooked Inventory  
(18,969 Locations)

69 wells drilled - 2002



495 wells drilled - 2007

Complacency



Active Consolidator

# Large Focused Inventory With “Running Room”\*

	Locations	Net Unrisked Potential (Bcfe)**
North America Tight-Gas	11,850	6,091
Shale Plays	4,943	9,567
Conventional Assets	2,176	1,488
<b>Total</b>	<b>18,969</b>	<b>17,146</b>

\* Does not include exploration or unbooked discoveries (S. Africa, Italy and Mackenzie Delta)

\*\* Does not include estimated proved reserves



# Core Areas – Tight-Gas Sand Development



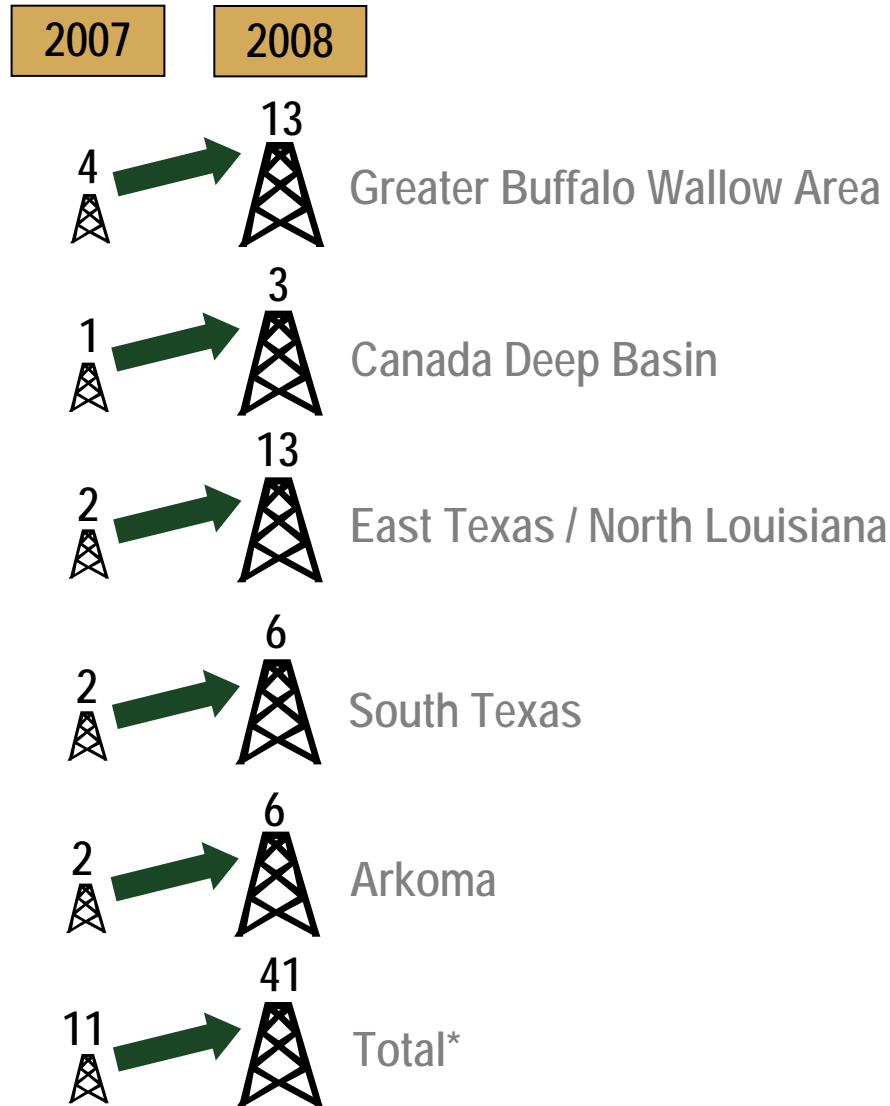
	Current Spacing	Fully Developed	Total
<b>Greater Buffalo Wallow Area</b>			
Gross Project Inventory	1,829	752	2,581
Net Unrisked Potential (Bcfe)*	1,755	652	2,407
<b>Canada Deep Basin</b>			
Gross Project Inventory	112	200	312
Net Unrisked Potential (Bcfe)*	92	177	269
<b>East Texas / N. Louisiana</b>			
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

