

FOREST OIL CORP
Form S-4
February 08, 2007

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[INDEX TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS](#)

[TABLE OF CONTENTS](#)

As filed with the Securities and Exchange Commission on February 8, 2007

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Forest Oil Corporation

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

1311
(Primary Standard Industrial
Classification Code Number)
707 17th Street, Suite 3600
Denver, Colorado 80202
(303) 812-1400

25-0484900
(I.R.S. Employer
Identification Number)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Cyrus D. Marter IV
Vice President General Counsel and Secretary
Forest Oil Corporation
707 17th Street, Suite 3600
Denver, Colorado 80202
(303) 812-1400

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Alan P. Baden
Shelley A. Barber
Scott N. Wulfe
Vinson & Elkins L.L.P.
666 Fifth Avenue, 26th Floor
New York, New York 10103
(212) 237-0000

Copies To:
Carolyn M. Campbell
Senior Vice President and General
Counsel
The Houston Exploration Company
1100 Louisiana Street, Suite 2000
Houston, Texas 77002
(713) 830-6800

Christine B. LaFollette
Mark Zvonkovic
Jennifer De la Rosa
Akin Gump Strauss Hauer & Feld
LLP
1111 Louisiana Street, 44th Floor
Houston, Texas 77002
(713) 220-5800

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

Edgar Filing: FOREST OIL CORP - Form S-4

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be registered(2)	Proposed maximum offering price per share	Proposed maximum aggregate offering price(3)	Amount of registration fee
Common stock, par value \$0.10 per share	25,057,407	\$32.65	\$818,124,339	\$87,540

- (1) This registration statement also covers the associated preferred stock purchase rights (the "Rights") issued pursuant to the Amended and Restated Rights Agreement dated as of October 17, 2003, between the registrant and Mellon Investor Services, LLC, as rights agent. Until the occurrence of certain events, the Rights will not be exercisable for or evidenced separately from the shares of common stock of the registrant.
- (2) Represents the maximum number of shares of the common stock of the registrant that may be issued to former stockholders of The Houston Exploration Company ("Houston Exploration") pursuant to the merger described herein, giving effect to the exercise of outstanding options to acquire Houston Exploration common stock.
- (3) Pursuant to Rules 457(c) and 457(f) of the Securities Act of 1933, as amended, and estimated solely for purposes of calculating the registration fee, the proposed maximum aggregate offering price is based on the average of the high and low sales prices of Forest common stock, as reported on the New York Stock Exchange on February 2, 2007, and computed based on the estimated maximum number of shares that may be exchanged for the common stock of the registrant being registered, including shares issuable upon the exercise of outstanding options to acquire Houston Exploration common stock.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this joint proxy statement/prospectus is not complete and may be changed. Forest Oil Corporation may not distribute or issue the shares of Forest Oil Corporation common stock being registered pursuant to this registration statement until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to distribute these securities and Forest Oil Corporation is not soliciting offers to receive these securities in any state where such offer or distribution is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 8, 2007

To the Shareholders of Forest Oil Corporation and the Stockholders of The Houston Exploration Company:

The boards of directors of Forest Oil Corporation and The Houston Exploration Company have each approved an agreement and plan of merger pursuant to which Houston Exploration will merge with and into Forest. Pursuant to the merger agreement, Forest will issue to Houston Exploration's stockholders approximately 23.6 million shares of Forest common stock and will pay to Houston Exploration's stockholders approximately \$740 million in cash (based on the number of outstanding shares of Houston Exploration common stock on January 4, 2007). Because the value of the per share merger consideration is determined in part based on the average of the closing prices of shares of Forest common stock on the New York Stock Exchange during a trading period that ends just prior to the effective time of the merger, the actual amount of cash or number of shares of Forest common stock that each Houston Exploration stockholder will be entitled to receive for each share of Houston Exploration common stock cannot be determined until the effective time of the merger and will not be known at the time of the special meeting of Houston Exploration stockholders to vote upon the merger agreement. The formula that will determine the amount of per share merger consideration that Houston Exploration stockholders will be entitled to receive is described on pages 93 and 94 of this joint proxy statement/prospectus. The tables on pages 4 and 96 of this joint proxy statement/prospectus give calculations of the merger consideration that Houston Exploration stockholders will be entitled to receive over a hypothetical range of average Forest common stock values.

Forest will hold a special meeting of its shareholders and Houston Exploration will hold a special meeting of its stockholders in connection with the proposed merger. At the Forest special meeting, Forest shareholders will be asked to consider a proposal to approve the issuance of additional shares of Forest common stock in the merger. Forest shareholders will also be asked to approve the adoption of Forest's 2007 Stock Incentive Plan. At the Houston Exploration special meeting, Houston Exploration stockholders will be asked to adopt the agreement and plan of merger, dated as of January 7, 2007, among Forest, its wholly owned subsidiary, MJCO Corporation, a Delaware corporation, and Houston Exploration, which agreement is referred to as the merger agreement. In the merger, MJCO Corporation will merge with and into Houston Exploration, with Houston Exploration surviving the merger as a wholly owned subsidiary of Forest. Immediately thereafter, Houston Exploration will merge with and into Forest, with Forest surviving the merger and continuing its corporate existence.

Houston Exploration stockholders may elect to receive either cash or shares of Forest common stock or a combination of cash and shares of Forest common stock for each share of Houston Exploration common stock they hold, subject in each case to proration as set forth in the merger agreement and as described in this joint proxy statement/prospectus. **Regardless of whether Houston Exploration stockholders elect to receive cash, shares of Forest common stock or a combination of cash and shares of Forest common stock, or make no election, the merger agreement contains provisions designed to cause the value of the per share consideration they receive to be substantially equivalent.**

Shares of Forest common stock trade on the New York Stock Exchange under the symbol "FST." We estimate that immediately after the effective time of the merger, former Houston Exploration stockholders will hold shares of Forest common stock representing approximately 27% of the then-outstanding diluted shares of Forest common stock (based on the number of outstanding shares of Houston Exploration common stock on January 4, 2007).

The merger cannot be completed unless (i) Forest shareholders approve the issuance of additional shares of Forest common stock in the merger by the affirmative vote of the holders of a majority of the votes cast at a meeting at which a majority of the outstanding shares of Forest common stock are present and voting and (ii) Houston Exploration stockholders adopt the merger agreement by the affirmative vote of the holders of at least a majority of the shares of Houston Exploration common stock outstanding on _____, 2007, the record date for the Houston Exploration special meeting.

The Forest board of directors has unanimously approved the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that Forest shareholders vote FOR the proposal to issue additional shares of Forest common stock in the merger. The Houston Exploration board of directors has unanimously approved the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that Houston Exploration stockholders vote FOR the proposal to adopt the merger agreement, which is described in detail in this joint proxy statement/prospectus.

In considering the recommendation of the Houston Exploration board of directors, stockholders of Houston Exploration should be aware that members of the board of directors and executive officers of Houston Exploration have agreements and arrangements that provide them with interests in the merger that differ from, or are in addition to, those of Houston Exploration stockholders generally. See "The Merger Interests of the Directors and Executive Officers of Houston Exploration in the Merger."

The board of directors of Forest has also adopted the Forest Oil Corporation 2007 Stock Incentive Plan, subject to approval by the shareholders of Forest. As of January 31, 2007, a total of 664,757 shares remained available for issuance under the Forest 2001 Stock Incentive Plan. The Forest board of directors believes that the adoption of the Forest 2007 Stock Incentive Plan is necessary to provide additional incentives and reward opportunities to its employees and to ensure that Forest has a sufficient number of shares available under its stock incentive plans to issue stock options to certain Houston Exploration employees as provided in the merger agreement. In the merger agreement, Forest has agreed that, on or before the fifth business day following the date on which the effective time of the merger occurs, Forest will grant a stock option to each Houston Exploration employee who (1) has remained continuously employed by Forest and its subsidiaries from the effective time of the merger to the date of grant and (2) held immediately prior to the effective time of the merger an unexercised Houston Exploration stock option that had an exercise price per share at such time equal to or greater than \$54.18. If the Forest 2007 Stock Incentive Plan is not approved by the Forest shareholders, Forest is obligated under the merger agreement to issue the stock options described in the preceding sentence under the New York Stock Exchange's "new hire exception" rule.

The Forest board of directors has unanimously adopted the Forest 2007 Stock Incentive Plan and unanimously recommends that Forest shareholders vote FOR the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan.

The accompanying joint proxy statement/prospectus contains detailed information about the merger, the merger agreement and the special meetings and also contains information with respect to the approval of the adoption of the Forest 2007 Stock Incentive Plan. This document is also a prospectus for the additional shares of Forest common stock that will be issued pursuant to the merger. **We encourage Forest shareholders and Houston Exploration stockholders to read this joint proxy statement/prospectus carefully and in its entirety before voting, including the section entitled "Risk Factors" beginning on page 27.**

Your vote is very important. Whether or not you plan to attend the Forest special meeting or the Houston Exploration special meeting, please take the time to submit your proxy by completing and mailing the enclosed proxy card or, if the option is available to you, in the case of Forest shareholders only, by granting your proxy electronically over the Internet or by telephone. If your shares of Forest common stock or Houston Exploration common stock are held in "street name," you must instruct your broker how to vote such shares.

[insert signature]

H. Craig Clark
President and Chief Executive Officer
Forest Oil Corporation

[insert signature]

William G. Hargett
Chairman, Chief Executive Officer and President
The Houston Exploration Company

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or has passed upon the adequacy or accuracy of the disclosure in this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated _____, 2007, and is first being mailed to Forest shareholders and Houston Exploration stockholders on or about _____, 2007.

Edgar Filing: FOREST OIL CORP - Form S-4

Forest Oil Corporation
707 17th Street, Suite 3600
Denver, Colorado 80202

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON _____, 2007

To the Shareholders of Forest Oil Corporation:

We will hold a special meeting of shareholders of Forest Oil Corporation on _____, 2007 at _____ a.m., Denver time, at _____, for the following purposes:

1. to consider and vote on the proposal to approve the issuance of additional shares of Forest common stock pursuant to the Agreement and Plan of Merger, dated as of January 7, 2007 (which we refer to as the merger agreement), by and among Forest, MJCO Corporation, a Delaware corporation and a wholly owned subsidiary of Forest, and The Houston Exploration Company, as the agreement may be amended from time to time;
2. to consider and vote upon the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan; and
3. to transact any other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

Only Forest shareholders of record at the close of business on _____, 2007, the record date for the Forest special meeting, are entitled to notice of, and to vote at, the Forest special meeting and any adjournments or postponements of the Forest special meeting.

The Forest board of directors has unanimously approved the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that you vote FOR the proposal to approve the issuance of additional shares of Forest common stock in the merger pursuant to the merger agreement, which is described in detail in this joint proxy statement/prospectus.

The Forest board of directors has unanimously adopted the Forest 2007 Stock Incentive Plan and unanimously recommends that you vote FOR the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan, which is described in detail in this joint proxy statement/prospectus.

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting, please submit a proxy as soon as possible. To submit a proxy, call the toll-free telephone number listed on your proxy card, use the internet as described on the enclosed proxy card, or complete, sign, date and mail your proxy card. Submitting a proxy will assure that your vote is counted at the meeting if you do not attend in person. If your shares of Forest common stock are held in "street name" by your broker or other nominee, only that holder can vote your shares of Forest common stock and the vote cannot be cast unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares of Forest common stock. You may revoke your proxy at any time before it is voted. Please review the joint proxy statement/prospectus accompanying this notice for more complete information regarding the merger and the special meeting.

By Order of the Board of Directors of
Forest Oil Corporation,

[insert signature]

Cyrus D. Marter IV
Vice President General Counsel and Secretary
Denver, Colorado, _____, 2007

The Houston Exploration Company
1100 Louisiana Street, Suite 2000
Houston, Texas 77002

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON _____, 2007

To the Stockholders of The Houston Exploration Company:

We will hold a special meeting of stockholders of Houston Exploration on _____, 2007 at _____ a.m., Houston time, at _____, for the following purposes:

1. to consider and vote on the proposal to adopt the Agreement and Plan of Merger, dated as of January 7, 2007 (which we refer to as the merger agreement), by and among Forest Oil Corporation, MJCO Corporation, a Delaware corporation and a wholly owned subsidiary of Forest, and Houston Exploration, as the agreement may be amended from time to time; and
2. to transact any other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

Only Houston Exploration stockholders of record at the close of business on _____, 2007, the record date for the Houston Exploration special meeting, are entitled to notice of, and to vote at, the Houston Exploration special meeting and any adjournments or postponements of the Houston Exploration special meeting.

The Houston Exploration board of directors has unanimously approved the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that you vote FOR the proposal to adopt the merger agreement, which is described in detail in this joint proxy statement/prospectus.

In considering the recommendation of the Houston Exploration board of directors, stockholders of Houston Exploration should be aware that members of the board of directors and executive officers of Houston Exploration have agreements and arrangements that provide them with interests in the merger that differ from, or are in addition to, those of Houston Exploration stockholders. See "The Merger Interests of the Directors and Executive Officers of Houston Exploration in the Merger."

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting, please submit a proxy as soon as possible. To submit a proxy, complete, sign, date and mail your proxy card. Submitting a proxy will assure that your vote is counted at the meeting if you do not attend in person. If your shares of Houston Exploration common stock are held in "street name" by your broker or other nominee, only that holder can vote your shares of Houston Exploration common stock and the vote cannot be cast unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares of Houston Exploration common stock. You may revoke your proxy at any time before it is voted. Please review the joint proxy statement/prospectus accompanying this notice for more complete information regarding the merger and the special meeting.

By Order of the Board of Directors of
The Houston Exploration Company,

[insert signature]

Carolyn M. Campbell
Senior Vice President and General Counsel
Houston, Texas, _____, 2007

Edgar Filing: FOREST OIL CORP - Form S-4

ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates by reference important business and financial information about Forest and Houston Exploration from documents that are not included or delivered with this joint proxy statement/prospectus. See "Where You Can Find More Information; Incorporation by Reference" beginning on page 150.

Documents incorporated by reference are available to Forest shareholders and Houston Exploration stockholders without charge upon written or oral request, excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference as an exhibit in this joint proxy statement/prospectus. You can obtain any of these documents by requesting them in writing or by telephone from the appropriate company.

Forest Oil Corporation
707 17th Street, Suite 3600
Denver, Colorado 80202
Attention: Investor Relations
Telephone number: (303) 812-1400
www.forestoil.com

The Houston Exploration Company
1100 Louisiana Street, Suite 2000
Houston, Texas 77002
Attention: Investor Relations
Telephone number: (713) 830-6800
www.houstonexploration.com

In order for you to receive timely delivery of the documents in advance of the applicable special meeting, Forest or Houston Exploration, as applicable, should receive your request by no later than _____, 2007.

ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form S-4 filed with the U.S. Securities and Exchange Commission, which is referred to as the SEC, by Forest (File No. 333-_____), constitutes a prospectus of Forest under Section 5 of the U.S. Securities Act of 1933, as amended, which is referred to as the Securities Act, with respect to the additional shares of Forest common stock to be issued to Houston Exploration stockholders in the merger pursuant to the merger agreement. This document also constitutes a notice of meeting and a proxy statement under Section 14(a) of the U.S. Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, with respect to the special meeting of Forest shareholders, at which Forest shareholders will be asked to consider and vote upon a proposal to approve the issuance of additional shares of Forest common stock in the merger pursuant to the merger agreement and a proposal to vote to approve the adoption of the Forest 2007 Stock Incentive Plan, and with respect to the special meeting of Houston Exploration stockholders, at which Houston Exploration stockholders will be asked to consider and vote upon a proposal to adopt the merger agreement.

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE MERGER

SUMMARY

The Companies

The Merger

Merger Consideration

Election of Merger Consideration

Completion and Delivery of the Election Form

Treatment of Stock Options, Restricted Stock and Restricted Stock Unit Awards

Recommendation of Forest Board of Directors

Recommendation of Houston Exploration Board of Directors

Shareholders and Stockholders Entitled to Vote; Vote Required

Opinions of Financial Advisors

Directors and Executive Officers of Forest After the Merger

Executive Offices of Forest After the Merger

Ownership of Forest After the Merger

Share Ownership of Directors and Officers of Houston Exploration

Interests of Directors and Executive Officers of Houston Exploration in the Merger

Voting Agreement and Standstill Agreement

Listing of Shares of Forest Common Stock; Delisting and Deregistration of Shares of Houston

Exploration Common Stock

Appraisal Rights in the Merger

Conditions to the Completion of the Merger

Regulatory Approvals Required for the Merger

No Solicitation

Termination of the Merger Agreement

Termination Fees

Certain Material U.S. Federal Income Tax Consequences of the Merger

Accounting Treatment

Payment of Dividends

Financing of the Merger

Comparison of Rights of Houston Exploration Stockholders and Forest Shareholders

Adoption of the Forest 2007 Stock Incentive Plan

SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION OF FOREST

SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION OF HOUSTON
EXPLORATION

SUMMARY UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

UNAUDITED COMPARATIVE PER SHARE DATA

COMPARATIVE FOREST AND HOUSTON EXPLORATION MARKET PRICE DATA AND
DIVIDEND INFORMATION

RISK FACTORS

Risk Factors Relating to the Merger

Risk Factors Relating to Forest Following the Merger

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

THE FOREST SPECIAL MEETING

Date, Time, Place and Purpose of the Forest Special Meeting
Who Can Vote at the Forest Special Meeting
Vote Required for Approval: Quorum
Adjournments
Manner of Voting
Revoking a Proxy
Shares Held in "Street Name"
Tabulation of the Votes
Solicitation

THE HOUSTON EXPLORATION SPECIAL MEETING

Date, Time, Place and Purpose of the Houston Exploration Special Meeting
Who Can Vote at the Houston Exploration Special Meeting
Vote Required for Approval: Quorum
Adjournments
Manner of Voting
Revoking a Proxy
Shares Held in "Street Name"
Tabulation of the Votes
Solicitation

THE MERGER

General
Background of the Merger
Recommendation of the Forest Board of Directors and Its Reasons for the Merger
Recommendation of the Houston Exploration Board of Directors and Its Reasons for the Merger
Opinion of Forest's Financial Advisor
Opinion of Houston Exploration's Financial Advisor
Interests of the Directors and Executive Officers of Houston Exploration in the Merger
Voting Agreement
Standstill Agreement
Conditions to the Consummation of the Merger
Certain Material U.S. Federal Income Tax Consequences
Accounting Treatment
Listing of Forest Common Stock
Delisting and Deregistration of Houston Exploration Common Stock
Restrictions on Sales of Shares of Forest Common Stock Received in the Merger

THE MERGER AGREEMENT

Structure of the Merger
Effective Time of the Merger
Merger Consideration
Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration; Proration
Representations and Warranties
Conditions to the Completion of the Merger
Conduct of Business Pending the Merger
Covenants
Termination of the Merger Agreement

APPRAISAL RIGHTS

Filing Written Demand
Notice by the Surviving Corporation
Filing a Petition for Appraisal
Determination of Fair Value

FINANCING OF THE MERGER

COMPARISON OF RIGHTS OF HOUSTON EXPLORATION STOCKHOLDERS AND FOREST SHAREHOLDERS

Authorized Capital
Number and Election of Directors
Removal of Directors
Filling Vacancies on the Board of Directors
Shareholder and Stockholder Meetings and Provisions for Notices; Proxies
Voting by Shareholders and Stockholders
Stockholder Action Without a Meeting
Amendment of Certificate of Incorporation
Amendment of Bylaws

PROPOSAL TO APPROVE THE ADOPTION OF THE FOREST 2007 STOCK INCENTIVE PLAN

Number of Shares Subject to the Forest 2007 Stock Incentive Plan and Award Limits
Eligibility and Participation in the Forest 2007 Stock Incentive Plan
Administration
Term of Forest 2007 Stock Incentive Plan
Stock Options
Restricted Stock
Performance Awards
Phantom Stock Awards
Corporate Change and Other Adjustments
Amendments
U.S. Federal Income Tax Aspects of the Forest 2007 Stock Incentive Plan
Inapplicability of ERISA

STOCKHOLDER PROPOSALS

Forest 2007 Annual Shareholder Meeting and Shareholder Proposals
Houston Exploration 2007 Annual Stockholder Meeting and Stockholder Proposals

LEGAL MATTERS

EXPERTS

WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE

GLOSSARY OF OIL AND GAS TERMS

INDEX TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

ANNEXES

Annex A Agreement and Plan of Merger
Annex B Opinion of Credit Suisse Securities (USA) LLC
Annex C Opinion of Lehman Brothers Inc.
Annex D Section 262 of the General Corporation Law of the State of Delaware
Annex E Forest Oil Corporation 2007 Stock Incentive Plan

QUESTIONS AND ANSWERS ABOUT THE MERGER

The following are some questions that Forest shareholders and Houston Exploration stockholders may have regarding the proposed merger and the proposals being considered at the Forest and Houston Exploration special meetings and brief answers to those questions. Forest and Houston Exploration urge you to read carefully the remainder of this joint proxy statement/prospectus because the information in this section does not provide all the information that might be important to you. Additional important information is also contained in the annexes to, and the documents incorporated by reference in, this joint proxy statement/prospectus. Unless stated otherwise, all references in this joint proxy statement/prospectus to Forest are to Forest Oil Corporation, a New York corporation; all references to Houston Exploration are to The Houston Exploration Company, a Delaware corporation; all references to Merger Sub are to MJCO Corporation, a Delaware corporation and a wholly owned subsidiary of Forest; and all references to the merger agreement are to the Agreement and Plan of Merger, dated as of January 7, 2007, by and among Forest, Merger Sub and Houston Exploration, a copy of which is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference herein. For an explanation of oil and gas abbreviations and terms used in this joint proxy statement/prospectus, see "Glossary of Oil and Gas Terms" beginning on page 153.

Q:
What is the proposed transaction?

A:
Forest and Houston Exploration have entered into a merger agreement, pursuant to which Merger Sub will merge with and into Houston Exploration, with Houston Exploration surviving the merger as a wholly owned subsidiary of Forest, and immediately thereafter, Houston Exploration will merge with and into Forest, with Forest surviving the merger and continuing its corporate existence (together, these transactions are referred to herein as the merger).

Q:
Why are Forest and Houston Exploration proposing the merger?

A:
The boards of directors of Forest and Houston Exploration believe that the merger will position the combined company as one of the top independent onshore North American exploration and production companies with a highly concentrated and complementary set of oil and natural gas assets focused in four attractive onshore basins (East Texas, the Texas Panhandle, the Permian Basin and South Texas) and with synergies in field operations and the processing and marketing of gas. The boards of directors of Forest and Houston Exploration also believe that the merger should be accretive to Forest's shareholders, including those who owned shares of Houston Exploration prior to the merger and will receive Forest common stock in the merger, during 2007 and 2008 with respect to per share cash flow, reserves and production. To review the reasons for the merger in greater detail, see "The Merger Recommendation of the Forest Board of Directors and Its Reasons for the Merger," and "The Merger Recommendation of the Houston Exploration Board of Directors and Its Reasons for the Merger."

Q:
Why am I receiving this joint proxy statement/prospectus?

A:
Forest shareholders are being asked to approve (1) the issuance of additional shares of Forest common stock in the merger pursuant to the merger agreement and (2) the adoption of the Forest Oil Corporation 2007 Stock Incentive Plan, which is referred to herein as the Forest 2007 Stock Incentive Plan. Under the New York Business Corporation Law and the rules of the New York Stock Exchange, referred to as the NYSE, which govern Forest, approval of the issuance of additional shares of Forest common stock in the merger pursuant to the merger agreement and the adoption of the Forest 2007 Stock Incentive Plan requires the affirmative vote of the holders of a majority of the votes cast at a meeting at which a majority of the outstanding shares of Forest common stock are present and voting. If a Forest shareholder attends but fails to vote, or if a Forest shareholder abstains, that will be considered in determining the presence of a quorum, but will not constitute a vote cast and, accordingly, will have no effect on the outcome of the vote. A

Edgar Filing: FOREST OIL CORP - Form S-4

broker will not be able to vote shares of Forest common stock held in "street name" unless the beneficial owner of those shares instructs such broker how to vote. The approval by Forest shareholders of the issuance of additional shares of Forest common stock in the merger pursuant to the merger agreement is a condition to the completion of the merger.

Houston Exploration stockholders are being asked to adopt the merger agreement. Under the General Corporation Law of the State of Delaware, which governs Houston Exploration, adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Houston Exploration common stock entitled to vote. Accordingly, if a Houston Exploration stockholder fails to vote, or if a Houston Exploration stockholder abstains, that will have the same effect as a vote against adoption of the merger agreement. A broker will not be able to vote shares of Houston Exploration common stock held in "street name" unless the beneficial owner of those shares instructs such broker how to vote. Adoption of the merger agreement by Houston Exploration stockholders is a condition to the completion of the merger.

This joint proxy statement/prospectus contains important information about the proposed merger, the merger agreement and the special meetings, all of which you should read carefully before voting. The enclosed voting materials allow you to cause your shares of Forest common stock or Houston Exploration common stock to be voted without attending the Forest special meeting or the Houston Exploration special meeting, as applicable, in person.

Your vote is very important. You are encouraged to submit a proxy as soon as possible.

Q:

What is the amount of cash and/or the number of shares of Forest common stock that Houston Exploration stockholders will be entitled to receive for their shares of Houston Exploration common stock?

A:

Based on the number of outstanding shares of Houston Exploration common stock on January 4, 2007, Forest will issue approximately 23.6 million shares of Forest common stock in the merger, representing approximately 37.5% of the shares of Forest common stock outstanding immediately prior to the merger, and will pay approximately \$740 million in cash to Houston Exploration stockholders in the merger pursuant to the merger agreement, subject in each case to upward adjustment in the event that any shares of Houston Exploration common stock are issued in accordance with the merger agreement upon the exercise of outstanding Houston Exploration options or otherwise.

Under the merger agreement, the actual amount of cash or number of shares of Forest common stock that each Houston Exploration stockholder will be entitled to receive for each share of Houston Exploration common stock they hold cannot be determined until the effective time of the merger. Those amounts will be determined based on a formula set forth in the merger agreement and described in this joint proxy statement/prospectus. The per share consideration will be equal to the aggregate value of all shares of Forest common stock and cash being issued pursuant to the merger divided by the total number of shares of Houston Exploration common stock outstanding immediately prior to the effective time of the merger. The value of the shares of Forest common stock for these purposes, or average Forest common stock value, as it is referred to in this joint proxy statement/prospectus, will be the ten consecutive trading-day average of the closing prices of shares of Forest common stock on the NYSE, as reported by *The Wall Street Journal*, ending three calendar days before the effective time of the merger or, if such calendar day is not a trading day, then ending on the trading day immediately preceding such calendar day. The tables on pages 4 and 96 of this joint proxy statement/prospectus set forth the per share cash consideration and the per share stock consideration that would be received by Houston Exploration stockholders based on a range of hypothetical average Forest common stock values. For a more complete description of what Houston Exploration stockholders will be entitled to receive pursuant to the merger, see "The Merger Agreement Merger Consideration."

Q: If I am a Houston Exploration stockholder, when must I elect the type of merger consideration that I prefer to receive?

A: Holders of Houston Exploration common stock who wish to elect the type of merger consideration they prefer to receive pursuant to the merger should carefully review and follow the instructions set forth in the election form provided to Houston Exploration stockholders. These instructions require that a properly completed and signed election form, along with your shares of Houston Exploration common stock, be received by the exchange agent by the election deadline, which is 5:00 p.m., New York City time, on _____, 2007. If a Houston Exploration stockholder does not submit a properly completed and signed election form to the exchange agent by the election deadline, then such stockholder will have no control over the type of merger consideration such stockholder will receive and, consequently, may receive only cash, only shares of Forest common stock, or a combination of cash and shares of Forest common stock pursuant to the merger. For a more complete description of what Houston Exploration stockholders will be entitled to receive pursuant to the merger, see "The Merger Agreement Merger Consideration."

Q: What will happen in the proposed merger to options to purchase Houston Exploration common stock and other stock-based awards that have been granted to employees and directors of Houston Exploration?

A: Prior to the effective time of the merger, Houston Exploration will take all actions necessary under the Houston Exploration stock plans to cause each holder of an outstanding Houston Exploration stock option immediately prior to the effective time to have the right to exercise such stock option in full, whether or not vested, prior to the effective time of the merger. To the extent any Houston Exploration stock option that has an exercise price that is equal to or greater than the per share consideration is not exercised prior to the effective time of the merger, such stock option will be cancelled and no consideration will be paid in connection with such cancellation. To the extent any Houston Exploration stock option that has an exercise price per share that is less than the per share consideration is not exercised immediately prior to the effective time of the merger, which stock option is referred to herein as an in-the-money stock option, such in-the-money stock option will be cancelled and converted into the right to receive, from Forest, as soon as practicable following the effective time of the merger, an amount in cash, less any applicable withholding taxes and without interest, equal to the product of (1) the excess of the per share consideration over the per share exercise price of Houston Exploration common stock subject to such in-the-money stock option, multiplied by (2) the number of shares of Houston Exploration common stock subject to such in-the-money stock option immediately prior to the effective time of the merger, whether or not vested. As of the effective time of the merger, all Houston Exploration stock options will no longer be outstanding and will automatically cease to exist, and each holder of a Houston Exploration stock option will cease to have any rights with respect to such Houston Exploration stock option, except, with respect to in-the-money stock options, the right to receive the payment described in the immediately preceding sentence.

A holder of Houston Exploration stock options who wishes to have the right to elect whether and to what extent such holder wishes to receive cash or shares of Forest common stock or a combination of cash and shares of common stock in the merger may exercise his or her stock options, to the extent then vested and exercisable, sufficiently in advance of the election deadline and return a properly completed election form prior to the election deadline of 5:00 p.m., New York City time, on _____, 2007 with respect to the shares of Houston Exploration common stock issued upon exercise.

The restrictions on each restricted share of Houston Exploration common stock granted and then outstanding under the Houston Exploration stock plans will lapse immediately prior to the effective time of the merger. Each such share of Houston Exploration restricted stock will be fully

Edgar Filing: FOREST OIL CORP - Form S-4

vested in each holder thereof at the effective time of the merger and will be treated at the effective time of the merger the same as, and have the same rights and be subject to the same conditions as, each share of Houston Exploration common stock not subject to any restrictions; provided that, upon vesting, the holder may satisfy the applicable withholding tax obligation by returning a number of shares of Houston Exploration common stock equal in value to such obligation.

Immediately prior to the effective time of the merger, each restricted stock unit award granted and then outstanding under the Houston Exploration stock plans will be fully vested in each holder thereof and the underlying shares of Houston Exploration common stock will be issued and will be treated at the effective time of the merger the same as, and will have the same rights and be subject to the same conditions as, other shares of Houston Exploration common stock; provided, that, upon vesting and issuance, the holder may satisfy the applicable withholding tax obligation by returning a number of shares of Houston Exploration common stock equal in value to such obligation.

All Houston Exploration stock plans and any other plan providing for the issuance, transfer or grant of any capital stock of Houston Exploration will terminate as of the effective time of the merger.

In addition, on or before the fifth business day following the date on which the effective time of the merger occurs, Forest will grant a stock option to each Houston Exploration employee who (1) has remained continuously employed by Forest and its subsidiaries from the effective time of the merger to the date of grant and (2) held immediately prior to the effective time of the merger an unexercised Houston Exploration stock option that had an exercise price per share at such time equal to or greater than \$54.18.

Q: What conditions are required to be fulfilled to complete the merger?

A: Forest and Houston Exploration are not required to complete the merger unless certain specified conditions are satisfied or waived. These conditions include approval by Forest shareholders of the issuance of the additional shares of Forest common stock to be issued in the merger pursuant to the merger agreement, adoption by Houston Exploration stockholders of the merger agreement, the effectiveness of the Form S-4 registration statement, of which this joint proxy statement/prospectus constitutes a part, relating to the additional shares of Forest common stock to be issued in the merger pursuant to the merger agreement, and expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (which occurred on February 8, 2007). There can be no assurance that such conditions will be satisfied. For a more complete summary of the conditions that must be satisfied or waived prior to the effective time of the merger, see "The Merger Agreement Conditions to the Completion of the Merger" beginning on page 106.

Q: Are there risks associated with the merger that I should consider in deciding how to vote?

A: Yes. You should carefully read the detailed description of the risks associated with the merger and the operations of Forest after the merger described in "Risk Factors" beginning on page 27.

Q: What are the tax consequences of the merger?

A: Forest and Houston Exploration each expect the merger to qualify as a reorganization pursuant to section 368(a) of the Internal Revenue Code of 1986, as amended, referred to as the Internal Revenue Code. The U.S. federal income tax consequences of a reorganization to an exchanging Houston Exploration stockholder will depend on whether such stockholder receives only shares of Forest common stock, only cash, or a combination of Forest common stock and cash in exchange for its Houston Exploration common stock.

Please review carefully the information under the caption "The Merger Certain Material U.S. Federal Income Tax Consequences" beginning on page 86 for a description of certain material U.S. federal income tax consequences of the merger. The tax consequences to you will depend on your own situation. Please consult your tax advisors for a full understanding of the tax consequences of the merger to you.

Q:
How will Forest finance the cash component of the merger?

A:
On January 5, 2007, Forest, J.P. Morgan Securities Inc. and JPMorgan Chase Bank, N.A. entered into a commitment letter and fee letter with respect to the financing of the merger and the related transactions and the refinancing of certain of Forest's existing debt. The commitment letter provides for a commitment of an aggregate of up to \$1.4 billion in financing under a five-year amended and restated revolving credit facility consisting of a \$1.25 billion U.S. facility and a \$150 million Canadian facility, which credit facilities will amend and restate Forest's existing credit facilities and are referred to as the credit facilities. Forest expects to finance the cash portion of the merger consideration, which is expected to be approximately \$740 million in cash (based on the number of outstanding shares of Houston Exploration common stock on January 4, 2007), through borrowings under the credit facilities. Forest expects also to use the credit facilities to pay for related merger costs and expenses, refinance existing debt of Forest and Houston Exploration and for general corporate purposes. See "Financing of the Merger" beginning on page 132.

Q:
When do Forest and Houston Exploration expect to complete the merger?

A:
Forest and Houston Exploration are working to complete the merger as quickly as practicable. Forest and Houston Exploration currently expect to complete the merger during the second quarter of 2007. However, neither Forest nor Houston Exploration can predict the exact timing of the effective time of the merger because it is subject to certain conditions both within and beyond their respective control. See "The Merger Agreement Conditions to the Completion of the Merger" beginning on page 106.

Q:
Are Houston Exploration stockholders entitled to appraisal rights?

A:
If, pursuant to the terms of the merger agreement, including the equalization and proration provisions, any Houston Exploration stockholders who elected stock are required to accept cash (other than cash in lieu of fractional shares of Forest common stock) in the merger in exchange for their stock election shares, appraisal rights will be available to all Houston Exploration stockholders. It is not clear, however, whether appraisal rights will be available under Delaware law if no Houston Exploration stockholders who elect stock are in fact required to accept cash (other than cash in lieu of fractional shares of Forest common stock) in the merger in exchange for their stock election shares. Houston Exploration stockholders who wish to seek appraisal are in any case urged to seek the advice of counsel with respect to the availability of appraisal rights. If appraisal rights are available, holders of shares of Houston Exploration common stock who do not vote in favor of the adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares, but only if they submit a written demand for such an appraisal prior to the vote on the adoption of the merger agreement and they comply with the other Delaware law procedures and requirements explained in this joint proxy statement/prospectus. See "Appraisal Rights" beginning on page 127.

Q:
How does the Forest board of directors recommend that Forest shareholders vote?

A:
The Forest board of directors has determined that the merger agreement is advisable and the transactions contemplated by the merger agreement, including the issuance of additional shares of Forest common stock in the merger, are in the best interests of the Forest shareholders and unanimously recommends that Forest shareholders vote FOR the proposal to approve the issuance of additional shares of Forest common stock in the merger pursuant to the merger agreement. For

Edgar Filing: FOREST OIL CORP - Form S-4

a more complete description of the recommendation of the Forest board of directors, see "The Merger Recommendation of the Forest Board of Directors and Its Reasons for the Merger" beginning on page 57.

The Forest board of directors has unanimously adopted the Forest 2007 Stock Incentive Plan and unanimously recommends that Forest shareholders vote FOR the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan, which is described in detail in this joint proxy statement/prospectus. See "Proposal to Approve the Adoption of the Forest 2007 Stock Incentive Plan" beginning on page 137.

Q: How does the Houston Exploration board of directors recommend that Houston Exploration stockholders vote?

A: The Houston Exploration board of directors has determined that the merger agreement is advisable and the transactions contemplated by the merger agreement are in the best interests of the Houston Exploration stockholders and unanimously recommends that Houston Exploration stockholders vote FOR the proposal to adopt the merger agreement. For a more complete description of the recommendation of the Houston Exploration board of directors, see "The Merger Recommendation of the Houston Exploration Board of Directors and Its Reasons for the Merger" beginning on page 59.

Q: When and where is the special meeting of the Forest shareholders?

A: The Forest special meeting will take place on _____, 2007 at _____ a.m., Denver time at _____.

Q: When and where is the special meeting of the Houston Exploration stockholders?

A: The Houston Exploration special meeting will be held on _____, 2007 at _____ a.m., Houston time, at _____.

Q: Who can attend and vote at the special meetings?

A: All Forest shareholders of record as of the close of business on _____, 2007, the record date for the Forest special meeting, are entitled to receive notice of and to vote at the Forest special meeting.

All Houston Exploration stockholders of record as of the close of business on _____, 2007, the record date for the Houston Exploration special meeting, are entitled to receive notice of and to vote at the Houston Exploration special meeting.

Q: How will Forest shareholders be affected by the merger and share issuance?

A: After the merger, each Forest shareholder will have the same number of shares of Forest common stock that the shareholder held immediately prior to the merger. However, because Forest will be issuing new shares of Forest common stock to Houston Exploration stockholders in the merger, each outstanding share of Forest common stock immediately prior to the merger will represent a smaller percentage of the aggregate number of shares of Forest common stock outstanding after the merger. As a result of the merger, each Forest shareholder will own shares in a larger company with more assets.

Q: Why is the Forest 2007 Stock Incentive Plan being adopted?

A: Forest shareholders will vote at the Forest special meeting on a proposal to approve the adoption of the Forest 2007 Stock Incentive Plan. As of January 31, 2007, a total of 664,757 shares remained available for issuance under the Forest 2001 Stock Incentive Plan. The Forest board of directors believes that the adoption of the Forest 2007 Stock Incentive Plan is necessary to provide additional incentives and reward opportunities to its employees and to ensure that Forest has a

Edgar Filing: FOREST OIL CORP - Form S-4

sufficient number of shares available under its stock incentive plans to issue stock options to certain Houston Exploration employees as provided in the merger agreement. In the merger agreement, Forest has agreed that, on or before the fifth business day following the date on which the effective time of the merger occurs, Forest will grant a stock option to each Houston Exploration employee who (1) has remained continuously employed by Forest and its subsidiaries from the effective time of the merger to the date of grant and (2) held immediately prior to the effective time of the merger an unexercised Houston Exploration stock option that had an exercise price per share at such time equal to or greater than \$54.18. If the adoption of the Forest 2007 Stock Incentive Plan is not approved by the Forest shareholders, Forest is obligated under the merger agreement to issue the stock options described in the preceding sentence under the NYSE's "new hire exception" rule.

Neither the merger nor the approval of the issuance of additional shares of Forest common stock in the merger is conditioned upon approval of the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan. Further, approval of the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan is not conditioned upon approval of the issuance of additional shares of Forest common stock in the merger. However, if the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan is approved by the Forest shareholders and the merger is consummated, then 2.7 million shares of Forest common stock will be available for issuance under the Forest 2007 Stock Incentive Plan. If the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan is approved by the Forest shareholders, but the merger is not consummated, then 1.8 million shares of Forest common stock will be available for issuance under the Forest 2007 Stock Incentive Plan.

Q:

What do I need to do now?

A:

After you have carefully read this joint proxy statement/prospectus, please respond by completing, signing and dating your proxy card and returning it in the enclosed postage-paid envelope or, if available in the case of Forest shareholders only, by submitting your proxy by telephone or through the Internet as soon as possible so that your shares of Forest common stock or Houston Exploration common stock will be represented and voted at the applicable special meeting.

Please refer to your proxy card or the information forwarded by your broker or other nominee to see which options are available to you.

The Internet and telephone proxy submission procedures are designed to authenticate stockholders and to allow you to confirm that your instructions have been properly recorded.

The method by which you submit a proxy will in no way limit your right to vote at the Forest special meeting or Houston Exploration special meeting if you later decide to attend the meeting in person. If your shares of Forest common stock or Houston Exploration common stock are held in the name of a broker or other nominee, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote at the applicable special meeting.

All shares of Forest common stock entitled to vote and represented by properly completed proxies received prior to the Forest special meeting, and not revoked, will be voted at the Forest special meeting as instructed on the proxies. **If you properly complete and sign your proxy card but do not indicate how your shares of Forest common stock should be voted on a matter, the shares of Forest common stock represented by your proxy will be voted as the Forest board of directors recommends and therefore FOR the issuance of additional shares of Forest common stock in the merger pursuant to the merger agreement and FOR the approval of the adoption of the Forest 2007 Stock Incentive Plan.**

All shares of Houston Exploration common stock entitled to vote and represented by properly completed proxies received prior to the Houston Exploration special meeting, and not revoked,

will be voted at the Houston Exploration special meeting as instructed on the proxies. **If you properly complete and sign your proxy card but do not indicate how your shares of Houston Exploration common stock should be voted on a matter, the shares of Houston Exploration common stock represented by your proxy will be voted as the Houston Exploration board of directors recommends and therefore FOR the adoption of the merger agreement.**

Q: If I am a Houston Exploration stockholder, should I send in my stock certificates with my proxy card?

A: No. Please **DO NOT** send your Houston Exploration stock certificates with your proxy card. Rather, prior to the election deadline, which is 5:00 p.m., New York City time, on _____, 2007, you will need to send your Houston Exploration common stock certificates to the exchange agent, together with your completed, signed election form. If your shares of Houston Exploration common stock are held in "street name" by your broker or other nominee, you should follow your broker's or other nominee's instructions for making an election with respect to your shares of Houston Exploration common stock.

Q: Can I change my vote after I have delivered my proxy?

A: Yes. You may change your vote at any time before your proxy is voted at the Forest special meeting or the Houston Exploration special meeting, as applicable. You can do this in any of the three following ways:

by sending a written notice to the Secretary of Forest or Houston Exploration, as applicable, in time to be received before the Forest special meeting or the Houston Exploration special meeting, as applicable, stating that you would like to revoke your proxy;

by completing, signing and dating a later proxy card or, in the case of Forest shareholders only, by submitting a later proxy through the Internet or by telephone, in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

if you are a holder of record, by attending the special meeting and voting in person. Simply attending the Forest special meeting or Houston Exploration special meeting without voting will not revoke your proxy or change your vote.

If your shares of Forest common stock or Houston Exploration common stock are held in an account at a broker or other nominee and you desire to change your vote, you should contact your broker or other nominee.

Q: What should I do if I receive more than one set of voting materials for the Forest special meeting or the Houston Exploration special meeting?

A: You may receive more than one set of voting materials for the Forest special meeting or the Houston Exploration special meeting, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares of Forest common stock or Houston Exploration common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares of Forest common stock or Houston Exploration common stock. If you are a holder of record and your shares of Forest common stock or Houston Exploration common stock are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

Q: **If my shares of Forest common stock or Houston Exploration common stock are held in "street name" by my broker or other nominee, will my broker or other nominee vote my shares of Forest common stock or Houston Exploration common stock for me?**

A: Your broker will NOT vote your shares of Forest common stock or Houston Exploration common stock held in "street name" unless you instruct your broker how to vote. In connection with the Forest special meeting, "broker non-votes" will be considered in determining the presence of a quorum, but will not constitute votes cast and, accordingly, will have no effect on the outcome of the Forest shareholder vote. In connection with the Houston Exploration special meeting, "broker non-votes" will have the same effect as a vote AGAINST the adoption of the merger agreement. You should therefore provide your broker or other nominee with instructions as to how to vote your shares of Forest common stock or Houston Exploration common stock.