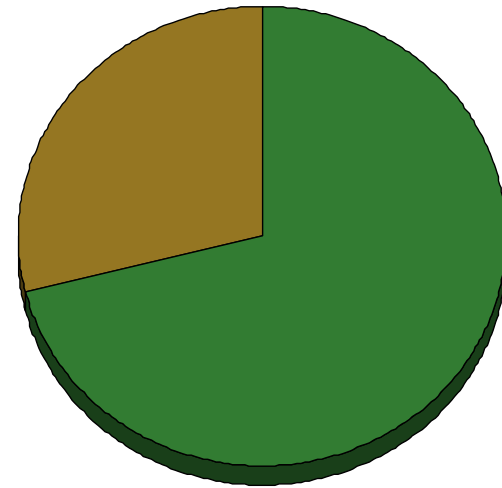
*“The Core Expanding – To The Benefit Of Our Shareholders”*

# Drilling Activity Expansion In Core Areas

## Rig Count

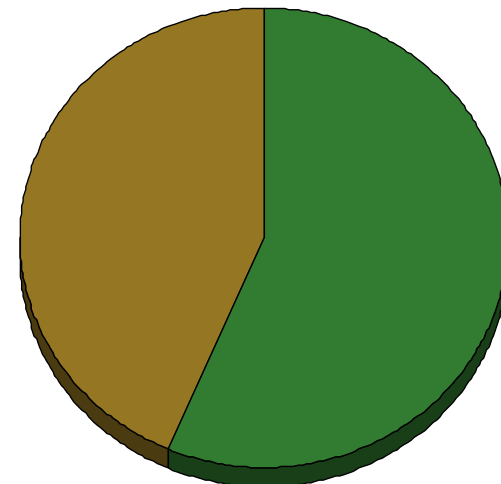


## 2008 Capital Allocation



Core Areas  
% of 2008  
Capital Budget  
>70%

## 2007 Capital Allocation



Core Areas  
% of 2007  
Capital Budget  
56%



\* Pro forma for the pending Greater Buffalo Wallow and East Texas acquisition announced August 18, 2008

# Developing Impact Positions – New “Frontier” Program



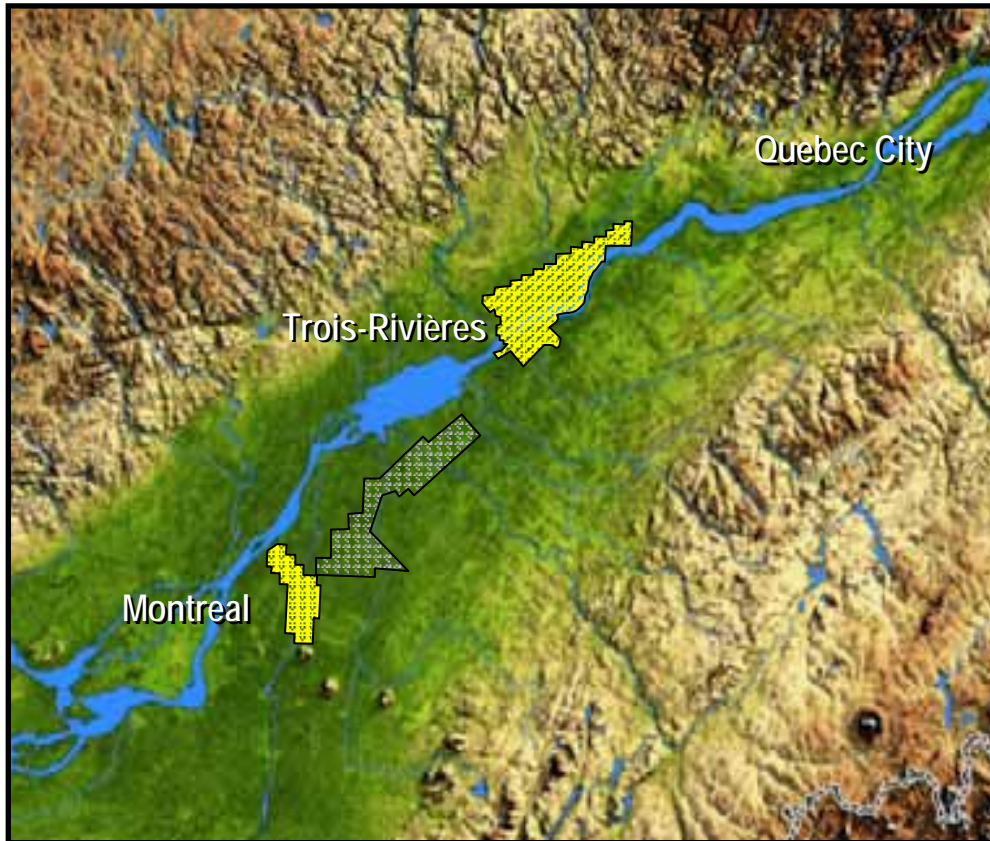
	Current Spacing	Fully Developed	Total
<b>Utica Shale</b>			
Gross Project Inventory	-	3,390	3,390
Net Unrisked Potential (Bcfe)*	-	4,138	4,138
<b>Barnett Shale</b>			
Gross Project Inventory	151	254	405
Net Unrisked Potential (Bcfe)*	163	195	358
<b>Greater Vermejo/Haley</b>			
Gross Project Inventory	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”*



# Utica Shale – St. Lawrence Lowlands, Quebec



***“First Mover Advantage In The Utica Shale Allowed Forest To Economically Accumulate A Substantial Position In An Emerging Shale Play”***

## Large Resource Potential and Acreage

- 4.1 Tcf of net resource potential at 20% recovery efficiency
- Low cost of entry
- 339,000 gross acres (269,200 net acres), ten year term

## Excellent Rock Properties

- Comparable to Barnett Shale
- At least two prospective Utica horizons

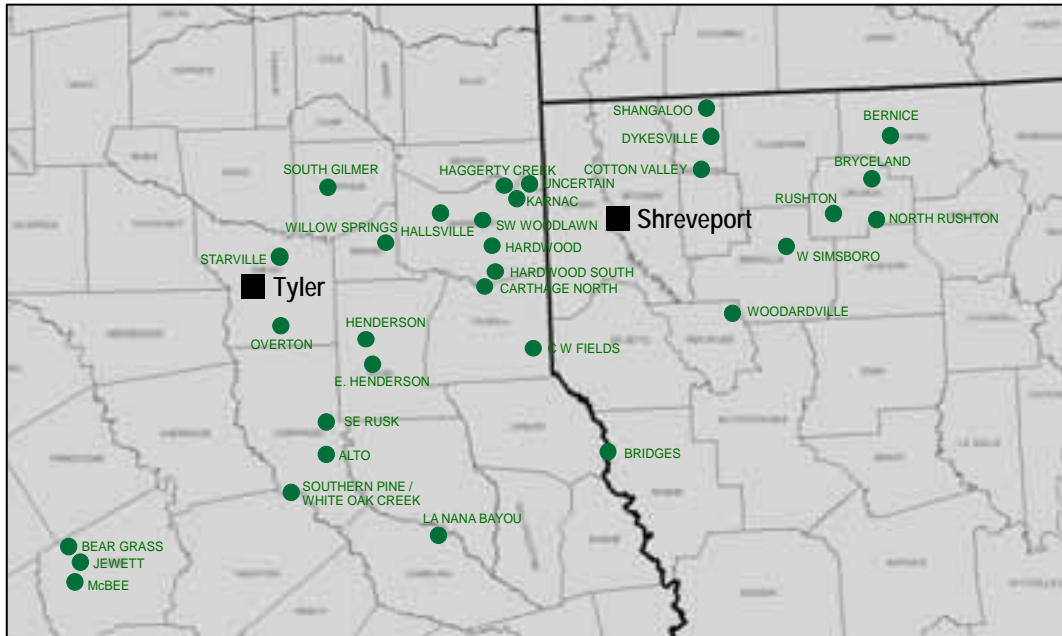
## Test Concept

- Test rates up to 1,000 Mcf/d
- Significant gas content demonstrated
- First well spud July 14, 2008

## Existing Infrastructure and N.E. Market

- Easy access to pipelines with available capacity
- Premium pricing to NYMEX (\$1.05 since beginning of 2003)