Q: **Who can answer my questions?**

A: If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this joint proxy statement/prospectus, the enclosed proxy card, voting instructions or the election form, you should contact:

Georgeson Inc.
17 State Street 10th Floor
New York, NY 10004
Banks and Brokers call (212) 440-9800
Forest shareholders call toll-free 1 (866) 783-6390
Houston Exploration stockholders call toll-free 1 (866) 783-6553

SUMMARY

The following is a summary that highlights information contained in this joint proxy statement/prospectus. This summary may not contain all of the information that is important to you. For a more complete description of the merger agreement and the transactions contemplated by the merger agreement, Forest and Houston Exploration encourage you to carefully read this entire joint proxy statement/prospectus, including the attached annexes. In addition, Forest and Houston Exploration encourage you to read the information incorporated by reference into this joint proxy statement/prospectus, which includes important business and financial information about Forest and Houston Exploration that has been filed with the SEC. You may obtain the information incorporated by reference into this joint proxy statement/prospectus without charge by following the instructions in the section entitled "Where You Can Find More Information; Incorporation by Reference" on page 150.

The Companies

Forest Oil Corporation. Forest is an independent oil and gas company engaged in the acquisition, exploration, development and production of natural gas and liquids primarily in North America. Forest was incorporated in New York in 1924, as the successor to a company formed in 1916, and has been a publicly held company since 1969. Forest conducts its operations in five business units: the Western United States, Southern United States (formerly the Gulf Coast business unit), Canada, Alaska and International. Forest conducts exploration and development activities in each of its North American core areas and in its international locations; however, all of its estimated proved reserves and producing properties are located in North America. While discoveries of oil and gas have been made in Forest's International business unit, no proven reserves have been recorded to date. At December 31, 2006, approximately 84% of Forest's estimated proved oil and gas reserves were in the United States and approximately 16% were in Canada. Forest's total estimated proved reserves as of December 31, 2006 were 1,455 billion cubic feet equivalent, or Bcfe.

On March 2, 2006, Forest completed the spin-off of its offshore Gulf of Mexico operations by means of a special stock dividend, which consisted of a pro rata spin-off of all outstanding shares of Forest Energy Resources, Inc. to holders of record of Forest common stock as of the close of business on February 21, 2006. Immediately following the spin-off, Forest Energy Resources, Inc. was merged with a subsidiary of Mariner Energy, Inc. in a stock-for-stock transaction. As a result of the spin-off, Forest is now a company focused on longer-lived onshore resources with a significant drilling inventory and an acquisition track record.

On January 7, 2007, Forest announced that it will seek this year to sell substantially all of its oil and gas producing properties in Alaska in order to reduce its leverage and to further narrow its geographic focus.

Forest common stock is traded on the NYSE under the symbol "FST."

Forest's principal executive offices are located at 707 17th Street, Denver, Colorado 80202, and its telephone number is (303) 812-1400.

The Houston Exploration Company. Houston Exploration is an independent natural gas and oil producer engaged in the exploration, development, exploitation and acquisition of natural gas and oil reserves in North America. Houston Exploration was founded in December 1985 as a Delaware corporation and wholly owned subsidiary of its then parent company, KeySpan Corporation. Houston Exploration completed its initial public offering in September 1996. Through three separate transactions, the last of which occurred in November 2004, KeySpan completely divested its ownership in the common stock of Houston Exploration. During the first half of 2006, Houston Exploration completed the sale of substantially all of its Gulf of Mexico assets, implementing the previously announced plan to shift its operating focus onshore. Houston Exploration currently has operations in four producing regions within the United States: South Texas; the Arkoma Basin of Arkansas and

Oklahoma; East Texas; and the Uinta and DJ Basins in the Rocky Mountains. Houston Exploration's total estimated proved reserves as of December 31, 2006 were 699 Bcfe.

Houston Exploration common stock is traded on the NYSE under the symbol "THX."

Houston Exploration's principal executive offices are located at 1100 Louisiana Street, Suite 2000, Houston, Texas 77002, and its telephone number is (713) 830-6800.

Merger Sub. Merger Sub is a wholly owned subsidiary of Forest and is incorporated under the laws of the State of Delaware. Merger Sub was formed on December 22, 2006 solely for the purpose of effecting the merger. Merger Sub has not conducted any business operations other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

The principal executive offices of Merger Sub are located at 707 17th Street, Denver, Colorado 80202, and its telephone number is (303) 812-1400.

The Merger (see page 42)

Forest and Houston Exploration have agreed to combine their businesses pursuant to the merger agreement described in this joint proxy statement/prospectus. Under the terms of the merger agreement, Merger Sub will merge with and into Houston Exploration, with Houston Exploration surviving the merger as a wholly owned subsidiary of Forest, and immediately thereafter, Houston Exploration will merge with and into Forest, with Forest surviving the merger and continuing its corporate existence.

The merger agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference herein. Forest and Houston Exploration encourage you to read the merger agreement in its entirety because it is the legal document that governs the merger.

Merger Consideration (see page 93)

The merger agreement provides that at the effective time of the merger, each outstanding share of Houston Exploration common stock will be converted into the right to receive either a number of shares of Forest common stock or an amount of cash or a combination of Forest common stock and cash, subject to the election and proration procedures described in this joint proxy statement/prospectus. The actual amount of cash or number of shares of Forest common stock that Houston Exploration stockholders will be entitled to receive for each share of Houston Exploration common stock they hold cannot be determined until the effective time of the merger. Those amounts will be determined based on the formula set forth in the merger agreement and described in "The Merger Agreement Merger Consideration" beginning on page 93 of this joint proxy statement/prospectus. The formula is designed to substantially equalize the value of the consideration to be received for each share of Houston Exploration common stock, at the time the calculation is made, regardless of whether Houston Exploration stockholders elect to receive cash, shares of Forest common stock or a combination of cash and shares of Forest common stock, or make no election. Forest and Houston Exploration believe this equalization mechanism is desirable because the market value of the shares of Forest common stock will fluctuate between January 7, 2007, the date the parties entered into the merger agreement, and the effective time of the merger. The value of the merger consideration to be received with respect to each share of Houston Exploration common stock will be equal to \$26.25 plus approximately \$0.84 per \$1.00 of average Forest common stock value.

The aggregate amount of cash and the total number of shares of Forest common stock to be paid and issued, respectively, pursuant to the merger agreement are fixed (subject in each case to upward adjustment in the event that any shares of Houston Exploration common stock are issued in accordance with the merger agreement pursuant to the exercise of outstanding Houston Exploration stock options or otherwise). Because the amount of cash and the number of shares of Forest common stock to be

paid and issued, respectively, pursuant to the merger agreement are fixed, the percentage of shares of Houston Exploration common stock that will be exchanged for shares of Forest common stock and the percentage that will be exchanged for cash will depend upon the average Forest common stock value. The higher the average Forest common stock value is, the greater the percentage of shares of Houston Exploration common stock that will be exchanged for shares of Forest common stock and the lower the average Forest common stock value is, the greater the percentage of shares of Houston Exploration common stock that will be exchanged for cash.

For example, if the average Forest common stock value is \$30.00, a Houston Exploration stockholder receiving only shares of Forest common stock in exchange for shares of Houston Exploration common stock would receive 1.7150 shares of Forest common stock per share of Houston Exploration common stock, with a value of \$51.45 per share of Houston Exploration common stock based on such average Forest common stock value, and a Houston Exploration stockholder receiving only cash in exchange for shares of Houston Exploration common stock would receive \$51.45 in cash per share of Houston Exploration common stock. The exact amount of Forest common stock and cash each Houston Exploration stockholder will receive in exchange for such holder's shares of Houston Exploration common stock is subject to the proration procedures described below. Based on an average Forest common stock value of \$30.00, approximately 49% of the outstanding shares of Houston Exploration common stock would be exchanged for shares of Forest common stock, and approximately 51% would be exchanged for cash.

Assuming a hypothetical average Forest common stock value of \$31.22, which was the closing price of shares of Forest common stock on January 5, 2007, the merger consideration would have a value of approximately \$52.47 per share of Houston Exploration common stock. Assuming a hypothetical average Forest common stock value of \$, which was the closing price of shares of Forest common stock on , 2007, the last business day prior to the date of this joint proxy statement/prospectus, the merger consideration would have a value of approximately \$ per share of Houston Exploration common stock. Assuming a hypothetical average Forest common stock value of \$ based on the average of the per share closing prices of shares of Forest common stock as reported in *The Wall Street Journal* during the 10 consecutive trading day period ending on , 2007 (which is the latest practicable trading day prior to the date of this joint proxy statement/prospectus), the merger consideration would have a value of approximately \$ per share of Houston Exploration common stock.

The following table sets forth, based on various hypothetical average Forest common stock values, the per share cash consideration and the per share stock consideration, as well as the value of such per share stock consideration based on the hypothetical average Forest common stock values. The table also shows the percentage of outstanding shares of Houston Exploration common stock that would be converted into shares of Forest common stock and cash based on such average Forest common stock values.

Edgar Filing: FOREST OIL CORP - Form S-4

Average Forest Common Stock Value	Per Share Cash Consideration	Per Share Forest Common Stock Consideration (# of Forest Shares)	Value of Per Share Forest Common Stock Consideration(1)	Approximate Percentage of Merger Consideration	
				In Cash	In Common Stock
\$ 25.00	\$ 47.25	1.8900	\$ 47.25	55.56%	44.44%
26.00	48.09	1.8496	48.09	54.59	45.41
27.00	48.93	1.8122	48.93	53.65	46.35
28.00	49.77	1.7775	49.77	52.74	47.26
29.00	50.61	1.7452	50.61	51.87	48.13
30.00	51.45	1.7150	51.45	51.02	48.98
31.00	52.29	1.6868	52.29	50.20	49.80
32.00	53.13	1.6603	53.13	49.41	50.59
33.00	53.97	1.6355	53.97	48.64	51.36
34.00	54.81	1.6121	54.81	47.89	52.11
35.00	55.65	1.5900	55.65	47.17	52.83

(1) Based on the hypothetical average Forest common stock values.

The actual value of the cash consideration or number of shares of Forest common stock that Houston Exploration stockholders will be entitled to receive for each share of Houston Exploration common stock held may differ from the hypothetical amounts shown in these examples because the actual amounts can only be determined at the effective time of the merger based on a formula set forth in the merger agreement and described in this joint proxy statement/prospectus.

Following the effective time of the merger, Houston Exploration stockholders are expected to own approximately 27% of Forest on a diluted basis, based on the outstanding shares of Forest common stock and Houston Exploration common stock on January 4, 2007.

No assurance can be given that the average Forest common stock value as calculated under the merger agreement will equal the fair market value of Forest common stock on the date that the merger consideration is received by a Houston Exploration stockholder or at any other time. The actual fair market value of the shares of Forest common stock received by Houston Exploration stockholders will depend upon the market price of shares of Forest common stock upon receipt, which may be higher or lower than the average Forest common stock value or the market price of shares of Forest common stock on the date the merger was announced, on the date this joint proxy statement/prospectus is mailed to Forest shareholders and Houston Exploration stockholders, on the date a Houston Exploration stockholder makes an election with respect to the merger consideration, or on the date of the Forest special meeting or the Houston Exploration special meeting.

Election of Merger Consideration (see page 99)

Houston Exploration stockholders may elect to receive cash, shares of Forest common stock or a combination of cash and shares of Forest common stock in exchange for each of their shares of Houston Exploration common stock. However, since Forest is delivering a fixed number of shares of Forest common stock and paying a fixed amount of cash (subject in each case to upward adjustment in the event that any shares of Houston Exploration common stock are issued in accordance with the merger agreement pursuant to the exercise of outstanding Houston Exploration stock option or otherwise), Houston Exploration stockholders cannot be certain of receiving the form of consideration that they elect with respect to all of their shares of Houston Exploration common stock. If the elections result in an oversubscription of the pool of cash or shares of Forest common stock, certain proration procedures for allocating cash and shares of Forest common stock among Houston Exploration stockholders will be followed by the exchange agent. See "The Merger Agreement Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration; Proration."

Completion and Delivery of the Election Form (see page 100)

Houston Exploration stockholders should have received an election form with instructions for making cash and Forest common stock elections along with this joint proxy statement/prospectus. Houston Exploration stockholders should properly complete and deliver to the exchange agent their election form along with their stock certificates (or a properly completed notice of guaranteed delivery in lieu of the stock certificates or, in the case of Houston Exploration shares held in book entry form, any additional documents specified in the election form). Houston Exploration stockholders should not send their stock certificates or election form with their proxy card.

Election forms and stock certificates (or a properly completed notice of guaranteed delivery in lieu of the stock certificates or, in the case of Houston Exploration shares held in book entry form, any additional documents specified in the election form) must be received by the exchange agent by the election deadline, which is 5:00 p.m., New York City time, on _____, 2007. Once Houston Exploration stockholders tender their stock certificates to the exchange agent, they may not transfer their shares of Houston Exploration common stock until the merger is completed, unless they revoke their election by written notice to the exchange agent that is received prior to the election deadline.

If any Houston Exploration stockholder fails to submit a properly completed election form, together with its stock certificates (or a properly completed notice of guaranteed delivery), prior to the election deadline, such stockholder will be deemed not to have made an election. Any stockholder making no election will be paid consideration per share equivalent to the amount paid per share to holders making elections, but may be paid in all cash, all shares of Forest common stock, or part cash and part shares of Forest common stock, depending on the remaining pool of cash and shares of Forest common stock available for paying merger consideration after honoring the elections that other Houston Exploration stockholders have made.

If Houston Exploration stockholders own shares of Houston Exploration common stock in "street name" through a broker or other nominee and wish to make an election, they should seek instructions from the broker or other nominee holding their shares of Houston Exploration common stock concerning how to make their election.

If the merger agreement is not adopted by Houston Exploration stockholders, or the issuance of additional shares of Forest common stock is not approved by Forest shareholders, stock certificates will be returned by the exchange agent by first class mail or through book-entry transfer (in the case of shares of Houston Exploration common stock delivered in book-entry form to the exchange agent).

Treatment of Stock Options, Restricted Stock and Restricted Stock Unit Awards (see page 102)

Prior to the effective time of the merger, Houston Exploration will take all actions necessary under the Houston Exploration stock plans to cause each holder of an outstanding Houston Exploration stock option immediately prior to the effective time to have the right to exercise such stock option in full, whether or not vested, prior to the effective time of the merger. To the extent any Houston Exploration stock option that has an exercise price that is equal to or greater than the per share consideration is not exercised prior to the effective time of the merger, such stock option will be cancelled and no consideration will be paid in connection with such cancellation.

To the extent any Houston Exploration stock option that has an exercise price per share that is less than the per share consideration is not exercised immediately prior to the effective time of the merger, which stock option is referred to herein as an "in-the-money stock option," such in-the-money stock option will be cancelled and converted into the right to receive, from Forest, as soon as practicable following the effective time of the merger, an amount in cash, less any applicable withholding taxes and without interest, equal to the product of (1) the excess of the per share consideration over the per share exercise price of Houston Exploration common stock subject to such in-the-money stock option, multiplied by (2) the number of shares of Houston Exploration common stock subject to such

in-the-money stock option immediately prior to the effective time of the merger, whether or not vested. As of the effective time of the merger, all Houston Exploration stock options will no longer be outstanding and will automatically cease to exist, and each holder of a Houston Exploration stock option will cease to have any rights with respect to such Houston Exploration stock option, except, with respect to in-the-money stock options, the right to receive the payment described in the immediately preceding sentence.

All Houston Exploration stock plans and any other plan providing for the issuance, transfer or grant of any capital stock of Houston Exploration will terminate as of the effective time of the merger.

A holder of Houston Exploration stock options who wishes to have the right to elect whether and to what extent such holder wishes to receive cash or shares of Forest common stock in the merger should exercise his or her stock options, to the extent then vested and exercisable, in accordance with the relevant plan sufficiently in advance of the election deadline and return a properly completed election form prior to the election deadline of 5:00 p.m., New York City time, on _____, 2007 with respect to the shares of Houston Exploration common stock issued upon exercise. Shares of Houston Exploration common stock issuable upon the exercise of options exercised after the election deadline but prior to the effective time of the merger will be treated as shares with respect to which no election has been made.

The restrictions on each restricted share of Houston Exploration common stock granted and then outstanding under the Houston Exploration stock plans will lapse immediately prior to the effective time of the merger. Each such share of Houston Exploration restricted stock will be fully vested in each holder thereof at the effective time of the merger and will be treated at the effective time of the merger the same as, and have the same rights and be subject to the same conditions as, each share of Houston Exploration common stock not subject to any restrictions; provided, that, upon vesting, the holder may satisfy the applicable withholding tax obligation by returning a number of shares of Houston Exploration common stock equal in value to such obligation.

Immediately prior to the effective time of the merger, each restricted stock unit award granted and then outstanding under the Houston Exploration stock plans will be fully vested in each holder thereof, and the underlying shares of Houston Exploration common stock will be issued and will be treated at the effective time of the merger the same as, and will have the same rights and be subject to the same conditions as, other shares of Houston Exploration common stock; provided, that, upon vesting and issuance, the holder may satisfy the applicable withholding tax obligation by returning a number of shares of Houston Exploration common stock equal in value to such obligation.

In addition, on or before the fifth business day following the date on which the effective time of the merger occurs, Forest will grant a stock option to each Houston Exploration employee who (1) has remained continuously employed by Forest and its subsidiaries from the effective time of the merger to the date of grant and (2) held immediately prior to the effective time of the merger an unexercised Houston Exploration stock option that had an exercise price per share at such time equal to or greater than \$54.18. The stock option granted to each such Houston Exploration employee will (a) cover a number of shares of Forest common stock equal to the number of shares of Houston Exploration common stock subject to the Houston Exploration stock option described in clause (2) of the immediately preceding sentence and with respect to which such Houston Exploration stock option was not exercised prior to the effective time of the merger, (b) have an exercise price per share of Forest common stock equal to the fair market value of a share of Forest common stock as of the date of grant, (c) not constitute an incentive stock option (within the meaning of section 422 of the Internal Revenue Code), and (d) be subject to such other terms and conditions as are set forth in Forest's standard form of stock option agreement which will be used to evidence such grant. As of January 31, 2007, Forest expects to grant stock options covering a maximum of 748,688 shares of Forest common stock to such Houston Exploration employees pursuant to the provisions described in this paragraph, which number will decrease if the employment of any of such Houston Exploration employees

terminates prior to the date of grant. In addition, while neither Forest nor the Houston Exploration officers to whom approximately 45% of these options are expected to be issued have announced formal decisions regarding post-merger employment, it is likely that a substantial portion of these options will not vest and will terminate unexercised because their holders will not remain employed by Forest beyond the 60-day transition period during which such officers have agreed to remain employed by the combined company.

Recommendation of Forest Board of Directors (see page 57)

The Forest board of directors has determined unanimously that the merger agreement is advisable and the transactions contemplated by the merger agreement, including the issuance of additional shares of Forest common stock in the merger, are in the best interests of the Forest shareholders, and has unanimously approved the merger agreement and the transactions contemplated by the merger agreement. **The Forest board of directors unanimously recommends that Forest shareholders vote FOR the proposal to approve the issuance of additional shares of Forest common stock in the merger.**

The Forest board of directors has unanimously adopted the Forest 2007 Stock Incentive Plan and unanimously recommends that Forest shareholders vote FOR the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan.

Recommendation of Houston Exploration Board of Directors (see page 59)

The Houston Exploration board of directors has determined unanimously that the merger agreement is advisable and the transactions contemplated by the merger agreement are in the best interests of the Houston Exploration stockholders, and has unanimously approved the merger agreement and the transactions contemplated by the merger agreement. **The Houston Exploration board of directors unanimously recommends that Houston Exploration stockholders vote FOR the proposal to adopt the merger agreement.**

Shareholders and Stockholders Entitled to Vote; Vote Required (see pages 36 and 39)

Forest

Forest shareholders can vote at the Forest special meeting if they owned shares of Forest common stock at the close of business on _____, 2007, which is referred to as the Forest record date. On the Forest record date, there were _____ shares of Forest common stock outstanding and entitled to vote at the Forest special meeting, held by approximately _____ shareholders of record. Forest shareholders may cast one vote for each share of Forest common stock that they owned on the Forest record date.

The affirmative vote of the holders of a majority of the votes cast at the special meeting, at which a quorum is present, is required to approve the issuance of additional shares of Forest common stock in the merger pursuant to the merger agreement and to approve the adoption of the Forest 2007 Stock Incentive Plan.

Abstentions will be counted in determining whether a quorum is present at the Forest special meeting. However, an abstention will not constitute a vote cast and, accordingly, will have no effect on the outcome of the vote.

Your vote is very important. You are encouraged to vote as soon as possible. If you do not indicate how your shares of Forest common stock should be voted, the shares of Forest common stock represented by your properly completed proxy will be voted as the Forest board of directors recommends and therefore FOR the issuance of additional shares of Forest common stock in the merger and FOR the approval of the adoption of the Forest 2007 Stock Incentive Plan.

Houston Exploration

Houston Exploration stockholders can vote at the Houston Exploration special meeting if they owned shares of Houston Exploration common stock at the close of business on _____, 2007, which is referred to as the Houston Exploration record date. On the Houston Exploration record date, there were _____ shares of Houston Exploration common stock outstanding and entitled to vote at the Houston Exploration special meeting, held by approximately _____ stockholders of record. Houston Exploration stockholders may cast one vote for each share of Houston Exploration common stock that they owned on the Houston Exploration record date.

The affirmative vote of the holders of a majority of the shares of Houston Exploration common stock entitled to vote at the special meeting and outstanding as of the Houston Exploration record date, voting as single class, either in person or by proxy, is necessary for the adoption of the merger agreement.