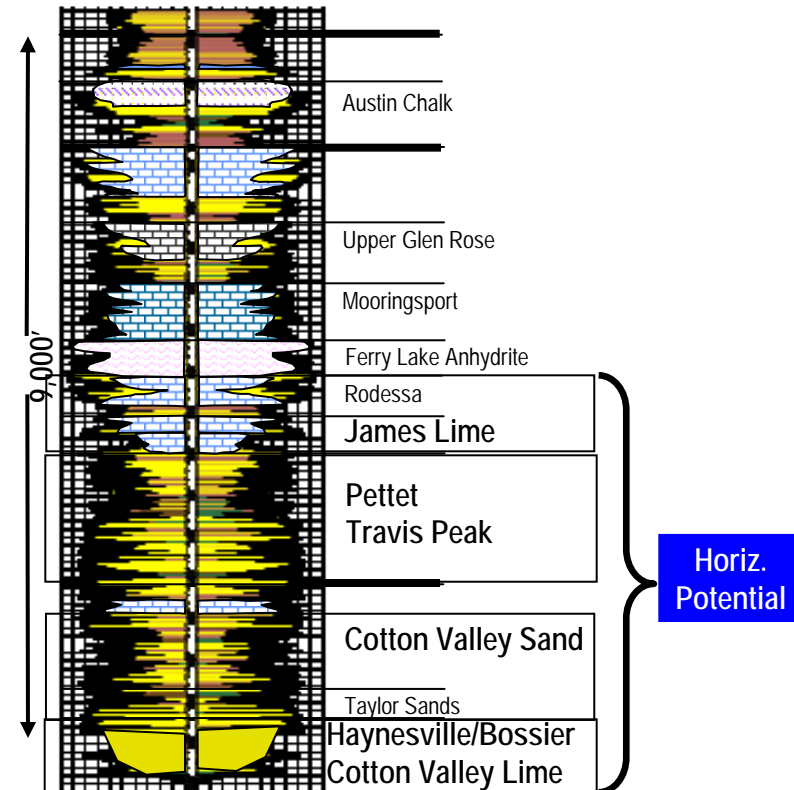
# East Texas / North Louisiana Potential\*



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

- Total of 193,000 gross acres (144,000 net) in East Texas/North Louisiana
- 140,000 gross acres (106,000 net) prospective for the Haynesville/Bossier Shale
- In excess of 3,000 drilling locations with 6 Tcfe of net unrisks potential

## E. Texas/N. Louisiana Geologic Zones



***“Forest Has Over 105,000 Net Acres With Approximately 5 Tcfe Of Haynesville Shale Net Unrisks Potential”***

\* Pro forma for the pending Greater Buffalo Wallow and East Texas acquisition announced August 18, 2008

# New “Frontier” Program – Plan For 2008 & Beyond

- Confirm concept on Utica and Haynesville Shales
  - Laboratory phase on a large scale
- Achieve step change growth through North American exploration program
  - Greater Vermejo / Haley Area
  - South Louisiana Delilah
  - Austin Chalk
  - South Texas
- Develop more frontier areas
  - Scouting and research by New Ventures Group before entering the laboratory

*“Forest’s Ability To Execute Large Drilling Programs In Tight-Gas Plays Increases Optionality In Creating Value From Its Shale Plays”*



# Optimizing Resource Plays – Operational Plan Summary

## 2008 Core Area Development

- Drill 350+ wells in Core Areas
- Continuous refinement of drilling and completion techniques
- Constantly analyzing efficiencies to lower costs
- Leasing and bolt-on acquisitions to replenish inventory

## New “Frontier” Program – N.A. Exploration

- Drill two exploratory wells in Greater Vermejo / Haley Area
- Drill exploratory wells in South Louisiana
- South Texas Wilcox tests
- Mancos / Dakota tests
- Deep Austin Chalk tests

## New “Frontier” Program – Forest Laboratory

- Commence Haynesville / Bossier Shale vertical and horizontal drilling program
- Continue Utica Shale evaluation and horizontal drilling program
- Identify additional unconventional opportunities on current North American acreage positions
- Test horizontal application in Core Areas

## Summary

- Approximate 15% organic production growth forecasted beginning in 2Q 2008
- Capital budget is designed to move net asset value on large core drilling inventory forward
- New “Frontier” Program success would warrant additional capital

# Key Transaction Terms – *Cordillera Acquisition*

## Consideration Paid

- \$708 million cash
- 3.5 million shares of FST (subject to collar mechanism)

## Oil & Gas Assets

- 118,000 gross acres (85,000 net acres) in two existing Forest Core Areas
- 350 Bcfe of estimated proved reserves (36% PD, 74% gas) with additional net unrisks potential of 1.2 Tcfe (unbooked) and approximately 1,500 identified drilling locations
- Production of 34 MMcfe/d (93% gas)

## Structure

- Asset purchase

## Funding Sources

- Initial cash consideration funded through Forest's existing credit facility
- Ultimate funding from non-core, non-strategic asset sales of \$500 – 600 million

## Expected Close

- September 30, 2008



# Acquisition Rationale

## Strategic

- Acreage from the Greater Buffalo Wallow Area and East Texas / North Louisiana is near Forest's existing acreage position and activity
- Adds potential size to developing Atoka play in the Greater Buffalo Wallow Area and Haynesville / Bossier play in East Texas / North Louisiana
- Horizontal potential in the Greater Buffalo Wallow Area in Atoka, Morrow and Granite Wash and in East Texas in Cotton Valley, Pettet, James Lime and Haynesville / Bossier
- Divestitures to fund the acquisition continues to narrow focus and upgrade attractive portfolio

## Operational

- The Greater Buffalo Wallow Area and East Texas / North Louisiana assets each have critical mass to allow Forest to benefit from economies of scale
- Capitalize on Forest's existing operational expertise and infrastructure in these areas
- Adds further value to Forest Texas Gathering LP through added volumes
- Compliments Forest's personnel expertise in key Core Areas
- Forest is an experienced horizontal driller

## Financial

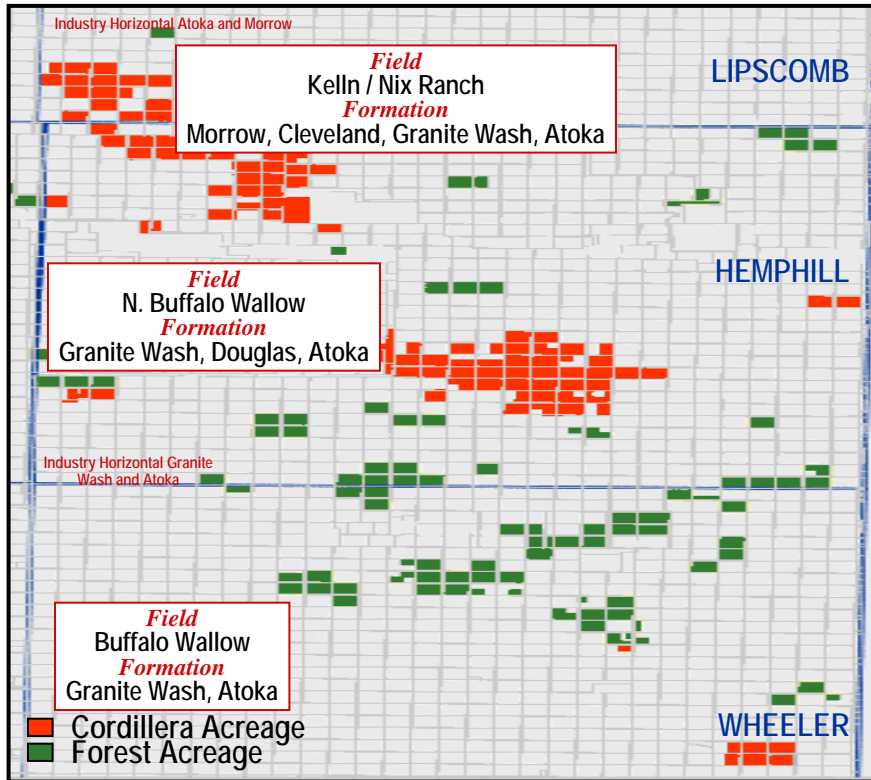
- Adds leverage to balance sheet until moderated by property sales
- New asset divestiture package of \$500 – 600 million to reduce leverage on balance sheet

## Deal Opportunity

- Allows Forest to capitalize on synergies in the Greater Buffalo Wallow Area and East Texas / North Louisiana
- Sell additional assets to further focus operations of the company