Abstentions will be counted in determining whether a quorum is present at the Houston Exploration special meeting. However, an abstention will have the same effect as a vote against the proposal to adopt the merger agreement.

Your vote is very important. You are encouraged to vote as soon as possible. If you do not indicate how your shares of Houston Exploration common stock should be voted, the shares of Houston Exploration common stock represented by your properly completed proxy will be voted as the Houston Exploration board of directors recommends and therefore FOR the adoption of the merger agreement.

Opinions of Financial Advisors (see pages 61 and 69)

Opinion of Forest's Financial Advisor

In connection with the merger, Forest's financial advisor, Credit Suisse Securities (USA) LLC, which is referred to as Credit Suisse, delivered a written opinion dated January 7, 2007 to the Forest board as to the fairness, from a financial point of view and as of the date of the opinion, to Forest of the consideration to be paid by Forest in the merger. The full text of Credit Suisse's written opinion, dated January 7, 2007 is attached to this joint proxy statement/prospectus as Annex B. Holders of Forest common stock are encouraged to read the opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the scope of the review undertaken. **Credit Suisse's opinion was provided to the Forest board of directors in connection with its evaluation of the consideration to be paid by Forest in the merger, does not address any other aspect of the proposed merger and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act on any matter relating to the merger.**

Opinion of Houston Exploration's Financial Advisor

Houston Exploration engaged Lehman Brothers Inc., which is referred to as Lehman Brothers, to act as Houston Exploration's financial advisor in connection with the proposed merger. On January 7, 2007, Lehman Brothers rendered its opinion as to the fairness, from a financial point of view, as of such date and based upon and subject to certain matters stated in the opinion letter, of the consideration to be offered in the merger to Houston Exploration's stockholders.

The full text of the written opinion of Lehman Brothers, dated January 7, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/prospectus as Annex C, and you are encouraged to read the opinion in its entirety. **Lehman Brothers' opinion was provided for the information and assistance of Houston Exploration's board of directors in connection with its consideration of the merger, and the opinion does not constitute a recommendation as to how any holder of shares of Houston Exploration common stock should vote or make any election with respect to such merger.**

Directors and Executive Officers of Forest After the Merger

The directors and executive officers of Forest prior to the merger will continue as the directors and executive officers of Forest after the merger.

Executive Offices of Forest After the Merger

The corporate headquarters of Forest after the merger will remain in Denver, Colorado. Forest expects to create a new business unit to be located in Houston, Texas.

Ownership of Forest After the Merger

Based on the number of shares of Houston Exploration common stock outstanding on January 4, 2007, Forest would issue approximately 23.6 million shares of Forest common stock in the merger, representing approximately 27% of the outstanding common stock of Forest on a diluted basis. Those amounts will be adjusted upwards depending on the actual number of shares of Houston Exploration common stock outstanding at the effective time of the merger, which will increase if Houston Exploration issues any shares in accordance with the terms of the merger agreement, such as pursuant to the exercise of options to purchase Houston Exploration common stock. Assuming exercise of all outstanding options to purchase shares of Houston Exploration common stock, Forest would issue approximately 25 million shares of Forest common stock in the merger, representing approximately 28% of the outstanding common stock of Forest on a diluted basis. Consequently, Houston Exploration stockholders, as a general matter, will have less influence over the management and policies of Forest than they currently exercise over the management and policies of Houston Exploration. Funds controlled by JANA Partners LLC, which is referred to as JANA, currently own approximately 14.7% of Houston Exploration's outstanding common stock and may receive shares representing up to approximately 8% of Forest's outstanding common stock in exchange for their shares of Houston Exploration common stock in the merger. JANA has entered into a standstill agreement with Forest pursuant to which it agreed not to take certain actions with respect to Forest for a period expiring one year following the effective time of the merger. See "The Merger Standstill Agreement."

Share Ownership of Directors and Officers of Houston Exploration

At the close of business on January 31, 2007, the directors and officers of Houston Exploration and their affiliates beneficially owned and were entitled to vote approximately 658,815 shares of Houston Exploration common stock, collectively representing approximately 2.3% of the shares of Houston Exploration common stock outstanding and entitled to vote on that date.

Interests of Directors and Executive Officers of Houston Exploration in the Merger (see page 80)

In considering the recommendation of the Houston Exploration board of directors with respect to the merger agreement, Houston Exploration stockholders should be aware that certain members of the Houston Exploration board of directors and certain of Houston Exploration's executive officers have interests in the transactions contemplated by the merger agreement that may be different from, or in addition to, the interests of Houston Exploration stockholders generally. These interests may include, among other things, the following:

severance benefits for certain executive officers whose employment is terminated under certain circumstances after the effective time of the merger;

the accelerated vesting of, and payment in the merger with respect to, certain stock options and lapse of restrictions on shares of restricted stock for certain directors and executive officers;

Houston Exploration's executive officers will be entitled to a "stay-on" bonus pursuant to the Houston Exploration Change of Control Plan in the amount of 125% of the officer's target bonus, payable one-half on or as soon as reasonably practical following the merger and the

Edgar Filing: FOREST OIL CORP - Form S-4

remaining one-half 60 days after the merger, or the date of the executive officer's termination of employment, if earlier;

Houston Exploration's executive officers and other employees will become 100% vested in their unvested accrued benefits under the Houston Exploration 401(k) Plan and Trust, the Houston Exploration Supplemental Executive Retirement Plan and the Houston Exploration 2005 Executive Deferred Compensation Plan;

an executive officer's benefit under the Houston Exploration Supplemental Executive Retirement Plan will be paid in a lump sum cash payment (rather than in the form of an annuity) if the executive officer's employment is terminated by Forest without cause or the executive officer resigns for good reason within two years following the merger;

certain of Houston Exploration's executive officers may be offered employment with Forest after the effective time of the merger;

certain of Houston Exploration's executive officers may be entitled to the grant of stock options to acquire Forest common stock, which options would be granted within five business days after the effective time of the merger; and

all current and certain former directors and officers will be indemnified by Forest with respect to acts or omissions by them in their capacities as such prior to the effective time of the merger.

The Houston Exploration board of directors was aware of these interests and considered them, among other matters, in making its recommendation. See "The Merger Recommendation of the Houston Exploration Board of Directors and Its Reasons for the Merger."

Voting Agreement and Standstill Agreement (see pages 84 and 85)

Concurrently with the execution of the merger agreement, Forest and Merger Sub entered into a voting agreement with JANA Master Fund, Ltd. and JANA Piranha Master Fund, Ltd., collectively referred to as the JANA funds. As of January 7, 2007, JANA beneficially owned approximately 14.7% of the total issued and outstanding shares of Houston Exploration's common stock. During the term of the voting agreement, the JANA funds have agreed to vote their shares of Houston Exploration's common stock in favor of the merger and the adoption of the merger agreement and against any transaction that would impede or delay the merger, and have granted Forest a proxy to vote their shares at any meeting of the stockholders of Houston Exploration convened for such matters. The voting agreement will terminate on the first to occur of certain dates, including the effective time of the merger, any date that Houston Exploration's board of directors withdraws or adversely modifies or amends its approval of or recommendation to adopt the merger agreement or recommends another acquisition proposal as contemplated by the terms of the merger agreement, the date of any material amendment to the merger agreement that is adverse to Houston Exploration or its stockholders or waiver of a material condition to Houston Exploration's obligation to close the merger, or September 30, 2007.

Concurrently with the execution of the merger agreement, Forest and JANA also entered into a standstill agreement. JANA agreed not to propose any extraordinary transactions with Forest or to seek to influence the management or control of Forest for a period that expires one year following the effective time of the merger.

Listing of Shares of Forest Common Stock; Delisting and Deregistration of Shares of Houston Exploration Common Stock (see page 90)

Forest will use its reasonable best efforts to cause the shares of Forest common stock to be issued in the merger pursuant to the merger agreement and to be approved for listing on the NYSE, subject to official notice of issuance, upon the effective time of the merger. Approval of the listing on the

NYSE of the shares of Forest common stock to be issued in the merger pursuant to the merger agreement is a condition to each party's obligation to complete the merger. If the merger is completed, shares of Houston Exploration common stock will be delisted from the NYSE and deregistered under the Exchange Act.

Appraisal Rights in the Merger (see page 127)

If, pursuant to the terms of the merger agreement, including the equalization and proration provisions, any Houston Exploration stockholders who elected stock are required to accept cash (other than cash in lieu of fractional shares of Forest common stock) in the merger in exchange for their stock election shares, appraisal rights will be available to all Houston Exploration stockholders. It is not clear, however, whether appraisal rights will be available under Delaware law if no Houston Exploration stockholders who elect stock are in fact required to accept cash (other than cash in lieu of fractional shares of Forest common stock) in the merger in exchange for their stock election shares. Houston Exploration stockholders who wish to seek appraisal are in any case urged to seek the advice of counsel with respect to the availability of appraisal rights. If appraisal rights are available, the shares of Houston Exploration common stock outstanding immediately prior to the effective time of the merger and held by a holder who has not voted in favor of the adoption of the merger agreement and who has delivered a written demand for appraisal of such shares in accordance with Section 262 of the General Corporation Law of the State of Delaware, will not be converted into the right to receive the merger consideration, but such holder will be entitled to seek an appraisal of such shares under the General Corporation Law of the State of Delaware unless and until the dissenting holder fails to perfect or withdraws or otherwise loses his or her right to appraisal and payment under the General Corporation Law of the State of Delaware. If, after the effective time of the merger, a dissenting stockholder fails to perfect or withdraws or loses his or her right to appraisal, his or her shares of Houston Exploration common stock will be treated as if they had been converted as of the effective time of the merger into the right to receive the merger consideration into which "no election shares" have been converted, subject to the right of Forest to treat such shares as cash election shares and to pay only cash for such shares, without interest or dividends thereon. The full text of Section 262 of the General Corporation Law of the State of Delaware is attached to this joint proxy statement/prospectus as Annex D.

Conditions to the Completion of the Merger (see page 106)

A number of conditions must be satisfied or waived, where legally permissible, before the proposed merger can be consummated. These include, among others:

adoption of the merger agreement by Houston Exploration stockholders;

approval by Forest shareholders of the issuance of the additional shares of Forest common stock to be issued pursuant to the merger;

the expiration or termination of the waiting period (and any extension thereof) applicable to the consummation of the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, referred to as the HSR Act (which occurred on February 8, 2007);

effectiveness of the Form S-4 registration statement, of which this joint proxy statement/prospectus constitutes a part, and the absence of a stop order or proceedings for such purpose pending before or threatened by the SEC;

Edgar Filing: FOREST OIL CORP - Form S-4

authorization for listing on the NYSE of the shares of Forest common stock issuable to the stockholders of Houston Exploration in the merger pursuant to the merger agreement, subject to official notice of issuance; and

the number of appraisal shares for which demands for appraisal have not been withdrawn does not exceed 15% of the outstanding shares of Houston Exploration common stock.

Neither Forest nor Houston Exploration can give any assurance when or if all of the conditions to the merger will be either satisfied or waived or that the merger will occur as intended.

Regulatory Approvals Required for the Merger (see page 85)

The merger was subject to review under the HSR Act by the Antitrust Division of the U.S. Department of Justice, which is referred to as the Antitrust Division, and the Federal Trade Commission, which is referred to as the FTC. The waiting period imposed by the HSR Act terminated on February 8, 2007.

No Solicitation (see page 119)

Under the merger agreement, neither Forest nor Houston Exploration is permitted:

to solicit, initiate, or knowingly encourage or facilitate the making of any inquiries regarding any other acquisition proposal;

subject to certain exceptions, to disclose any non-public information or afford access to its properties, books or records to, or participate or engage in discussions with, any third party that has made or is considering making such an acquisition proposal; or

to accept an acquisition proposal or enter into any agreement (other than a confidentiality agreement in certain circumstances) that provides for or relates to an acquisition proposal or that would require or cause it to terminate the merger agreement or fail to consummate the merger.

However, before receipt of the requisite approval by its shareholders or stockholders, respectively, Forest or Houston Exploration may engage in negotiations with a third party making an unsolicited, written acquisition proposal, provided that:

the board of directors of the party receiving the acquisition proposal has determined that such acquisition proposal constitutes, or is reasonably likely to result in, a superior proposal and that the third party making such acquisition proposal has the financial and legal capacity to consummate such proposal; and

the party receiving such acquisition proposal has complied with the terms of the merger agreement relating to acquisition proposals.

In addition, before receipt of the requisite approval by its shareholders or stockholders, respectively, the board of directors of either Forest or Houston Exploration may withdraw its recommendation or declaration of advisability of the merger agreement if the board of directors determines in good faith that a failure to change its recommendation would reasonably be expected to be inconsistent with its fiduciary duties to Forest shareholders or Houston Exploration stockholders, respectively.

Termination of the Merger Agreement (see page 123)

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger by mutual written consent of Forest and Houston Exploration. Either

party will also have the right to terminate the merger agreement upon the occurrence of any of the following:

the failure to consummate the merger by September 30, 2007, provided that a party may not terminate upon occurrence of this event if such party's failure to fulfill its obligations has caused or resulted in the merger not occurring before such time;

the failure to obtain the necessary Houston Exploration stockholder approval or Forest shareholder approval;

the existence of a law or regulation prohibiting the merger, or the entry of a final and nonappealable government order which permanently restrains, enjoins or prohibits consummation of the merger;

a material breach of the other party's representations, warranties or covenants that gives rise to a failure of certain conditions to closing or would otherwise materially impair or delay or otherwise have a material adverse effect on the non-breaching party's ability to consummate the transactions contemplated by the merger agreement (subject to a 30-day cure period, if the breach is capable of being cured);

a material breach or failure to perform by the other party of any of its covenants or agreements contained in the merger agreement as described under "The Merger Agreement Covenants No Solicitation of Alternative Transactions," or an adverse recommendation change has occurred with respect to the other party or the other party's board of directors or any committee thereof has resolved to make an adverse recommendation change;

by Houston Exploration, if Houston Exploration receives an acquisition proposal that the Houston Exploration board of directors determines in good faith is a superior proposal, provided that, prior to termination, Houston Exploration must provide Forest with a written notice of its intention to accept the superior proposal and a four business day period for Forest to make a counterproposal that would result in the acquisition proposal no longer being a superior proposal and, simultaneously with termination, Houston Exploration must pay a \$55 million termination fee;

by Forest, if Forest receives an acquisition proposal that the Forest board of directors determines in good faith is a superior proposal, provided that, prior to termination, Forest must provide Houston Exploration with a written notice of its intention to accept the superior proposal and a four business day period for Houston Exploration to make a counterproposal that would result in the acquisition proposal no longer being a superior proposal and, simultaneously with termination, Forest must pay a \$60 million termination fee; or

by Houston Exploration, if all conditions to closing of the merger have been satisfied or waived other than the condition relating to appraisal shares and Houston Exploration is prepared to close and Forest fails to waive the condition relating to appraisal shares.

See "The Merger Agreement Termination of the Merger Agreement General."

Termination Fees (see page 125)

Under the merger agreement, Forest may be required to pay to Houston Exploration a termination fee of \$60 million if the merger agreement is terminated under certain circumstances, and Houston Exploration may be required to pay Forest a termination fee of \$55 million if the merger agreement is terminated under certain circumstances. In addition, Forest or Houston Exploration may be required to pay the other party an expense reimbursement fee of \$5 million if the merger agreement is terminated under certain circumstances. See "The Merger Agreement Termination of the Merger Agreement Termination Fees and Expenses."

Certain Material U.S. Federal Income Tax Consequences of the Merger (see page 86)

The merger is intended to qualify as a reorganization under section 368(a) of the Internal Revenue Code for U.S. federal income tax purposes. The U.S. federal income tax consequences of a reorganization to an exchanging Houston Exploration stockholder will depend on whether such stockholder receives only shares of Forest common stock, only cash, or a combination of Forest common stock and cash in exchange for its Houston Exploration common stock.

Please refer to "The Merger Certain Material U.S. Federal Income Tax Consequences" beginning on page 86 of this joint proxy statement/prospectus for a more complete discussion of the U.S. federal income tax consequences of the merger. Determining the actual tax consequences of the merger to you may be complex and will depend on your specific situation. You are urged to consult your tax advisor for a full understanding of the tax consequences of the merger to you.

Accounting Treatment (see page 90)

Forest will account for the merger using the purchase method under U.S. generally accepted accounting principles, which are referred to herein as GAAP.

Payment of Dividends (see page 25)

Forest

Forest does not currently pay cash dividends on its common stock. Forest's present or future ability to pay dividends is governed by (1) the provisions of the New York Business Corporation Law, (2) Forest's restated certificate of incorporation and bylaws, (3) the indentures governing Forest's outstanding senior notes, and, after the consummation of the merger, the indenture pertaining to Houston Exploration's senior subordinated notes, and (4) Forest's bank credit facilities. The provisions in the indentures pertaining to Forest's senior notes and bank credit facilities limit, and after the consummation of the merger, the indenture pertaining to Houston Exploration's senior subordinated notes will limit, Forest's ability to make restricted payments, which include dividend payments. The future payment of cash dividends, if any, on the Forest common stock is within the discretion of the Forest board of directors and will depend on Forest's earnings, capital requirements, financial condition and other relevant factors.

Houston Exploration

Houston Exploration does not currently pay cash dividends on its common stock. The merger agreement generally provides that Houston Exploration may not declare, set aside or pay any dividend prior to the effective time of the merger or the termination of the merger agreement. In addition, the provisions in Houston Exploration's credit agreement and the indenture pertaining to Houston Exploration's senior subordinated notes limit Houston Exploration's ability to make restricted payments, which include dividend payments.

Financing of the Merger (see page 132)

On January 5, 2007, Forest, J.P. Morgan Securities Inc. and JPMorgan Chase Bank, N.A. entered into a commitment letter and fee letter with respect to the financing of the merger and the related transactions and the refinancing of certain of Forest's existing debt. The commitment letter provides for a commitment of an aggregate of up to \$1.4 billion in financing under a five-year amended and restated revolving credit facility consisting of a \$1.25 billion U.S. facility and a \$150 million Canadian facility, which credit facilities will amend and restate Forest's existing credit facilities and are referred to as the credit facilities. Forest expects to finance the cash portion of the merger consideration, which is expected to be approximately \$740 million in cash (based on the outstanding shares of Houston

Exploration common stock on January 4, 2007), through borrowings under the credit facilities. Forest expects also to use the credit facilities to pay for related merger costs and expenses, refinance existing debt of Forest and Houston Exploration and for general corporate purposes.

Comparison of Rights of Houston Exploration Stockholders and Forest Shareholders (see page 133)

As a result of the merger, some or all of a Houston Exploration stockholder's shares of Houston Exploration common stock may be converted into shares of Forest common stock. Because Houston Exploration is a corporation organized under the laws of Delaware and Forest is a corporation organized under the laws of New York, there are material differences between the rights of Houston Exploration stockholders and the rights of Forest shareholders. These differences, as well as certain differences between the charters and bylaws of Forest and Houston Exploration, are described in detail under "Comparison of Rights of Houston Exploration Stockholders and Forest Shareholders."

Adoption of the Forest 2007 Stock Incentive Plan (see page 137)

The board of directors of Forest has adopted the Forest 2007 Stock Incentive Plan, subject to approval of the adoption by the shareholders of Forest at the Forest special meeting. As of January 31, 2007, a total of 664,757 shares remained available for issuance under the Forest 2001 Stock Incentive Plan. The Forest board of directors believes that the adoption of the Forest 2007 Stock Incentive Plan is necessary to provide additional incentives and reward opportunities to its employees and to ensure that Forest has a sufficient number of shares available under its stock incentive plans to issue stock options to certain Houston Exploration employees as provided in the merger agreement. In the merger agreement, Forest has agreed that, on or before the fifth business day following the date on which the effective time of the merger occurs, Forest will grant a stock option to each Houston Exploration employee who (1) has remained continuously employed by Forest and its subsidiaries from the effective time of the merger to the date of grant and (2) held immediately prior to the effective time of the merger an unexercised Houston Exploration stock option that had an exercise price per share at such time equal to or greater than \$54.18. If the adoption of the Forest 2007 Stock Incentive Plan is not approved by the Forest shareholders, Forest is obligated under the merger agreement to issue the stock options described in the preceding sentence under the NYSE's "new hire exception" rule.

Neither the merger nor approval of the issuance of additional shares of Forest common stock in the merger is conditioned upon approval of the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan. Further, approval of the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan is not conditioned upon approval of the issuance of additional shares of Forest common stock in the merger. However, if the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan is approved by the Forest shareholders and the merger is consummated, then 2.7 million shares of Forest common stock will be available for issuance under the Forest 2007 Stock Incentive Plan. If the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan is approved by the Forest shareholders, but the merger is not consummated, then 1.8 million shares of Forest common stock will be available for issuance under the Forest 2007 Stock Incentive Plan.

See "Proposal to Approve the Adoption of the Forest 2007 Stock Incentive Plan." A copy of the Forest 2007 Stock Incentive Plan is attached to this joint proxy statement/prospectus as Annex E.

SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION OF FOREST

The following table shows Forest's summary historical consolidated financial data as of and for the nine months ended September 30, 2006 and September 30, 2005, and each of the five years ended December 31, 2005. The summary historical consolidated financial data for each of the five years ended December 31, 2005 are derived from Forest's audited financial statements that are not included herein. The summary historical consolidated financial data for the nine months ended September 30, 2006 and the nine months ended September 30, 2005 has been derived from Forest's unaudited financial statements. You should read the following data in connection with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements set forth in Forest's Quarterly Report on Form 10-Q for the period ended September 30, 2006 and Annual Report on Form 10-K for the year ended December 31, 2005, where there is additional disclosure regarding the information in the following table. See also the pro forma information set forth elsewhere in this prospectus regarding the proposed merger with Houston Exploration. Forest's historical results are not necessarily indicative of results to be expected in future periods.