# Buffalo Wallow Extension Asset Attributes

## Pro-Forma Acreage Position



	Forest	Acq.	Pro Forma
Gross Acres	51,600	67,700	119,300
Proved Reserves (Bcfe)	259*	206**	465
Unbooked Inventory	1,636	945	2,581

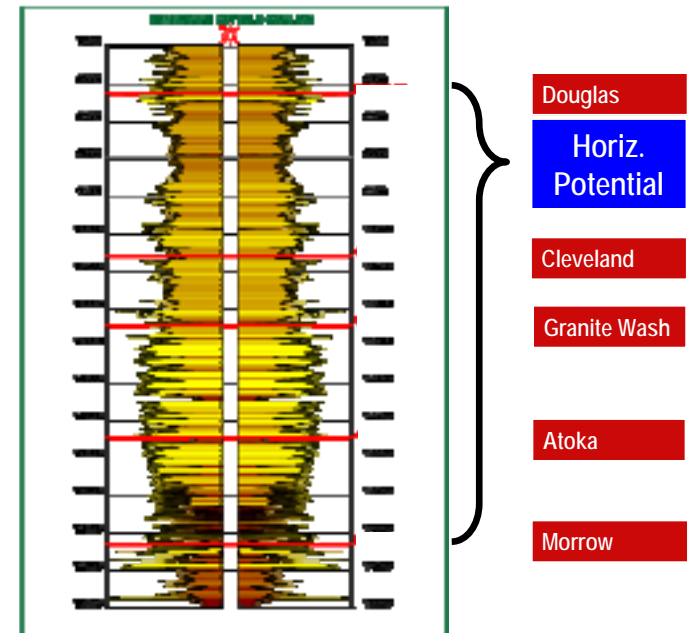
\* Based on December 31, 2007 estimated proved reserves

\*\* Based on Forest's internal estimates as of July 1, 2008

## Cordillera Acquisition – Greater Buffalo Wallow Area

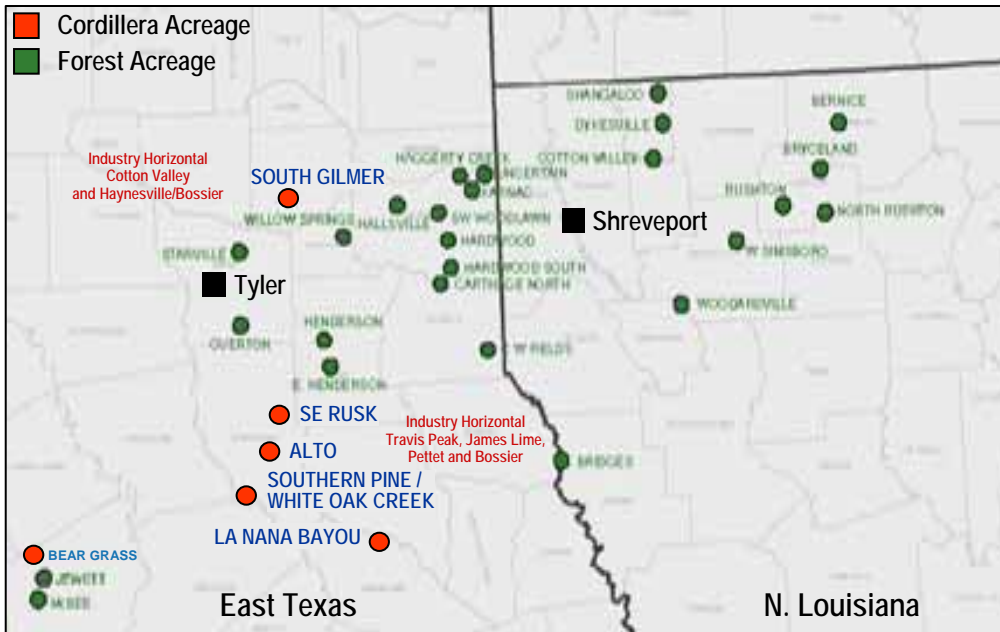
- North Buffalo Wallow Extension has 67,700 gross acres near Forest's existing acreage
- Approximately 1,120 identified locations with current spacing (945 locations unbooked)
- Most prolific well to date recently tested over 10 MMcfe/d