On March 2, 2006, Forest completed the spin-off of its Gulf of Mexico offshore operations by means of a special dividend, which consisted of a pro rata spin-off of all outstanding shares of Forest Energy Resources, Inc., a total of 50,637,010 shares of common stock, to holders of record of Forest common stock as of the close of business on February 21, 2006. Immediately following the spin-off, Forest Energy Resources, Inc. was merged with a subsidiary of Mariner Energy, Inc. in a stock-for-stock transaction. The following summary historical financial information includes the revenues and expenses from Forest's offshore operations through the date of the spin-off. See Note 3 to the Unaudited Pro Forma Combined Financial Statements for the pro forma effects of the spin-off as though the spin-off had occurred on January 1, 2005.

	Nine Months Ended September 30,		Years Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
(In Thousands, Except Per Share Amounts)							
Statement of Operations Data:							
Revenue:							
Oil and gas sales:							
Natural gas	\$ 312,102	470,711	647,936	573,342	439,700	288,542	467,767
Oil, condensate, and natural gas liquids	318,137	323,664	414,581	336,438	215,493	183,198	247,085
Total oil and gas sales	630,239	794,375	1,062,517	909,780	655,193	471,740	714,852
Marketing, processing, and other	5,899	5,207	9,528	3,118	1,985	1,128	(85)
Total revenue	636,138	799,582	1,072,045	912,898	657,178	472,868	714,767
Operating expenses:							
Lease operating expenses	115,823	145,219	199,761	189,161	124,482	131,153	154,048
Production and property tax	30,699	31,358	42,615	32,241	19,929	13,372	16,623
Transportation costs	15,865	14,352	19,499	16,792	9,759	14,174	15,579
Accretion of asset retirement obligations	5,879	12,951	17,317	17,251	13,785		
Depreciation and depletion	203,426	284,554	368,679	354,092	234,822	185,288	224,176
Impairments and other	2,078	6,926	11,132	12,929	16,910		18,072
General and administrative (including stock-based compensation)	38,755	31,694	43,703	32,145	36,322	37,642	29,138
Spin-off and merger costs	5,416						9,836
Total operating expenses	417,941	527,054	702,706	654,611	456,009	381,629	467,472
Earnings from operations	218,197	272,528	369,339	258,287	201,169	91,239	247,295

Edgar Filing: FOREST OIL CORP - Form S-4

Other income and expense:							
Interest expense	51,613	46,224	61,403	57,844	49,341	50,433	50,021
Unrealized (gains) losses on derivative instruments, net	(68,178)	74,365	21,373	1,088	(451)	788	(11,556)
Realized losses (gains) on derivative instruments, net	30,496	(280)	35,390	(336)	68	1,253	(376)
Unrealized foreign currency exchange loss	766						
Other (income) expense, net	(200)	4,251	6,247	(2,179)	7,347	5,641	23,529
Total other income and expense	14,497	124,560	124,413	56,417	56,305	58,115	61,618
Earnings before income taxes, discontinued operations and cumulative effect of change in accounting principle							
	203,700	147,968	244,926	201,870	144,864	33,124	185,677
Income tax expense:							
Current	2,078	1,971	3,498	2,960	693	228	2,363
Deferred	66,391	51,660	89,860	75,784	53,943	11,813	76,877
Total income tax expense	68,469	53,631	93,358	78,744	54,636	12,041	79,240
Earnings from continuing operations							
	135,231	94,337	151,568	123,126	90,228	21,083	106,437
Income (loss) from discontinued operations, net of tax							
	2,422			(575)	(7,731)	193	(2,694)
Cumulative effect of change in accounting principle, net of tax							
					5,854		
Net earnings	\$ 137,653	94,337	151,568	122,551	88,351	21,276	103,743
Basic earnings per common share:							
Earnings from continuing operations							
	\$ 2.17	1.54	2.47	2.16	1.82	.45	2.23
Income (loss) from discontinued operations, net of tax							
	.04			(.01)	(.15)		(.05)
Cumulative effect of change in accounting principle, net of tax							
					.12		

Edgar Filing: FOREST OIL CORP - Form S-4

Net earnings per common share	\$	2.21	1.54	2.47	2.15	1.79	.45	2.18
<hr/>								
Diluted earnings per common share:								
Earnings from continuing operations	\$	2.13	1.50	2.41	2.12	1.79	.44	2.16
Income (loss) from discontinued operations, net of tax		.04			(.01)	(.15)		(.05)
Cumulative effect of change in accounting principle, net of tax						.11		
<hr/>								
Net earnings per common share	\$	2.17	1.50	2.41	2.11	1.75	.44	2.11
<hr/>								
Weighted average shares basic		62,187	61,198	61,405	56,925	49,450	46,935	47,674
Weighted average shares diluted		63,381	62,707	62,878	58,089	50,353	48,207	49,282
Cash Flow Data:								
Net cash provided by operating activities	\$	346,616	518,432	628,565	568,013	381,984	190,772	500,810
Net cash used in investing activities		(749,726)	(538,397)	(671,230)	(455,901)	(659,181)	(356,613)	(423,656)
Net cash provided by (used in) financing activities		407,356	(27,917)	(4,596)	(68,269)	274,549	170,828	(81,533)
Balance Sheet Data:								
Working capital (deficit)	\$	(81,494)	(262,293)	(206,991)	(40,147)	(57,749)	(31,204)	(38,333)
Property, plant and equipment, net		2,727,561	3,105,401	3,200,018	2,721,118	2,433,966	1,687,885	1,516,900
Total assets		3,071,369	3,572,696	3,645,546	3,122,505	2,683,548	1,924,681	1,796,369
Long-term debt and notes payable		1,096,076	851,480	884,807	888,819	929,971	767,219	594,178
Shareholders' equity		1,407,208	1,527,302	1,684,522	1,472,147	1,185,798	921,211	923,943

Edgar Filing: FOREST OIL CORP - Form S-4

The following is a summary of Forest's estimated proved reserves as of December 31, 2006.

Estimated Proved Reserves	As of December 31, 2006
Oil and condensate (MBbls)	85,304
Gas (MMcf)	778,039
Natural gas liquids (MBbls)	27,560
Equivalent (MMcfe)	1,455,223

For financial reporting purposes, Forest uses reserve estimates prepared by its internal staff of engineers. A substantial portion of Forest's reserves are audited by an independent petroleum engineering firm, DeGolyer and MacNaughton, engaged by Forest. Forest's reserve audit procedures require DeGolyer and MacNaughton to prepare its own independent estimates of proved reserves for fields comprising at least 80% of the aggregate value of Forest's year-end proved reserves, discounted at 10% per annum, for each country in which Forest owns fields for which proved reserves have been recorded. The fields selected for audit comprise at least the top 80% of Forest's fields based on the discounted value of such fields and a minimum of 80% of the value added during the year through discoveries, extensions, and acquisitions. Forest may also include fields that fall outside of the top 80% that represent material volumes of proved reserves, have experienced material revisions to prior estimates of proved reserve volumes or value, or have experienced changes as a result of new operational activity. The procedures prohibit exclusions of any fields, or any part of a field, that comprises part of the top 80%. The independent reserve engineers then compare their estimates to those prepared by Forest. The independent reserve audits prepared for Forest are not financial audits and are not performed in accordance with the established generally accepted financial audit procedures. Instead, a reserve audit is conducted based on rules and regulations, reserve definitions and, costs and price parameters specified by the SEC.

For year-end 2006, DeGolyer and MacNaughton independently audited estimates relating to properties constituting approximately 83% of Forest's reserves, as of December 31, 2006, based on reserve values. When compared on a field-by-field basis, some of Forest's estimates of net proved reserves are greater and some are less than the estimates prepared by DeGolyer and MacNaughton. However, there was no material difference, in the aggregate, between Forest's internal estimates of total net proved reserves and the estimates prepared by DeGolyer and MacNaughton for the fields subject to audit.

**SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION
OF HOUSTON EXPLORATION**

The following table shows Houston Exploration's summary historical consolidated financial data as of and for the nine months ended September 30, 2006 and September 30, 2005, and each of the five years ended December 31, 2005. The summary historical consolidated financial data for each of the five years ended December 31, 2005 are derived from Houston Exploration's audited financial statements that are not included herein. The summary historical consolidated financial data for the nine months ended September 30, 2006 and the nine months ended September 30, 2005 has been derived from Houston Exploration's unaudited financial statements. You should read the following data in connection with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements set forth in Houston Exploration's Quarterly Report on Form 10-Q for the period ended September 30, 2006 and Annual Report on Form 10-K for the year ended December 31, 2005, as amended, where there is additional disclosure regarding the information in the following table. See also the pro forma information set forth elsewhere in this prospectus regarding the proposed merger with Forest. Houston Exploration's historical results are not necessarily indicative of results to be expected in future periods.

On March 31, 2006, Houston Exploration completed the sale of the Texas portion of its Gulf of Mexico assets for a gross sale price of \$220 million. On June 1, 2006, Houston Exploration completed the sale of substantially all of its Louisiana Gulf of Mexico assets for a gross sale price of \$590 million. The sale transactions did not include 18 Louisiana offshore blocks retained by Houston Exploration. The following summary historical financial information of Houston Exploration includes the revenues and expenses from Houston Exploration's Texas and Louisiana Gulf of Mexico assets through March 31, 2006, May 31, 2006 and June 1, 2006, respectively. See Note 4 to the Unaudited Pro Forma Combined Financial Statements for the pro forma effects of the sale of substantially all of Houston Exploration's Texas and Louisiana Gulf of Mexico assets as though the sales had each occurred on January 1, 2005.

Nine Months Ended September 30,		Years Ended December 31,				
2006	2005	2005	2004	2003	2002	2001

(In Thousands, Except Per Share Amounts)

Income Statement Data:

Revenues:

Natural gas and oil revenues	\$ 453,505	466,011	620,271	649,087	491,440	344,295	387,156
Other	1,350	939	1,272	1,352	1,312	1,086	1,353
Total revenues	454,855	466,950	621,543	650,439	492,752	345,381	388,509

Expenses:

Lease operating expense	52,052	52,263	67,796	55,925	47,072	33,976	25,291
Severance tax	15,598	11,629	18,121	11,933	15,958	9,487	11,035
Transportation expense	8,176	8,759	11,883	11,819	10,387	9,317	7,652
Asset retirement accretion expense	2,885	3,964	5,278	4,902	3,668		
Depreciation, depletion and amortization	194,184	215,249	295,351	265,148	197,530	171,610	128,736
Writedown in carrying value							6,170
General and administrative, net	26,703	27,552	38,378	32,899	19,542	13,077	17,110
Total operating expenses	299,598	319,416	436,807	382,626	294,157	237,467	195,994
Income from operations	155,257	147,534	184,736	267,813	198,595	107,914	192,515

Edgar Filing: FOREST OIL CORP - Form S-4

Other (income) expense	(10,500)	286	142	(1,058)	(15,746)	(9,070)	119
Interest expense, net	20,352	10,171	16,535	9,455	8,342	7,398	2,992
Income before income taxes	145,405	137,077	168,059	259,416	205,999	109,586	189,404
Income tax provision	58,259	51,728	62,890	96,592	72,187	39,092	66,803
Income before cumulative effect of change in accounting principle	87,146	85,349	105,169	162,824	133,812	70,494	122,601
Cumulative effect of change in accounting principle					(2,772)		
Net income	\$ 87,146	85,349	105,169	162,824	131,040	70,494	122,601

Earnings per share:

Basic:

Income per share before cumulative effect of change in accounting principle	\$ 3.06	2.98	3.66	5.50	4.30	2.31	4.06
Cumulative effect of change in accounting principle					(0.09)		
Net income per basic share	\$ 3.06	2.98	3.66	5.50	4.21	2.31	4.06

Diluted:

Income per share before cumulative effect of change in accounting principle change	\$ 3.06	2.95	3.62	5.44	4.29	2.28	4.00
Cumulative effect of change in accounting principle					(0.09)		
Net income per diluted share	\$ 3.06	2.95	3.62	5.44	4.20	2.28	4.00

Weighted average shares basic	28,458	28,641	28,707	29,616	31,097	30,569	30,228
Weighted average shares diluted	28,492	28,966	29,037	29,932	31,213	30,878	30,645

Cash Flow Data:

Net cash provided by operating	\$ 339,163	383,981	460,509	527,141	381,969	243,601	355,311
--------------------------------	------------	---------	---------	---------	---------	---------	---------

Edgar Filing: FOREST OIL CORP - Form S-4

activities							
Net cash (used in) investing activities	(39,529)	(400,998)	(727,003)	(509,922)	(452,959)	(252,857)	(365,556)
Net cash provided by (used in) financing activities	(289,178)	7,217	255,896	(1,211)	55,528	17,668	9,189

Balance Sheet

Data:

Working capital (deficit)	\$ 39,625	(362,013)	(214,525)	(31,884)	(36)	10,550	34,314
Property, plant and equipment, net	1,478,558	1,758,894	2,018,340	1,548,256	1,371,129	1,022,414	938,761
Total assets	2,013,568	2,107,493	2,361,624	1,722,577	1,509,065	1,151,068	1,059,092
Long-term debt and notes payable	362,000	349,000	597,000	355,000	302,000	252,000	244,000
Stockholders' equity	956,709	517,176	693,138	782,920	735,534	592,789	565,881

The following is a summary of Houston Exploration's estimated proved reserves as of December 31, 2006.

Estimated Proved Reserves	As of December 31, 2006(1)
Oil and natural gas liquids (MBbls)	4,615
Natural gas (MMcf)	671,636
Total equivalent (MMcfe)	699,328

(1)

After completion of the merger, Forest intends to undertake a review of Houston Exploration's reserves. Depending on Forest's allocation of capital resources relating to the development and exploitation of Houston Exploration's oil and gas properties, commodity prices and service costs, the estimate of proved reserves attributable to such properties may be affected. For example, Forest does not currently expect to maintain as vigorous an exploitation program in the Uinta Basin as Houston Exploration has contemplated until further evaluation can be completed.

Edgar Filing: FOREST OIL CORP - Form S-4

All of Houston Exploration's net proved reserves as of December 31, 2006 are estimated by independent petroleum engineering consultants, Netherland, Sewell & Associates, Inc., engaged by Houston Exploration. These reserve estimates are prepared based on rules and regulations, reserve definitions, costs and price parameters specified by the SEC. Reservoir engineering is a complex and subjective process of estimating underground accumulations of natural gas and oil that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates prepared by one engineer may vary from those prepared by another.

In calculating its ceiling test at December 31, 2006, based on an average net wellhead price in effect on that day of approximately \$4.95 per Mcf, Houston Exploration estimated that the carrying value of its full cost pool exceeded the ceiling limitation by approximately \$573 million to \$596 million (pre tax) and approximately \$370 million to \$385 million (after tax). However, subsequent to December 31, 2006, the market price for natural gas has increased. The requirement, if any, for a writedown will depend on the market price for natural gas on a date shortly prior to Houston Exploration's filing of its Annual Report on Form 10-K for the year ended December 31, 2006. Houston Exploration anticipates that a fourth quarter 2006 ceiling test writedown will be required only if its average net wellhead price is less than approximately \$6.70 per Mcf as of the final testing date.

SUMMARY UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following summary unaudited pro forma combined statement of operations data of Forest for the nine months ended September 30, 2006 and the year ended December 31, 2005 have been prepared to give effect to the merger as if the merger had occurred on January 1, 2005. The unaudited pro forma combined balance sheet data of Forest as of September 30, 2006 has been prepared to give effect to the merger as if the merger had occurred on September 30, 2006.

The following unaudited pro forma financial information is not necessarily indicative of the results that might have occurred had the transaction taken place on September 30, 2006 or January 1, 2005 and are not intended to be a projection of future results. Future results may vary significantly from the results reflected in the following unaudited pro forma financial information because of normal production declines, changes in commodity prices, future acquisitions and divestitures, future development and exploration activities, and other factors. The following unaudited pro forma financial information should be read in conjunction with the unaudited pro forma combined financial statements and the notes thereto included elsewhere in this joint proxy statement/prospectus. The unaudited pro forma financial information below gives pro forma effect to Forest's spin-off of its offshore Gulf of Mexico operations and Houston Exploration's sale of substantially all of its offshore Gulf of Mexico operations, as though each disposition occurred on January 1, 2005. See Note 3 and Note 4 to the Unaudited Pro Forma Combined Financial Statements for more information.

	Nine Months Ended September 30, 2006	Year Ended December 31, 2005
(In Thousands, Except Per Share Data)		
Pro Forma Combined Statement of Operations Data:		
Revenue:		
Oil and gas sales:		
Natural gas	\$ 589,336	701,881
Oil, condensate, and natural gas liquids	325,909	330,354
	<u>915,245</u>	<u>1,032,235</u>
Total oil and gas sales	915,245	1,032,235
Marketing, processing, and other	5,983	9,768
	<u>5,983</u>	<u>9,768</u>
Total revenue	921,228	1,042,003
Operating expenses:		
Lease operating expenses	124,105	140,872
Production and property taxes	49,911	63,932
Transportation costs	22,982	26,291
General and administrative (including stock-based compensation)	65,160	80,318
Depreciation and depletion	352,432	426,680
Accretion of asset retirement obligations	5,225	6,429
Impairments and other	2,078	3,904
Spin-off and merger costs	5,416	
	<u>627,309</u>	<u>748,426</u>
Total operating expenses	627,309	748,426
Earnings from operations	293,919	293,577

Edgar Filing: FOREST OIL CORP - Form S-4

Other income and expense:		
Interest expense	80,697	89,361
Unrealized (gains) losses on derivative instruments, net	(85,937)	(3,257)
Realized losses (gains) on derivative instruments, net	30,453	23,646
Unrealized foreign currency exchange loss	766	
Other (income) expense, net	(1,479)	7,929
	<u> </u>	<u> </u>
Total other income and expense	24,500	117,679
	<u> </u>	<u> </u>
Earnings before income taxes and discontinued operations	269,419	175,898
Income tax expense	94,474	65,234
	<u> </u>	<u> </u>
Earnings from continuing operations	174,945	110,664
Income from discontinued operations, net of tax	2,422	
	<u> </u>	<u> </u>
Net earnings	\$ 177,367	110,664
	<u> </u>	<u> </u>
Basic earnings per common share:		
Earnings from continuing operations	\$ 2.04	1.30
Income from discontinued operations, net of tax	.03	
	<u> </u>	<u> </u>
Net earnings per common share	\$ 2.07	1.30
	<u> </u>	<u> </u>
Diluted earnings per common share:		
Earnings from continuing operations	\$ 2.01	1.28
Income from discontinued operations, net of tax	.03	
	<u> </u>	<u> </u>
Net earnings per common share	\$ 2.04	1.28
	<u> </u>	<u> </u>
Weighted average shares outstanding:		
Basic	85,811	85,029
	<u> </u>	<u> </u>
Diluted	87,005	86,502
	<u> </u>	<u> </u>

Pro Forma Combined Balance Sheet Data (as of September 30, 2006):

Total assets	\$ 5,420,277
Long-term liabilities	2,803,382
Total shareholders' equity	2,122,548

UNAUDITED COMPARATIVE PER SHARE DATA

The following table summarizes unaudited per share data for Forest and Houston Exploration on a historical basis, on an equivalent pro forma combined basis for Houston Exploration and on a pro forma basis for Forest giving effect to the merger and the spin-off by Forest and the sale by Houston Exploration of their respective Gulf of Mexico operations. It has been assumed for purposes of the pro forma financial information provided below that the merger was completed on January 1, 2005 for statement of operations purposes, and on September 30, 2006 for balance sheet purposes. The following information should be read in conjunction with the audited consolidated financial statements of Forest and Houston Exploration as of and for the years ended December 31, 2005, and the unaudited consolidated financial statements of Forest and Houston Exploration for the nine months ended September 30, 2006, each of which is incorporated by reference into this joint proxy statement/prospectus, and with the information under "Unaudited Pro Forma Combined Financial Statements" and related notes included elsewhere in this joint proxy statement/prospectus. The pro forma information presented below is for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have been achieved if the merger had been completed as of the beginning of the period presented, nor is it necessarily indicative of the future operating results or financial position of Forest after the merger.

	Forest Historical	Houston Exploration Historical	Houston Exploration Pro Forma Equivalents(2)	Forest Pro Forma(3)(4)
<u>For the nine months ended September 30, 2006 (per share):</u>				
Income from continuing operations				
Basic	\$ 2.17	\$ 3.06	\$ 3.43	\$ 2.04
Diluted	2.13	3.06	3.38	2.01
Dividends declared				
Book value at period end(1)	22.36	34.14	41.26	24.55
<u>For the year ended December 31, 2005 (per share):</u>				
Income from continuing operations				
Basic	\$ 2.47	\$ 3.66	\$ 2.19	\$ 1.30
Diluted	2.41	3.62	2.15	1.28
Dividends declared				
Book value at period end(1)	26.10	23.92	N/A	N/A

- (1) Book value per share is computed by dividing shareholders' equity by the number of shares of common stock at the end of such period.
- (2) Houston Exploration equivalent pro forma combined per share amounts are calculated by multiplying the pro forma combined per share amounts by an assumed exchange ratio of 1.6808 shares of Forest common stock that would be exchanged for each share of Houston Exploration common stock pursuant to the merger for those electing and receiving all of their merger consideration in the form of shares of Forest common stock, based on the closing price of Forest common stock on January 5, 2007.
- (3) The pro forma combined income from continuing operations per share is calculated by dividing the pro forma income from continuing operations by the pro forma weighted average number of shares outstanding during the period.
- (4) The pro forma per share combined income from continuing operations has been adjusted to reflect Forest's spin-off and merger of its offshore Gulf of Mexico operations on March 2, 2006 and Houston Exploration's sale of substantially all of its offshore Gulf of Mexico properties on March 31, 2006, May 31, 2006 and June 1, 2006. See Note 3 and Note 4 to the Unaudited Pro Forma Combined Financial Statements.