## Greater Buffalo Wallow Area Geologic Zones



*“Cordillera Acquisition Will Make Forest The Most Active Driller In The Texas Panhandle”*

# East Texas Asset Attributes



- 50,300 gross acres near Forest's existing acreage of 143,000 gross acres in East Texas / North Louisiana
- Approximately 349 identified locations with current spacing (249 locations unbooked)
- Horizontal potential in Cotton Valley, Pettet, James Lime and Haynesville / Bossier
- Total estimated proved reserves of 144 Bcfe
- Haynesville / Bossier deep rights included on 24,000 gross (15,000 net) acres

	Forest	Acq.	Pro Forma
Gross Acres	143,000	50,300	193,300
Proved Reserves (Bcfe)	435 *	144 **	579
Unbooked Inventory	3,122	249	3,371

\* Based on December 31, 2007 estimated proved reserves pro forma for the Ark-La-Tex acquisition that closed on May 2, 2008

\*\* Based on Forest's internal estimates as of July 1, 2008

***“Combined Property Set Will Make Forest The 5<sup>th</sup> Most Active Driller In East Texas”***

# 2008 Acquisitions and Divestitures

- Forest's major acquisitions this year are expected to total approximately \$1.2 billion evenly split between the Greater Buffalo Wallow Area and East Texas / North Louisiana
- Total 2008 acquisitions have initial estimated proved reserves of 460 Bcfe, 47 MMcfe/d of production and 132,000 net acres with 2,200 identified unbooked drilling locations and unrisks potential of 1.6 Tcfe
- Forest announced plans to divest non-core properties of \$800 million to \$1.1 billion
- Sale properties are estimated to have estimated proved reserves of 300 – 350 Bcfe and 75 – 80 MMcfe/d of production
- Sale proceeds received to date are approximately \$100 million

***“Significant Non-Core Producing Assets And Capacity In Credit Facility Allows Forest To ‘Drive To The Core’ Regardless Of External Capital Markets”***

# Successful Acquire & Exploit Results

*Does Not Include 2008 Acquisitions*

June 30, 2008

	INVESTMENT ( \$MM )	RESERVES ( Bcfe )	COST ( \$ / Mcfe )
Original Acquisition	2,820	1,359	2.08
Cash Flow / Production	(2,066)	(325)	6.36
Special Dividend* <i>(Unocal and Wiser Offshore)</i>	(464)	(95)	4.88
Subtotal	290	939	0.31
Capital Projects	1,682	728	2.31
<b>Total Investment</b>	<b>1,972</b>	<b>1,667</b>	<b>1.18</b>

- 90% of original investment paid out - 69% of reserves remaining
- 30% of total investment paid out - 123% of reserves remaining

\* *Mariner dividend occurred on 3/2/06 and included properties from both the Unocal and Wiser acquisitions. Also includes sale leaseback of drilling rigs for \$65 MM.*



# 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
Total	<u>2,452</u>	<u>2.15</u>	<u>1,900</u>	<u>2.25</u>	<u>4,352</u>	<u>2.19</u>

***“Forest’s Capital Efficiency Strategy And Financial Flexibility Should Allow For Predictable And Competitive Finding Costs In Any Environment”***