**COMPARATIVE FOREST AND HOUSTON EXPLORATION
MARKET PRICE DATA AND DIVIDEND INFORMATION**

Forest common stock is listed on the NYSE under the symbol "FST." Houston Exploration common stock is listed on the NYSE under the symbol "THX." The following table presents closing prices for shares of Forest common stock and Houston Exploration common stock on January 5, 2007, the last trading day before the public announcement of the execution of the merger agreement by Forest and Houston Exploration, and _____, 2007, the latest practicable trading day before the date of this joint proxy statement/prospectus. For illustrative purposes, the following table also provides Houston Exploration equivalent per share information on those dates, as determined by multiplying the closing prices of shares of Forest common stock on those dates by 1.6806 and _____, each representing the number of shares of Forest common stock that Houston Exploration stockholders electing to receive shares of Forest common stock would receive pursuant to the merger for each share of Houston Exploration common stock, based on (1) a hypothetical average Forest common stock value of \$31.22, which was the closing price of shares of Forest common stock on January 5, 2007, and (2) a hypothetical average Forest common stock value of \$ _____ based on the volume-weighted average of the trading sale prices per Forest common stock during the 10 consecutive trading days ending on _____, 2007, respectively, and assuming no adjustment for oversubscriptions. The merger consideration will be based on a formula designed to substantially equalize the value of the consideration to be received for each share of Houston Exploration common stock, at the time the calculation is made, regardless of whether Houston Exploration stockholders elect to receive cash, shares of Forest common stock or a combination of cash and shares of Forest common stock, or make no election. See "The Merger Agreement Merger Consideration" beginning on page 93 of this joint proxy statement/prospectus.

	Forest Common Stock	Houston Exploration Common Stock	Houston Exploration Equivalent Per Share Common Stock
January 5, 2007	\$ 31.22	\$ 48.69	\$ 52.47
_____, 2007			

The table below sets forth, for the calendar quarters indicated, the high and low intraday sale prices per share of Forest common stock and Houston Exploration common stock on the NYSE, as well as adjusted prices for Forest common stock that adjust for the stock dividend granted by Forest on March 2, 2006. No cash dividends have been declared on shares of Forest common stock or Houston Exploration common stock for the calendar quarters indicated. Forest's present or future ability to pay dividends is governed by (1) the provisions of the New York Business Corporation Law, (2) Forest's restated certificate of incorporation and bylaws, (3) Forest's 8% Senior Notes due 2008, Forest's 8% Senior Notes due 2011 and Forest's 7³/₄% Senior Notes due 2014, and, after the consummation of the merger, the indenture pertaining to Houston Exploration's senior subordinated notes, and (4) Forest's bank credit facilities. The provisions in the indentures pertaining to Forest's senior notes and bank credit facilities limit, and after the consummation of the merger, the indenture pertaining to Houston Exploration's senior subordinated notes will limit, Forest's ability to make restricted payments, which include dividend payments. The future payment of cash dividends, if any, on the Forest common stock is within the discretion of the Forest board of directors and will depend on Forest's earnings, capital requirements, financial condition and other relevant factors. The merger agreement generally provides that Houston Exploration may not declare, set aside or pay any dividend prior to the effective time of the merger or the termination of the merger agreement. In addition, the provisions in Houston Exploration's credit agreement and the indenture pertaining to Houston Exploration's senior

Edgar Filing: FOREST OIL CORP - Form S-4

subordinated notes limit Houston Exploration's ability to make restricted payments, which include dividend payments.

Calendar Year		Forest Common Stock (Historical)(1)		Forest Common Stock (As Adjusted)(1)		Houston Exploration Common Stock	
		High	Low	High	Low	High	Low
2004	First Quarter	\$ 29.60	\$ 23.47	\$ 19.82	\$ 15.72	\$ 45.85	\$ 35.79
	Second Quarter	27.67	23.24	18.53	15.56	52.47	41.40
	Third Quarter	30.56	24.35	20.47	16.31	59.79	48.30
	Fourth Quarter	34.12	28.17	22.85	18.87	61.80	53.65
2005	First Quarter	43.29	28.87	29.00	19.34	62.29	51.14
	Second Quarter	44.00	34.21	29.47	22.91	59.40	45.60
	Third Quarter	54.76	40.77	36.68	27.31	71.47	53.30
	Fourth Quarter	54.25	40.26	36.34	26.97	67.83	49.86
2006	First Quarter	52.99	32.51	37.82	30.80	62.56	48.13
	Second Quarter	39.75	28.00	39.75	28.00	62.50	49.75
	Third Quarter	35.28	29.06	35.28	29.06	66.21	54.36
	Fourth Quarter	36.17	29.13	36.17	29.13	57.75	51.60
2007	First Quarter (through February 2, 2007)	32.71	28.84	32.71	28.84	52.67	48.01

(1)

On March 2, 2006, Forest completed the spin-off of its offshore Gulf of Mexico properties by means of a special stock dividend paid to all shareholders of Forest common stock. The special stock dividend consisted of 0.8093 shares of a wholly owned subsidiary of Forest for each outstanding share of Forest common stock, which immediately thereafter became the right to receive one share of Mariner Energy, Inc. for each whole share of such subsidiary in connection with the merger of Mariner Energy, Inc. and such subsidiary. Based on the ratio of 0.8093 Mariner shares for each Forest share, the value of the stock dividend to Forest shareholders is deemed by Forest to be equal to \$16.51, or the closing price of Mariner Energy, Inc. common stock on March 2, 2006 (\$20.40) multiplied by 0.8093.

The prices shown in the "As Adjusted" column above for the first quarter of 2004 through the first quarter of 2006 have been adjusted to reflect the special stock dividend paid on March 2, 2006. The ratio used for this historical price adjustment is 0.6698. This represents the ratio of (x) \$33.49, the per share value of Forest common stock immediately after the stock dividend, which was the opening price for Forest shares on March 2, 2006, to (y) \$50.00, which represents the sum of \$33.49 plus \$16.51, the value of the stock dividend described above. That is, \$33.49 divided by \$50.00 equals 0.6698. Prices from second quarter of 2006 onward are identical in both columns relating to Forest common stock.

Forest and Houston Exploration urge Forest shareholders and Houston Exploration stockholders to obtain current market quotations for shares of Forest common stock and Houston Exploration common stock before making any decision regarding the issuance of additional shares of Forest common stock in the merger or the adoption of the merger agreement, as applicable.

RISK FACTORS

In addition to the other information included or incorporated by reference in this joint proxy statement/prospectus, including the matters addressed under "Cautionary Statement Concerning Forward-Looking Statements," Forest shareholders and Houston Exploration stockholders should carefully consider the following risks before deciding how to vote. In addition, Forest shareholders and Houston Exploration stockholders should read and consider the risks associated with the businesses of each of Forest and Houston Exploration in deciding whether to vote to issue the shares or adopt the merger agreement because these risks will relate to Forest after the merger. Certain of these risks can be found in Forest's Annual Report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference into this joint proxy statement/prospectus, and in Houston Exploration's Annual Report on Form 10-K for the year ended December 31, 2005, as amended, and Quarterly Reports on Form 10-Q for the periods ended March 31, June 30 and September 30, 2006, which are incorporated by reference into this joint proxy statement/prospectus. You should also consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information; Incorporation by Reference."

Risk Factors Relating to the Merger

Because the merger consideration is fixed and the market price of shares of Forest common stock will fluctuate, Houston Exploration stockholders cannot be sure of the value of the merger consideration they will receive.

Upon the effective time of the merger, each share of Houston Exploration common stock will be converted into the right to receive merger consideration consisting of shares of Forest common stock and/or cash pursuant to the terms of the merger agreement, meaning that each Houston Exploration stockholder may elect to receive his or her merger consideration entirely in cash, entirely in shares of Forest common stock, or a combination of cash and shares of Forest common stock, subject to the proration procedures set forth in the merger agreement and described herein. The value of the merger consideration to be received by Houston Exploration stockholders will be based in part on the average of the per share closing sales price of shares of Forest common stock on the NYSE during the 10 consecutive trading day valuation period ending on the third calendar day prior to the effective time of the merger. This average price may vary from the market price of shares of Forest common stock on the date the merger was announced, on the date that this joint proxy statement/prospectus is mailed to Houston Exploration stockholders, on the date of closing, on the date Houston Exploration stockholders make an election with respect to the merger consideration or on the date of the special meeting of Houston Exploration stockholders.

Because Forest is issuing a fixed number of shares of Forest common stock and a fixed amount of cash as part of the merger consideration (in each case subject to upward adjustment in the event that any shares of Houston Exploration common stock are issued in accordance with the merger agreement pursuant to the exercise of Houston Exploration outstanding stock options or otherwise), and because the provisions of the merger agreement operate to substantially equalize the value of the consideration to be received for each share of Houston Exploration common stock at the time the calculation is made, any change in the price of shares of Forest common stock prior to the effective time of the merger will affect the value of the merger consideration that Houston Exploration stockholders will be entitled to receive upon the effective time of the merger, regardless of whether Houston Exploration stockholders elect to receive cash, shares of Forest common stock or a combination of cash and shares of Forest common stock, or do not make an election.

Changes in the price of shares of Forest common stock may result from a variety of factors, including:

market reaction to the announcement of the merger and market assessment of its likelihood of being consummated;

changes in oil or natural gas prices;

changes in the respective businesses, operations and prospects of Forest and Houston Exploration, including Forest's and Houston Exploration's ability to meet earnings estimates;

governmental or litigation developments or regulatory considerations affecting Forest or Houston Exploration or the industry generally; and

general business, market, industry or economic conditions.

Many of these factors are beyond the control of Forest and Houston Exploration.

Houston Exploration stockholders may receive a form or combination of consideration different from what they elect.

While each Houston Exploration stockholder may elect to receive all cash, all shares of Forest common stock or a combination of cash and shares of Forest common stock pursuant to the merger, the pools of cash and shares of Forest common stock available for all Houston Exploration stockholders will be fixed (subject in each case to upward adjustment in the event that any shares of Houston Exploration common stock are issued in accordance with the merger agreement pursuant to the exercise of Houston Exploration outstanding stock options or otherwise). Accordingly, depending on the elections made by other Houston Exploration stockholders and the average of the per share closing sales price of shares of Forest common stock on the NYSE during the 10 consecutive trading day valuation period ending on the third calendar day prior to the effective time of the merger, Houston Exploration stockholders may receive a proportion of cash and/or shares of Forest common stock that is different from what they elected. If a Houston Exploration stockholder does not submit a properly completed and signed election form to the exchange agent by the election deadline of 5:00 p.m., New York City time, on _____, 2007, then such stockholder will have no control over the type of merger consideration such stockholder may receive, and, consequently, may receive only cash, only shares of Forest common stock, or a combination of cash and shares of Forest common stock pursuant to the merger.

Houston Exploration stockholders who elect a specific form of merger consideration will not be able to sell their shares of Houston Exploration common stock unless they revoke their election prior to the election deadline.

If Houston Exploration stockholders want to make an election with respect to the type of merger consideration they receive, they must deliver their stock certificates (or follow the procedures for guaranteed delivery) and a properly completed and signed election form to the exchange agent no later than the election deadline of 5:00 p.m., New York City time, on _____, 2007. Houston Exploration stockholders will not be able to sell any shares of Houston Exploration common stock that they have delivered unless they revoke their election before the deadline by providing written notice to the exchange agent. In the time between delivery of their shares of Houston Exploration common stock and the closing of the merger, the market price of Houston Exploration common stock or shares of Forest common stock may decrease, and Houston Exploration stockholders who might otherwise want to sell their shares of Houston Exploration common stock to gain access to cash, make other investments, or reduce the potential for a decrease in the value of their investment, will be unable to do so after the election deadline.

However, if the closing of the merger has not occurred within 10 days of the election deadline, then, unless the closing of the merger is then scheduled to take place by the tenth day after the election deadline, the election deadline shall be changed, unless Forest and Houston Exploration agree not to change the election deadline, to the tenth day after the election deadline or such other date as agreed to by Forest and Houston Exploration. If a new election deadline is set, Houston Exploration and Forest shall publicly announce the new election deadline.

Any delay in completing the merger may substantially reduce the benefits expected to be obtained from the merger.

In addition to obtaining the required regulatory clearances and approvals, the merger is subject to a number of other conditions beyond the control of Houston Exploration and Forest that may prevent, delay or otherwise materially adversely affect its completion. See "The Merger Agreement Conditions to the Completion of the Merger." Forest and Houston Exploration cannot predict whether or when these other conditions will be satisfied. Any delay in completing the merger may materially adversely affect the synergies and other benefits that Forest and Houston Exploration expect to achieve if the merger and the integration of their respective businesses is completed within the expected timeframe.

Houston Exploration could incur a ceiling test writedown prior to completion of the merger.

Both Houston Exploration and Forest use the full cost method of accounting to report their oil and gas operations. Accordingly, both companies capitalize the cost to acquire, explore for and develop oil and gas properties. Under full cost accounting rules, the net capitalized costs of oil and gas properties may not exceed a "ceiling limit," which is based upon the present value of estimated future net revenues from proved reserves, discounted at 10%. If net capitalized costs of oil and gas properties exceed the ceiling limit, the company must charge the amount of the excess to its earnings. This is called a "ceiling test writedown." Under the accounting rules, Houston Exploration and Forest are each required to perform a ceiling test each quarter. A ceiling test writedown would not impact cash flow from operating activities, but it would reduce shareholders' equity. The risk of a required ceiling test writedown in the carrying value of oil and gas properties increases when oil and gas prices are low or volatile. In addition, writedowns may occur in the event of (1) substantial downward adjustments to estimated proved reserves or undeveloped property values, (2) capital expenditures that do not generate equivalent or greater value in proved reserves, (3) increases in estimated future operating, development and abandonment costs or (4) delays in estimated timing of projects. In calculating its ceiling test at December 31, 2006, based on an average net wellhead price in effect on that day of approximately \$4.95 per Mcf, Houston Exploration estimated that the carrying value of its full cost pool exceeded the ceiling limitation by approximately \$573 million to \$596 million (pre tax) and approximately \$370 to \$385 million (after tax). On a stand-alone basis without giving pro forma effect to the proposed merger with Houston Exploration, Forest would not incur a ceiling test writedown based on December 31, 2006 prices. Pursuant to full cost accounting rules, alternative prices can be used to compute the ceiling test should prices recover subsequent to year-end. Therefore, the requirement, if any, for a year-end writedown for Houston Exploration will depend on the market price for natural gas on a date shortly prior to Houston Exploration's filing of its Annual Report on Form 10-K for the year ended December 31, 2006. Houston Exploration anticipates that a fourth quarter 2006 ceiling test writedown will be required if its average net wellhead price is less than approximately \$6.70 per Mcf as of the final testing date. There can be no assurance that Houston Exploration will not experience a significant ceiling test writedown, either at year-end 2006 or during any other quarterly test that is required prior to completion of the merger.

Forest and Houston Exploration will incur substantial transaction and merger-related costs in connection with the merger.

Forest and Houston Exploration expect to incur a number of non-recurring transaction fees and other costs associated with completing the merger, combining the operations of the two companies and achieving desired synergies. These fees and costs will be substantial. Additional unanticipated costs may be incurred in the integration of the businesses of Forest and Houston Exploration. Although Forest and Houston Exploration expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of their businesses will offset the incremental transaction and merger-related costs over time, this net benefit may not be achieved in the near term, or at all.

The businesses of Forest and Houston Exploration, as well as other businesses that Forest may acquire after completion of the merger, may be difficult to integrate, disrupt Forest's business, dilute shareholder value or divert management attention.

Risks with respect to the combination of Forest and Houston Exploration, as well as other recent and future acquisitions, include:

difficulties in the integration of the operations and personnel of the acquired company;

diversion of management's attention away from other business concerns; and

the assumption of any undisclosed or other potential liabilities of the acquired company.

Directors and executive officers of Houston Exploration may have conflicts of interest in recommending that Houston Exploration stockholders vote to adopt the merger agreement.

Executive officers of Houston Exploration negotiated the terms of the merger agreement, and the Houston Exploration board of directors unanimously approved the merger agreement and unanimously recommends that Houston Exploration stockholders vote in favor of the proposal to adopt the merger agreement. These directors and executive officers may have interests in the merger that are different than, or in addition to or in conflict with, those of Houston Exploration stockholders. Houston Exploration stockholders should take into account such interests when they consider the Houston Exploration board of directors' recommendation that they vote for adoption of the merger agreement.

These interests may include:

severance benefits for certain executive officers whose employment is terminated under certain circumstances after the effective time of the merger;

the accelerated vesting of, and payment in the merger with respect to, certain stock options and lapse of restrictions on shares of restricted stock for certain directors and executive officers;

Houston Exploration's executive officers will be entitled to a "stay-on" bonus pursuant to the Houston Exploration Change of Control Plan in the amount of 125% of the officer's target bonus, payable one-half on or as soon as reasonably practical following the merger and the remaining one-half 60 days after the merger, or the date of the executive officer's termination of employment, if earlier;

Houston Exploration's executive officers and other employees will become 100% vested in their unvested accrued benefits under the Houston Exploration 401(k) Plan and Trust, the Houston Exploration Supplemental Executive Retirement Plan and the Houston Exploration 2005 Executive Deferred Compensation Plan;

an executive officer's benefit under the Houston Exploration Supplemental Executive Retirement Plan will be paid in a lump sum cash payment (rather than in the form of an annuity) if the

Edgar Filing: FOREST OIL CORP - Form S-4

executive officer's employment is terminated by Forest without cause or the executive officer resigns for good reason within two years following the merger;

certain of Houston Exploration's executive officers may be offered employment with Forest after the effective time of the merger;

certain of Houston Exploration's executive officers may be entitled to the grant of stock options to acquire Forest common stock, which options would be granted within five business days after the effective time of the merger; and

all current and certain former directors and officers will be indemnified by Forest with respect to acts or omissions by them in their capacities as such prior to the effective time of the merger.

As a result of these interests, these directors and executive officers may be more likely to support and to vote to adopt the merger agreement than if they did not have these interests. For a discussion of the interests of directors and executive officers in the merger, see "The Merger Interests of the Directors and Executive Officers of Houston Exploration in the Merger."

In certain circumstances, the merger agreement requires payment of a termination fee of \$55 million by Houston Exploration to Forest and, under certain circumstances, Houston Exploration must allow Forest four business days to match any alternative acquisition proposal prior to any change in the Houston Exploration board's recommendation. These terms could affect the decisions of a third party proposing an alternative transaction to the merger, or the likelihood that such a proposal would be made at all.

Under the merger agreement, Houston Exploration may be required to pay to Forest a termination fee of \$55 million if the merger agreement is terminated under certain circumstances. Should the merger agreement be terminated in circumstances under which such a termination fee is payable, the payment of this fee could have material and adverse consequences on Houston Exploration's financial condition and operations. Additionally, under the merger agreement, in the event of a potential change by the Houston Exploration board of directors of its recommendation with respect to the merger, Houston Exploration must allow Forest a four business day period to make a revised proposal, prior to which the Houston Exploration board of directors may not change its recommendation with respect to the merger agreement. Even if the Houston Exploration board of directors changes its recommendation of the merger, Houston Exploration is required under the merger agreement to submit the merger agreement to its stockholders for adoption unless Forest decides to terminate the merger agreement or Houston Exploration terminates the merger agreement in connection with the receipt of a superior proposal. These terms could affect the structure, pricing and terms proposed by other parties seeking to acquire or merge with Houston Exploration and make it more difficult for another party to make a superior acquisition proposal for Houston Exploration. For a description of the termination rights of each party and the termination fee payable by Houston Exploration under the merger agreement, see "The Merger Agreement Termination of the Merger Agreement."

Failure to retain key employees could adversely affect Forest following the merger.

Forest's performance following the merger could be adversely affected if it is unable to retain certain key employees of Houston Exploration. The loss of the services of one or more of these key employees could adversely affect Forest's future operating results because of their experience and knowledge of Houston Exploration's business. In addition, current and prospective employees of Forest and Houston Exploration may experience uncertainty about their future roles with the company until after the merger is completed. This may adversely affect the ability of Forest and Houston Exploration to attract and retain key personnel.

The rights of Houston Exploration stockholders who become shareholders of Forest in the merger will be governed by New York law and Forest's restated certificate of incorporation and bylaws.

Houston Exploration stockholders who receive shares of Forest common stock in the merger will become Forest shareholders and their rights as shareholders will be governed by Forest's restated certificate of incorporation and bylaws and the New York Business Corporation Law. As a result, there will be material differences between the current rights of Houston Exploration stockholders, which are governed by Houston Exploration's restated certificate of incorporation and restated bylaws and the Delaware General Corporation Law, and the rights of such holders as Forest shareholders. For more information, see "Comparison of Rights of Houston Exploration Stockholders and Forest Shareholders."

Both Houston Exploration and Forest are subject to an ongoing shareholder lawsuit, which could result in an injunction preventing the consummation of the merger or significant monetary damages

Houston Exploration's directors and Forest are defendants in a shareholder lawsuit brought by the City of Monroe Employees' Retirement System (the "Plaintiff") in Houston, Texas. The Plaintiff asserts that the Houston Exploration directors breached their fiduciary duties by not pursuing JANA's June 12, 2006 unsolicited proposal to purchase the outstanding shares of Houston Exploration common stock for \$62 per share. The Plaintiff also asserts, on behalf of an uncertified class of Houston Exploration's shareholders, that the Houston Exploration directors' decision to enter into the merger with Forest constituted a breach of fiduciary duties, because, the Plaintiff alleges, the merger consideration is inadequate. The Plaintiff asserts that Forest aided and abetted the Houston Exploration directors' alleged breach of fiduciary duties. This lawsuit is at an early stage and subject to substantial uncertainties concerning the outcome of material factual and legal issues. Accordingly, based on the current status of the litigation, we cannot currently predict the manner and timing of the resolution of the lawsuit, the likelihood of the issuance of an injunction preventing the consummation of the merger or an estimate of a range of possible losses or any minimum loss that could result in the event of an adverse verdict in the lawsuit. Furthermore, although the combined company's insurance policies should provide coverage for the claims against Houston Exploration's directors, the policies may not be sufficient to cover all costs and liabilities incurred by those directors. The current claim in the lawsuit against Forest is not covered by insurance.

Risk Factors Relating to Forest Following the Merger

Forest will have substantial debt after the effective time of the merger, which could have a material adverse effect on its financial health and limit its future operations.

Forest will have a significant amount of debt after the effective time of the merger. As of September 30, 2006, on a pro forma basis to reflect the merger and Forest's borrowing under its credit facilities to finance the cash component of the merger consideration, Forest's total outstanding long-term debt would have been \$1.92 billion.

Forest's substantial debt could have important consequences. In particular, it could:

increase its vulnerability to general adverse economic and industry conditions;

require it to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures and other general corporate purposes;

place it at a competitive disadvantage compared to its competitors that have less debt; and

limit, along with the financial and other restrictive covenants of its indebtedness, among other things, its ability to borrow additional funds.

Forest's and Houston Exploration's debt agreements contain restrictive covenants that may limit the ability of Forest to respond to changes in market conditions or pursue business opportunities.

The indentures governing Forest's senior notes and Houston Exploration's senior subordinated notes and the agreements governing Forest's credit facilities contain restrictive covenants that will limit Forest's ability and the ability of certain of its subsidiaries after the merger to, among other things:

incur or guarantee additional indebtedness or issue preferred shares;

pay dividends or make other distributions;

purchase equity interests or redeem subordinated indebtedness early;

create or incur certain liens;

enter into transactions with affiliates;

issue or sell capital stock of subsidiaries; and

sell assets or merge or consolidate with another company.

Complying with the restrictions contained in some of these covenants will require Forest to meet certain financial ratios and tests, notably with respect to consolidated interest coverage, total assets, net debt, equity and net income. Forest's need to comply with these provisions may materially adversely affect its ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing, fund needed capital expenditures, finance its equipment purchases and development expenditures, or withstand a future downturn in its business.

If Forest is unable to comply with the restrictions and covenants in the agreements governing Forest's and Houston Exploration's notes and other debt, there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that Forest and Houston Exploration have borrowed.

If Forest is unable to comply with the restrictions and covenants in the agreements governing Forest's and Houston Exploration's notes or in current or future debt financing agreements, there could be a default under the terms of these agreements. Forest's ability to comply with these restrictions and covenants, including meeting financial ratios and tests, may be affected by events beyond its control. As a result, Forest cannot assure Forest shareholders and Houston Exploration stockholders that Forest will be able to comply with these restrictions and covenants or meet these tests. In the event of a default under these agreements, lenders could terminate their commitments to lend or accelerate the outstanding loans and declare all amounts borrowed due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. If any of these events occur, the assets of Forest might not be sufficient to repay in full all of its outstanding indebtedness and Forest may be unable to find alternative financing. Even if Forest could obtain alternative financing, it might not be on terms that are favorable or acceptable.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus, including information included or incorporated by reference into this joint proxy statement/prospectus, contains certain forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, the words "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions identify forward-looking statements, and any statements regarding the benefits of the merger, or Forest's or Houston Exploration's future financial condition, results of operations and business, are also forward-looking statements. Without limiting the generality of the preceding sentence, certain statements contained in the sections "The Merger Background of the Merger," "The Merger Recommendation of the Houston Exploration Board of Directors and Its Reasons for the Merger" and "The Merger Recommendation of the Forest Board of Directors and Its Reasons for the Merger" constitute forward-looking statements.

These forward-looking statements appear in a number of places and include statements with respect to, among other things:

estimates of oil and gas reserves;

estimates of future natural gas and liquids production, including estimates of any increases in oil and gas production;

the amount, nature and timing of capital expenditures, including future development costs, and availability of capital resources to fund capital expenditures;

the various risks and other factors considered by the respective boards of Forest and Houston Exploration as described under "The Merger Recommendation of the Forest Board of Directors and Its Reasons for the Merger" and under "The Merger Recommendation of the Houston Exploration Board of Directors and Its Reasons for the Merger;"

the amount and timing of any synergies expected to result from the merger;

outlook on oil and gas prices;

the impact of political and regulatory developments;

future and pro forma financial condition or results of operations and future revenues and expenses; and

business strategy and other plans and objectives for future operations.

These forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond Forest's and Houston Exploration's control, incident to the exploration for and development, production and sale of oil and gas. These risks include, but are not limited to, commodity price volatility, inflation, lack of availability of drilling and production equipment and services, environmental risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating proved oil and natural gas reserves and in projecting future rates of production, cash flow and access to capital, the timing of development expenditures, and the other risks described under the caption "Risk Factors" in Forest's Annual Report on Form 10-K for the year ended December 31, 2005 and in Houston Exploration's Annual Report on Form 10-K for the year ended December 31, 2005, as amended, and Quarterly Reports on Form 10-Q for the periods ended March 31, June 30 and September 30, 2006. The financial results of Forest's foreign operations are also subject to currency exchange rate risks.

Reserve engineering is a process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact way. The accuracy of any reserve estimates depends on the quality of available data, the interpretation of such data, and price and cost assumptions made by reservoir

engineers. In addition, the results of drilling, testing and production activities may justify revisions of estimates that were made previously. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of oil and natural gas that are ultimately recovered.

Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, the following factors:

the ability to consummate the merger;

difficulties and delays in obtaining regulatory approvals for the merger;

difficulties and delays in achieving synergies and cost savings; and

potential difficulties in meeting conditions set forth in the merger agreement.

Should one or more of the risks or uncertainties described above or elsewhere in Forest's Annual Report on Form 10-K for the year ended December 31, 2005 or in Houston Exploration's Annual Report on Form 10-K for the year ended December 31, 2005, as amended, and Quarterly Reports on Form 10-Q for the periods ended March 31, June 30 and September 30, 2006 occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this joint proxy statement/prospectus are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Forest, Houston Exploration or persons acting on their behalf may issue.

Except as otherwise required by applicable law, Forest and Houston Exploration disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section. See also "Where You Can Find More Information; Incorporation by Reference."

THE FOREST SPECIAL MEETING

Date, Time, Place and Purpose of the Forest Special Meeting

The special meeting of Forest shareholders will be held on _____, 2007, at _____ a.m., Denver time, at _____. The purpose of the Forest special meeting is:

1. to consider and vote on the proposal to approve the issuance of additional shares of Forest common stock in the merger pursuant to the merger agreement;
2. to consider and vote upon the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan; and
3. to transact any other business that may properly come before the Forest special meeting or any adjournment or postponement of the Forest special meeting.

The Forest board of directors unanimously recommends that Forest shareholders vote FOR the proposal to issue additional shares of Forest common stock in the merger pursuant to the merger agreement. For the reasons for this recommendation, see "The Merger Recommendation of the Forest Board of Directors and Its Reasons for the Merger."

The Forest board of directors unanimously recommends that Forest shareholders vote FOR the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan. For the reasons for this recommendation, see "Proposal to Approve the Adoption of the Forest 2007 Stock Incentive Plan."

Who Can Vote at the Forest Special Meeting

Only holders of record of Forest common stock at the close of business on _____, 2007, the Forest record date, are entitled to notice of, and to vote at, the Forest special meeting. As of that date, there were _____ shares of Forest common stock outstanding and entitled to vote at the Forest special meeting, held by approximately _____ shareholders of record. Each share of Forest common stock is entitled to one vote at the Forest special meeting.

Vote Required for Approval; Quorum

The affirmative vote of the holders of a majority of the votes cast at the special meeting, at which a quorum is present, is required to approve the issuance of additional shares of Forest common stock in the merger pursuant to the merger agreement and to approve the adoption of the Forest 2007 Stock Incentive Plan. If a Forest shareholder attends but fails to vote, or if a Forest shareholder abstains, that shareholder will be considered present in determining the presence of a quorum, but will not constitute a vote cast and, accordingly, will have no effect on the outcome of the vote.

The holders of a majority of the total number of outstanding shares of Forest common stock issued and outstanding and entitled to vote as of the Forest record date, present in person or represented by proxy, will constitute a quorum at the Forest special meeting for the conduct of business.

Adjournments

If a quorum of Forest shareholders is not present in person or by proxy at the Forest special meeting, the Forest special meeting may be adjourned from time to time until a quorum is present or represented. In addition, adjournments of the Forest special meeting may be made for the purpose of soliciting additional proxies in favor of the proposal. However, no proxy that is voted against a proposal described in this joint proxy statement/prospectus will be voted in favor of adjournment of the Forest special meeting for the purpose of soliciting additional proxies.

Manner of Voting

Forest shareholders may submit their votes for or against the proposals submitted at the Forest special meeting in person or by proxy. Forest shareholders may be able to submit a proxy in the following ways:

Internet. Forest shareholders may submit a proxy over the Internet by going to the website listed on their proxy card. Once at the website, they should follow the instructions to submit a proxy.

Telephone. Forest shareholders may submit a proxy using the toll-free number listed on their proxy card. Easy-to-follow voice prompts will help Forest shareholders and confirm that their submission instructions have been followed.

Mail. Forest shareholders may submit a proxy by signing, dating and returning their proxy card in the preaddressed, postage-paid envelope provided.

Forest shareholders should refer to their proxy cards or the information forwarded by their bank, broker or other nominee to see which options are available to them.

The Internet and telephone proxy submission procedures are designed to authenticate shareholders and to allow them to confirm that their instructions have been properly recorded.

The method by which Forest shareholders submit a proxy will in no way limit their right to vote at the Forest special meeting if they later decide to attend the meeting in person. If shares of Forest common stock are held in the name of a bank, broker or other nominee, Forest shareholders must obtain a proxy, executed in their favor, from the holder of record, to be able to vote at the Forest special meeting.

All shares of Forest common stock entitled to vote and represented by properly completed proxies received prior to the Forest special meeting, and not revoked, will be voted at the Forest special meeting as instructed on the proxies. **If Forest shareholders do not indicate how their shares of Forest common stock should be voted on a matter, the shares of Forest common stock represented by their properly completed proxy will be voted as the Forest board of directors recommends and therefore FOR the proposal to issue additional shares of Forest common stock in the merger and FOR the proposal to approve the adoption of the Forest 2007 Stock Incentive Plan.**

Revoking a Proxy

Forest shareholders may revoke their proxy at any time before it is exercised by timely delivering a properly executed, later-dated proxy (including over the Internet or telephone) or by voting by ballot at the Forest special meeting. Simply attending the Forest special meeting without voting will not revoke their proxy.

Shares Held in "Street Name"

If Forest shareholders hold their shares of Forest common stock in an account at a bank, broker or other nominee and they wish to vote such shares, they must return their voting instructions to the bank, broker or other nominee.

If Forest shareholders own shares of Forest common stock through a bank, broker or other nominee and attend the Forest special meeting, they should bring a legal proxy from their bank, broker or other nominee authorizing them to vote.

Brokers of Forest shareholders will NOT vote shares of Forest common stock held in "street name" unless such Forest shareholders instruct such brokers how to vote. In connection with the Forest special meeting, "broker non-votes" will be considered in determining the presence of a quorum, but will not constitute votes cast and, accordingly, will have no effect on the outcome of the Forest

shareholder vote. Forest shareholders should therefore provide their brokers or other nominees with instructions as to how to vote their shares of Forest common stock.

Tabulation of the Votes

Forest has appointed Mellon Investor Services to serve as the Inspector of Election for the Forest special meeting. Mellon Investor Services will independently tabulate affirmative and negative votes and abstentions.

Solicitation

Forest will pay the cost of soliciting proxies. Directors, officers and employees of Forest and Houston Exploration may solicit proxies on behalf of Forest in person or by telephone, facsimile or other means. Forest has engaged Georgeson Inc. to assist it in the distribution and solicitation of proxies. Forest has agreed to pay Georgeson Inc. a fee of \$12,500, plus payment of certain fees and expenses.

In accordance with the regulations of the SEC and the NYSE, Forest also will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of shares of Forest common stock.

THE HOUSTON EXPLORATION SPECIAL MEETING

Date, Time, Place and Purpose of the Houston Exploration Special Meeting

The special meeting of Houston Exploration stockholders will be held on _____, 2007, at _____ a.m., Houston time, at _____. The purpose of the Houston Exploration special meeting is:

1. _____ to consider and vote on the proposal to adopt the merger agreement; and
2. _____ to transact any other business as may properly come before the Houston Exploration special meeting or any adjournment or postponement of the Houston Exploration special meeting.

The Houston Exploration board of directors unanimously recommends that Houston Exploration stockholders vote FOR the proposal to adopt the merger agreement. For the reasons for this recommendation, see "The Merger Recommendation of the Houston Exploration Board of Directors and Its Reasons for the Merger."

Who Can Vote at the Houston Exploration Special Meeting

Only holders of record of Houston Exploration common stock at the close of business on _____, 2007, the Houston Exploration record date, are entitled to notice of, and to vote at, the Houston Exploration special meeting. As of that date, there were _____ shares of Houston Exploration common stock outstanding and entitled to vote at the Houston Exploration special meeting, held by approximately _____ stockholders of record. Each share of Houston Exploration common stock is entitled to one vote at the Houston Exploration special meeting.

Vote Required for Approval; Quorum

The affirmative vote of the holders of a majority of the shares of Houston Exploration common stock entitled to vote at the special meeting and outstanding as of the Houston Exploration record date, voting as single class, either in person or by proxy, is necessary for the adoption of the merger agreement. If a Houston Exploration stockholder fails to vote, or if a Houston Exploration stockholder abstains, that will have the same effect as a vote against adoption of the merger agreement.

The holders of a majority of the total number of outstanding shares of Houston Exploration common stock entitled to vote at the special meeting and outstanding as of the Houston Exploration record date, present in person or represented by proxy, will constitute a quorum at the Houston Exploration special meeting for the conduct of business.

Adjournments

If a quorum of Houston Exploration stockholders is not present in person or by proxy at the Houston Exploration special meeting, the Houston Exploration special meeting may be adjourned from time to time until a quorum is present or represented. In addition, adjournments of the Houston Exploration special meeting may be made for the purpose of soliciting additional proxies in favor of the proposal. However, no proxy that is voted against a proposal described in this joint proxy statement/prospectus will be voted in favor of adjournment of the Houston Exploration special meeting for the purpose of soliciting additional proxies.

Manner of Voting

Houston Exploration stockholders may submit their votes for or against the proposal submitted at the Houston Exploration special meeting in person or by proxy. Houston Exploration stockholders may submit a proxy by signing, dating and returning their proxy card in the preaddressed, postage-paid envelope provided.

The submission of a proxy by mail will in no way limit Houston Exploration stockholders' right to vote at the Houston Exploration special meeting if they later decide to attend the meeting in person. If shares of Houston Exploration common stock are held in the name of a bank, broker or other nominee, Houston Exploration stockholders must obtain a proxy, executed in their favor, from the holder of record, to be able to vote at the Houston Exploration special meeting.

All shares of Houston Exploration common stock entitled to vote and represented by properly completed proxies received prior to the Houston Exploration special meeting, and not revoked, will be voted at the Houston Exploration special meeting as instructed on the proxies. **If Houston Exploration stockholders do not indicate how their shares of Houston Exploration common stock should be voted on a matter, the shares of Houston Exploration common stock represented by their properly completed proxy will be voted as the Houston Exploration board of directors recommends and therefore FOR the adoption of the merger agreement.**

Revoking a Proxy

Houston Exploration stockholders may revoke their proxy at any time before it is exercised by timely delivering a properly executed, later-dated proxy or by voting by ballot at the Houston Exploration special meeting. Simply attending the Houston Exploration special meeting without voting will not revoke their proxy.

Shares Held in "Street Name"

If Houston Exploration stockholders hold shares of Houston Exploration common stock in an account at a bank, broker or other nominee and they wish to vote, they must return their voting instructions to the bank, broker or other nominee.

If Houston Exploration stockholders own shares of Houston Exploration common stock through a bank, broker or other nominee and attend the Houston Exploration special meeting, they should bring a legal proxy from their bank, broker or other nominee authorizing them to vote.

Brokers of Houston Exploration stockholders will NOT vote shares of Houston Exploration common stock held in "street name" unless Houston Exploration stockholders instruct their broker how to vote. Such failure to vote will have the same effect as a vote AGAINST adoption of the merger agreement. Houston Exploration stockholders should therefore provide their brokers or other nominees with instructions as to how to vote their shares of Houston Exploration common stock.

Tabulation of the Votes

Houston Exploration has appointed The Bank of New York to serve as the Inspector of Election for the Houston Exploration special meeting. The Bank of New York will independently tabulate affirmative and negative votes and abstentions.

Solicitation

Houston Exploration will pay the cost of soliciting proxies. Directors, officers and employees of Houston Exploration and Forest may solicit proxies on behalf of Houston Exploration in person or by telephone, facsimile or other means. Houston Exploration has engaged Georgeson Inc. to assist it in the distribution and solicitation of proxies. Houston Exploration has agreed to pay Georgeson Inc. a fee of \$12,500, plus payment of certain fees and expenses.

In accordance with the regulations of the SEC and the NYSE, Houston Exploration also will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of shares of Houston Exploration common stock.

THE MERGER

The following is a description of the material aspects of the merger. While Forest and Houston Exploration believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to Forest shareholders and Houston Exploration stockholders. Forest and Houston Exploration encourage Forest shareholders and Houston Exploration stockholders to carefully read this entire joint proxy statement/prospectus, including the merger agreement attached to this joint proxy statement/prospectus as Annex A and incorporated by reference herein, for a more complete understanding of the merger.

General

Each of the Forest and Houston Exploration board of directors has unanimously approved the merger agreement and the transactions contemplated by the merger agreement. In the merger, Merger Sub will merge with and into Houston Exploration, with Houston Exploration surviving the merger as a wholly owned subsidiary of Forest, immediately followed by Houston Exploration merging with and into Forest, with Forest surviving the merger and continuing its corporate existence. Houston Exploration stockholders will receive the merger consideration described below under "The Merger Agreement Merger Consideration."

Background of the Merger

On October 25, 2005, in light of market conditions and recent industry activity, Houston Exploration's board of directors met to consider, among other things, a possible corporate restructuring designed to refocus and reposition Houston Exploration for sustainable growth and maximize stockholder value. Such restructuring contemplated, among other things, a sale of Houston Exploration's Gulf of Mexico assets, a restructuring of Houston Exploration's existing hedge portfolio and/or repurchases of Houston Exploration's common stock. The board instructed management to develop further the restructuring proposal.

On November 4, 2005, Houston Exploration's board received additional input from management on the restructuring proposal and decided to proceed with initial steps designed to restructure Houston Exploration's business. Specifically, the board authorized Houston Exploration's management to commence a sale process with respect to Houston Exploration's Gulf of Mexico assets and to retain Wachovia Capital Markets, LLC ("Wachovia") to act as Houston Exploration's financial advisor in connection with such sale. The board also approved a discretionary common stock repurchase program of up to \$200 million to be executed in connection with such sale. Based on the recommendation of management, the board determined not to authorize a restructuring of Houston Exploration's hedge program at that time.

On November 8, 2005, Houston Exploration publicly announced its strategic restructuring, which included plans to divest Houston Exploration's Gulf of Mexico asset base and, where economically attractive, to redeploy proceeds from that sale into lower risk, more predictable onshore properties. Houston Exploration also announced the implementation of the discretionary common stock repurchase program of up to \$200 million, subject to various conditions.

In November 2005, Houston Exploration retained Wachovia to assist it with the sale of its Gulf of Mexico assets, and a formal sale process commenced soon thereafter. Between November 2005 and January 2006, Wachovia contacted a total of 81 potential acquirors of Houston Exploration's offshore assets. Twenty of these parties entered into confidentiality agreements with respect to the process. In January and February 2006, 18 parties attended management presentations with respect to the assets. Bids were due on February 10, 2006.

On February 16, 2006, Barry Rosenstein, Managing Partner of JANA, a hedge fund, contacted William Hargett, Houston Exploration's Chairman, Chief Executive Officer and President, and informed him that JANA had acquired a significant beneficial ownership interest in Houston Exploration.

On February 17, 2006, Mr. Hargett and others from Houston Exploration spoke via telephone with Mr. Rosenstein and others from JANA to discuss JANA's views as to the best use of the expected proceeds from the sale of Houston Exploration's Gulf of Mexico assets. On February 21, 2006, JANA filed a Schedule 13D with the SEC indicating that it had acquired beneficial ownership of approximately 9.9% of Houston Exploration's common stock. That afternoon, Houston Exploration management met with Lehman Brothers and Akin Gump Strauss Hauer & Feld LLP ("Akin Gump"), Houston Exploration's outside counsel, to discuss various strategies and alternatives.

On February 28, 2006, Houston Exploration announced a definitive Purchase and Sale Agreement with respect to the sale of the Texas portion of its Gulf of Mexico assets to Merit Energy Company ("Merit") and certain of its affiliates for \$220 million in cash. Houston Exploration continued negotiations with respect to a potential sale of the Louisiana portion of its Gulf of Mexico assets.

On March 8, 2006, Houston Exploration formally engaged Lehman Brothers to provide financial advisory services to Houston Exploration's board of directors and to assist it in responding to, among other things, any unsolicited proposals, proxy contests or shareholder proposals or requests received by Houston Exploration.

On April 4, 2006, Houston Exploration's board of directors met to consider the offers received for the proposed sale of the Louisiana portion of Houston Exploration's Gulf of Mexico assets. At this meeting, the board discussed and authorized management to pursue alternatives for the deployment of Gulf of Mexico sales proceeds to maximize stockholder value. Representatives of Lehman Brothers attended the meeting and made a presentation with respect to Lehman Brothers' preliminary analysis of various share repurchase alternatives, including the Dutch auction style repurchase suggested by JANA. Based on its discussion with Lehman Brothers, the board directed Houston Exploration's management to initiate open market repurchases under its existing \$200 million stock repurchase program when and as warranted by market conditions.

On April 7, 2006, Houston Exploration announced that it had entered into a second Purchase and Sale Agreement with Merit and certain of its affiliates covering substantially all of Houston Exploration's Louisiana Gulf of Mexico assets for \$590 million in cash. At that time, Houston Exploration expected to place the majority of the sale proceeds into a trust to allow for like-kind exchange treatment under section 1031 of the Internal Revenue Code in the event Houston Exploration identified attractive acquisition prospects within the prescribed period.