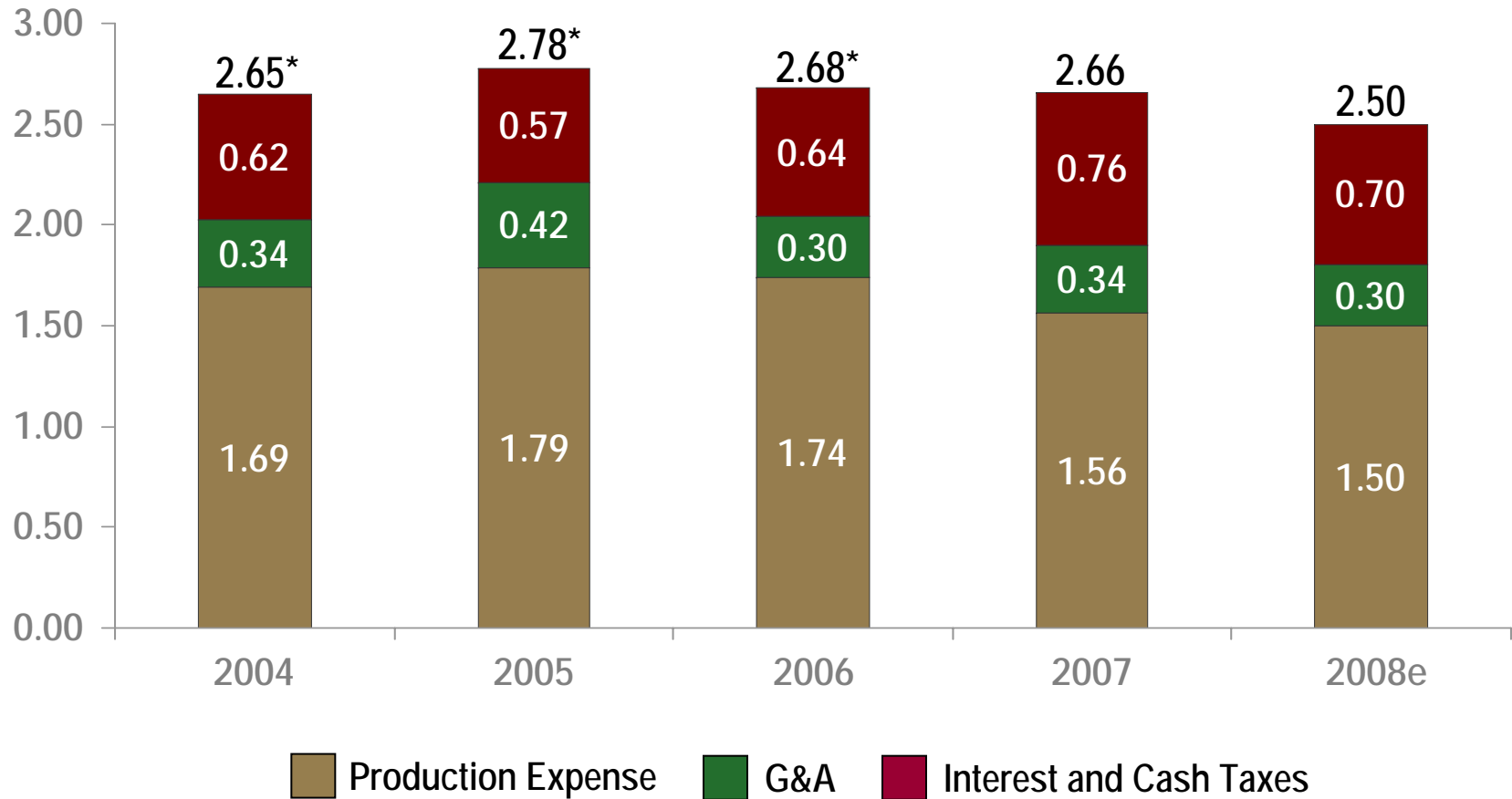
\* Pro forma for the spin-off of the Gulf of Mexico operations

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



# Total Cash Costs Per Unit Profile

(\$ / Mcfe)



*“Always Focus on Cost”*

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



# Summary of Forest Oil

- Capital programs and rig activity in Core Areas designed to yield 15% organic growth
- Test New “Frontier” Program concepts that have potential to develop into large scale development drilling opportunities
- Fund this activity by selling lower growth assets
- Result of these steps combined with a higher ratio of capital to cash flow should result in a charged up FST model
  - Higher organic growth targeting double digits
  - Low cost producer with rig ownership and substantial cash flow
  - More liquidity and less leverage as property sales pre-fund additional spending

**Same Business Tenants + Increased Focus = Higher Growth At Lower Cost**



# Investment Proposition

- Portfolio management has created substantial North American tight-gas sand and shale assets; Most active driller in Texas Panhandle and 5<sup>th</sup> most active in East Texas/North Louisiana
- 18,969 fully developed locations provide over 17.1 Tcfe of additional net unrisks potential
- Forest paid a \$1 billion special dividend in 2006
- Despite high quality assets, proven track record of management, substantial upside in asset portfolio and stewardship of capital structure, FST presently trades at low end of peer group
- Greater allocation of capital to Core Areas and emerging shale plays should eliminate the valuation gap

***“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).