During the spring of 2006, representatives of JANA periodically contacted or met with Houston Exploration management, including a meeting on March 21, 2006 during the Howard Weil energy conference, to express JANA's views that, rather than pursue acquisitions with the proceeds from its Gulf of Mexico asset sales, Houston Exploration should engage in a much larger Dutch auction style share repurchase program at a 15% premium to its then current trading price. JANA formalized this proposal in a letter to Houston Exploration's board of directors dated April 17, 2006. In that letter, JANA also proposed that the board of directors undertake a prompt and thorough exploration of strategic alternatives, including a potential sale of Houston Exploration.

On April 27-28, 2006, the Houston Exploration board held its regularly scheduled quarterly meeting and discussed, among other items, Houston Exploration's business strategy. At this meeting, legal counsel advised the board as to its fiduciary duties and Lehman Brothers delivered a presentation regarding its review of Houston Exploration's business plan model, its analysis of various stock buyback scenarios and the potential advantages and disadvantages of each, including the \$650 million Dutch

auction repurchase proposed by JANA, and other cash redeployment alternatives. In light of the capital intensive nature of the industry in which Houston Exploration operates, as well as the exposure to volatile commodity prices and a depleting asset base, the board determined that a \$650 million stock repurchase would not be prudent and that its balanced approach to capital allocation (including up to \$200 million of share repurchases, the development or acquisition of appropriate onshore natural gas reserves and the repayment of bank debt) continued to offer a compelling return to Houston Exploration's stockholders under current market conditions.

On May 16, 2006, JANA sent a letter to Houston Exploration's board of directors restating its previously expressed views regarding a share repurchase and exploration of strategic alternatives, and requesting that the board consider implementing a comprehensive hedging strategy.

On June 7, 2006, the Houston Exploration board met to discuss the status of potential cash redeployment alternatives and recent developments. Representatives of Lehman Brothers, Akin Gump and Morris, Nichols, Arsht & Tunnell LLP ("Morris Nichols"), Houston Exploration's outside counsel for Delaware legal matters, attended the meeting.

On June 12, 2006, JANA sent another letter to Houston Exploration's board of directors outlining an unsolicited proposal to purchase Houston Exploration at a price of \$62 per share in cash and made a public announcement of such proposal. JANA indicated in the letter that its proposal was not subject to any financing condition but was subject to due diligence.

On June 13, 2006, a special telephonic meeting of the Houston Exploration board was held to preliminarily consider and discuss JANA's unsolicited proposal. At the meeting, representatives of Akin Gump and Morris Nichols advised the board on its fiduciary duties. Lehman Brothers provided an overview of the process it was undertaking to evaluate JANA's proposal, discussed market reactions to the proposal and indicated that it would provide a detailed analysis of JANA's proposal as well as a valuation analysis of Houston Exploration at the upcoming board meeting scheduled for June 23, 2006.

On June 22, 2006, JANA sent a letter to Houston Exploration's board requesting that it be allowed to commence a due diligence review of Houston Exploration, attaching a proposed form of confidentiality agreement and suggesting that it might be willing to increase the offer price set forth in its proposal, depending on the results of such diligence.

Also on June 22, 2006, the City of Monroe Employees' Retirement System (the "City of Monroe plaintiff") filed a class action lawsuit in Houston, Texas against all of the directors of Houston Exploration. The City of Monroe plaintiff asserted that a decision on the directors' part not to pursue JANA's June 12 offer to purchase Houston Exploration would constitute a breach of the fiduciary duties they owe to Houston Exploration's stockholders.

Houston Exploration's board of directors met again on June 22 and 23, 2006 to consider and evaluate JANA's unsolicited proposal. In addition to Houston Exploration's management, representatives of Lehman Brothers, Akin Gump and Morris Nichols attended the meeting. At the meeting, Houston Exploration's management reviewed the JANA proposal. Lehman Brothers then delivered a detailed presentation with respect to its assessment of JANA's proposal, a view of the current landscape surrounding Houston Exploration and the industry, a valuation analysis with respect to Houston Exploration and its analysis of a number of other potential value creation alternatives, including stock repurchases of varying sizes, potential acquisitions, combinations of repurchases and acquisitions, a sale of Houston Exploration and other scenarios. The board considered the fact that JANA had never acquired a public company and had not conducted any due diligence and weighed the execution risks associated with JANA's proposal. After discussion, the board determined that if Houston Exploration were to be sold, its stockholders would be best served by a sale involving a thorough auction process and that JANA would be free to pursue its proposal in such process. The Henry Hub spot price for natural gas at this time was \$6.62 per MMBtu and the three-year average forward price

for 2007 to 2009 was \$9.11 per MMBtu. The board then unanimously determined that JANA's unsolicited acquisition proposal was not in the best interests of Houston Exploration's stockholders and expanded its engagement of Lehman Brothers to assist Houston Exploration in exploring a broad range of strategic alternatives to enhance stockholder value. These alternatives could complement or replace the continued execution of Houston Exploration's previously announced business plan and would include, but not be limited to, a recapitalization of Houston Exploration either through additional share repurchases or a special dividend; operating partnerships and/or strategic alliances; and the sale or merger of Houston Exploration.

On June 26, 2006, Houston Exploration publicly announced that the board of directors had engaged Lehman Brothers to assist Houston Exploration in exploring a broad range of strategic alternatives to enhance stockholder value, and that the board had unanimously determined that JANA's unsolicited acquisition proposal was not in the best interests of Houston Exploration's stockholders. Houston Exploration also sent a letter to Mr. Rosenstein of JANA informing him of the board's determination based on the board's belief that JANA's proposal undervalued Houston Exploration's assets and opportunities and that Houston Exploration was well-positioned for value creation.

Throughout July 2006, Houston Exploration's management went on an extensive investor presentation roadshow including meetings with representatives of 17 sell-side firms and 10 significant stockholders (including a meeting with JANA in New York City on July 12th). During these meetings, Houston Exploration presented an update on its operations, financial information and prospects following its strategic transformation to an onshore business focus and discussed management's expectations as to Houston Exploration's operational initiatives and business opportunities.

Also during July 2006, Houston Exploration's board received letters from three additional significant stockholders urging the board to consider a sale of Houston Exploration.

Houston Exploration's board of directors met again on July 24 and 25, 2006 to consider, among other things, strategic alternatives designed to maximize value for all stockholders. At this meeting, Lehman Brothers presented a detailed analysis of a number of strategic alternatives available to Houston Exploration, including continuing to pursue Houston Exploration's existing business plan, and discussed the timing, risks and potential effects of each, as well as a preliminary valuation analysis of Houston Exploration. The board directed Lehman Brothers to explore a sale of Houston Exploration by soliciting the interest of possible buyers of Houston Exploration.

Over the next several weeks, as directed by the board, Lehman Brothers contacted 60 prospective acquirors of Houston Exploration, including 48 strategic buyers and 12 financial buyers (including JANA), and directed them toward detailed publicly available information with respect to Houston Exploration. As part of this process, on July 27, 2006, a representative from Lehman Brothers met with Craig Clark, Forest's President and Chief Executive Officer, and David Keyte, Forest's Executive Vice President and Chief Financial Officer, in Denver, Colorado. The Lehman Brothers representative advised Forest that Lehman was acting as financial advisor to Houston Exploration in connection with Houston Exploration's evaluation of strategic alternatives and provided Forest with a copy of Houston Exploration's July 2006 investor presentation, which contained publicly available information.

On August 3, 2006, Mr. Hargett telephoned Mr. Clark and asked whether Forest would be interested in reviewing information in the Houston Exploration data room. Mr. Clark responded that Forest was not interested in participating in a wide auction process. Later that day, Lehman Brothers began distributing forms of confidentiality agreements to potentially interested parties, including Forest. Between August 8 and October 10, 2006, a total of 26 confidentiality agreements were executed, including one with JANA on August 25th and one with Forest on September 14th.

On August 9, 2006, representatives from Lehman Brothers telephoned representatives of potential bidders, including Mr. Keyte of Forest, to determine whether they would be interested in scheduling a visit to the Houston Exploration data room in late August or early September.

On August 15, 2006, Forest sent back to Lehman Brothers proposed changes to the form of confidentiality agreement. Forest subsequently elected not to visit the Houston Exploration data room and not to enter into the confidentiality agreement at that time.

Prospective purchasers that entered into a confidentiality agreement with Houston Exploration were provided access to an electronic data room, which included, among other things, reserve information, technical operations data, historical financial information, SEC filings, material contracts, legal matters, human resource and employee information and certain financial projections and were invited to a comprehensive management presentation. A total of 12 management presentations were held between August 14 and October 10, 2006, including one with JANA and its advisors on August 29, 2006. Each of these presentations included a summary executive presentation followed by technical and financial break-out sessions and a question and answer period. A bid procedures letter and a form of merger agreement were subsequently distributed to each prospective acquirer on September 1, 2006, with instructions requesting submission of formal proposals by September 15, 2006.

On August 24, 2006, Houston Exploration's board met to discuss the status of its strategic alternatives review and process, with representatives of Lehman Brothers providing an update on the sales process, as well as other potential strategic alternatives. Representatives of Akin Gump also attended the meeting.

On September 7, 2006, a representative of JANA met with Mr. Clark at the Lehman Brothers Energy Conference in New York City. The JANA representative suggested on behalf of JANA that Forest consider making an offer to acquire Houston Exploration with JANA potentially participating. Mr. Clark responded that Forest was not interested in participating in an auction process and had not executed a confidentiality agreement but that Forest might reconsider in the future. Mr. Clark requested that the JANA representative advise Lehman Brothers of his contact with Forest.

On September 12, 2006, JANA telephoned Lehman Brothers and obtained Houston Exploration's consent for JANA to communicate with Forest regarding the potential acquisition of Houston Exploration provided that Forest execute a confidentiality agreement with Houston Exploration.

On September 14, 2006, Forest executed a confidentiality agreement with Houston Exploration. The next day, Lehman Brothers granted Forest access to the Houston Exploration electronic data room, and shortly thereafter Forest began to review the materials in the electronic data room.

Also on September 14, 2006, JANA sent a letter to Lehman Brothers indicating that JANA would not be submitting a bid proposal on its own, but that JANA would potentially participate after the deadline had passed in a transaction in which Forest Oil acted as a strategic acquirer.

No formal offers for the stock of Houston Exploration were received by the September 15, 2006 due date, although several parties indicated that they might be interested in a transaction valued at significantly less than JANA's \$62 per share proposal.

Representatives of Lehman Brothers conducted several follow-up discussions with prospective purchasers in the following days. Lehman Brothers discussed with multiple parties various potential transactions, including the sale of Houston Exploration in exchange for cash, stock or a combination of cash and stock, as well as a split of Houston Exploration or its assets into packages for divestiture. Lehman Brothers also continued to review the broad range of strategic alternatives as authorized by Houston Exploration's board of directors, including a recapitalization, additional share repurchases, operating partnerships and/or strategic alliances.

On September 18, 2006, a representative from JANA telephoned Mr. Keyte. The JANA representative inquired into Forest's current view regarding Houston Exploration. Mr. Keyte stated that Forest was reviewing the situation and would need a confidentiality agreement from JANA before discussing any further details of Forest's intent with respect to Houston Exploration.

Houston Exploration's board of directors met again on September 19, 2006 to review the status of the sale process and to discuss and consider potential strategic alternatives. Lehman Brothers updated the board on its discussions with potential acquirors and its view of a number of factors believed to have contributed to the lack of buyer interest, including the fact that spot natural gas prices had decreased over 11% since the date of JANA's unsolicited proposal, the geographic diversity of Houston Exploration's asset base, the difficulty in valuing Houston Exploration's Uinta Basin assets given their early stage nature, and difficulty in valuing other upside potential. The Henry Hub spot price at this time was \$4.98 per MMBtu and the three-year average forward price for 2007 to 2009 was \$8.25 per MMBtu. Representatives of Akin Gump also attended the meeting.

On September 21, 2006, Forest executed a confidentiality agreement with JANA. On that day, Mr. Keyte advised JANA that Forest's preliminary assessment of the value of Houston Exploration common stock was in the range of \$55 per share, which was below the then-current trading price of the stock. Mr. Keyte questioned whether it was worthwhile to move forward based on that assessment. A representative of JANA stated that he believed JANA would support a proposal from Forest to acquire Houston Exploration at \$55 per share, with consideration comprised of a combination of Forest common stock and cash.

On September 25, 2006, the Executive Committee of the Forest board of directors held a special telephonic meeting. Senior Forest management also attended the meeting. During the meeting, management described for the Executive Committee the communications and contacts between Forest and Lehman Brothers and between Forest and JANA related to the potential acquisition of Houston Exploration by Forest. Management then discussed its perception of Houston Exploration's assets most similar to Forest's assets, including Houston Exploration's producing properties in South and East Texas. The Executive Committee then discussed Houston Exploration's reserves, the extent to which an acquisition of Houston Exploration would be accretive to Forest and its shareholders, and the resulting level of Forest's leverage under several alternative transaction structures. The Executive Committee postponed any decision and scheduled another meeting for the following day.

On September 26, 2006, the Executive Committee of the Forest board of directors held another special telephonic meeting. Senior Forest management also attended the meeting. The Executive Committee reviewed once again Forest's communications with Lehman Brothers and JANA. Management discussed with the Executive Committee Houston Exploration's production, reserves and share value. The Executive Committee authorized Forest to make a non-binding proposal to Houston Exploration to acquire all of the outstanding shares of Houston Exploration common stock for \$55 per share, with consideration to be comprised of 12 million shares of Forest common stock and the remainder in cash, subject to further due diligence.

Later on September 26, 2006, after the Executive Committee meeting, Forest submitted to the board of directors of Houston Exploration a confidential written, non-binding proposal to acquire all of Houston Exploration's outstanding common stock for approximately \$55 per share, with consideration comprised of 12 million shares of Forest common stock and approximately \$1.2 billion in cash. The proposal provided that the consideration would be reduced to \$54 per share if Houston Exploration were unable to effectuate the deferred like-kind exchange pursuant to section 1031 of the Internal Revenue Code contemplated in conjunction with the recent sale of its offshore Gulf of Mexico assets. The proposal was conditioned on satisfactory completion of confirmatory due diligence, Forest's obtaining commitments for acquisition financing of not less than \$1.5 billion, and approval of the Forest board of directors. Forest stated in the September 26th proposal that JANA supported those

terms. The proposal also provided that, absent a satisfactory response from Houston Exploration, the proposal would be withdrawn at 5:00 p.m., Mountain time, on September 29, 2006.

On September 27, 2006, representatives of Lehman Brothers contacted Mr. Keyte at Forest to clarify certain aspects of the proposal.

On October 2, 2006, representatives of Forest met with representatives of Houston Exploration at the offices of Akin Gump in Houston, Texas. Representatives of Akin Gump, Credit Suisse, Forest's financial advisor, and Lehman Brothers also attended the meeting. During the meeting, Houston Exploration delivered a presentation regarding its organization, including its business operations, its proved reserves, the details and geographical location of its producing properties, and certain financial information.

On October 5, 2006, Lehman Brothers presented an update on the current process and review of the strategic alternatives to Houston Exploration's board of directors. As a result of that discussion, the board of directors authorized Lehman Brothers to respond to Forest with a request for a higher nominal valuation of Houston Exploration as well as a larger proportion of equity consideration. Also, the board of directors requested that Lehman Brothers continue to pursue any other potential counterparties still remaining in the process. At that point, discussions were continuing with another potential acquiror, a privately held company referred to herein as "Company B," as well as several other potential purchasers of all or a portion of Houston Exploration or its assets. Other than Forest and Company B, further discussions with potential purchasers did not result in any additional formal proposals.

On October 10, 2006, Company B entered into a confidentiality agreement, and representatives of Company B met with Houston Exploration's management team and representatives of Lehman Brothers at the offices of Akin Gump. At this meeting, Houston Exploration and Company B each presented an overview of its business, operations and financial information.

Also on October 10, 2006, a representative of Lehman Brothers telephoned Mr. Keyte and stated that Houston Exploration wanted Forest to increase the overall consideration contained in Forest's September 26th proposal and to increase the stock portion of the consideration so as to provide Houston Exploration stockholders with a better opportunity to participate in the potential upside of the combined entity. Mr. Keyte confirmed that Forest remained interested in acquiring Houston Exploration for \$55 per share and requested additional information regarding Houston Exploration's 2006 spending and updated reserve estimates.

On October 12, 2006, Forest submitted to the Houston Exploration board of directors a confidential written, non-binding proposal to acquire all of Houston Exploration's outstanding common stock for \$55 per share, with consideration comprised of 25 million shares of Forest common stock and \$750 million in cash. The October 12th proposal eliminated the \$1 per share reduction in the event Houston Exploration was unable to complete a like-kind exchange under section 1031 of the Internal Revenue Code. The proposal was conditioned on satisfactory completion of confirmatory due diligence, Forest's obtaining commitments for acquisition financing of not less than \$1.4 billion, and approval of the Forest board of directors. Forest stated in the October 12th proposal that JANA supported those terms. The proposal also provided that, absent a satisfactory response from Houston Exploration, the proposal would be withdrawn at 5:00 p.m., Mountain time, on October 16, 2006.

On October 17, 2006, Houston Exploration management participated in a telephone conference with Lehman Brothers at which Lehman Brothers presented certain information with respect to Forest.

Houston Exploration's board met again on October 24, 2006, at which meeting Lehman Brothers discussed the revised Forest proposal as well as the latest discussions with other potential counterparties with the board of directors. In Lehman's view, as of that date, Forest and Company B were the primary remaining viable potential counterparties in the process. The board then considered

and discussed the proposal made by Company B, including its portfolio of assets and the execution risk associated with such proposal. After discussing the potential risks and benefits presented by the proposals and weighing the merits of each, the board directed Lehman Brothers to request that Forest improve the terms of its offer. The board also authorized the Executive Committee of the board (comprised of Messrs. Hargett, Cattell and Logan) to work with Houston Exploration management to determine and pursue all available strategic alternatives that may be of interest to Houston Exploration.

On October 26, 2006, the Executive Committee of Houston Exploration's board of directors met to consider certain strategies in connection with Houston Exploration's review of strategic alternatives, including the potential transactions with each of Forest and Company B. The Executive Committee authorized Lehman Brothers to contact Forest and propose reciprocal due diligence, including discussions with each company's respective outside reserve engineering firms. In the case of Company B, the Executive Committee requested that Lehman Brothers request a written indication of interest and directed that additional due diligence be afforded to Company B should such a satisfactory indication of interest be received by Houston Exploration.

On October 27, 2006, representatives of Lehman Brothers telephoned Mr. Keyte and requested that Forest further increase the economic terms of its October 12th proposal and increase the stock portion of the consideration.

On October 31, 2006, the Forest board of directors held a special telephonic meeting. At the meeting, management made a presentation regarding the potential acquisition by Forest of Houston Exploration. Management reviewed the history of the discussions between Forest and Houston Exploration, described Houston Exploration's assets, including its reserves and production levels, the extent to which an acquisition of Houston Exploration could be accretive to Forest and its shareholders, and potential financial implications of a combination of Forest and Houston Exploration. The Forest board of directors instructed management to continue discussions with Houston Exploration on the terms proposed to Houston Exploration on October 12, 2006.

On November 2, 2006, Company B submitted a confidential non-binding proposal indicating a \$25 to \$27 per share cash dividend to Houston Exploration stockholders with Houston Exploration subsequently issuing stock to acquire 100% of Company B's equity. On a pro forma basis, Houston Exploration stockholders would own between 43% and 46% of the combined company.

On November 7, 2006, Houston Exploration management participated in a teleconference with Lehman Brothers at which Lehman Brothers updated Houston Exploration on the status of the sales process.

On November 8, 2006, a representative of Lehman Brothers contacted Company B's financial advisor to request additional details and clarity with respect to Company B's proposal to enable Houston Exploration and Lehman Brothers to understand and fully evaluate such proposal.

Also on November 8, 2006, the Forest board of directors held a regular meeting in Denver, Colorado. During the meeting, management updated the board with respect to the exchange of information between Forest and Houston Exploration, noting that Forest recently had received Houston Exploration's production and reserve information through September 30, 2006. Management summarized the acquisition proposals that Forest had made to Houston Exploration and Houston Exploration's response to those proposals. After discussion, the directors instructed management to resubmit a proposal to Houston Exploration to acquire all of Houston Exploration's outstanding shares of common stock at a price of \$55 per share and to request that Houston Exploration allow due diligence on Houston Exploration's probable and possible reserves and other matters to commence as soon as practicable.

Edgar Filing: FOREST OIL CORP - Form S-4

Later that day, Mr. Keyte telephoned Lehman Brothers and stated that Forest was not willing to increase the economic terms contained in its October 12th proposal at that time but that Forest was willing to commence due diligence and might increase the terms of its proposal if the due diligence revealed additional value.

On November 13, 2006, Houston Exploration entered into a confidentiality agreement with Forest that was substantially identical to the one Forest had entered into on September 14th.

On November 14, 2006, a representative of Lehman Brothers contacted Company B's financial advisor to determine what additional due diligence was needed and to discuss appropriate next steps.

On November 16, 2006, representatives of Houston Exploration met with representatives of Forest and of Forest's independent reserve engineers, DeGolyer and MacNaughton ("D&M"), in Dallas. Representatives of Houston Exploration's and Forest's respective financial advisors also attended the meeting. During the meeting, the participants reviewed and discussed D&M's analysis of Forest's reserves.

On November 17, 2006, representatives of Forest met with representatives of Houston Exploration and of Houston Exploration's independent reserve engineers, Netherland, Sewell & Associates, Inc. ("Netherland Sewell"), in Houston. Representatives of Houston Exploration's and Forest's respective financial advisors and JANA also attended the meeting. During the meeting, the participants reviewed and discussed Netherland Sewell's analysis of Houston Exploration's reserves.

During the period of November 22-30, 2006, Houston Exploration provided Forest with certain supplemental information requested by Forest regarding production from selected wells, proved undeveloped reserves, undrilled acreage and held-by-production acreage, the offshore blocks that Houston Exploration had retained following its Gulf of Mexico divestiture, operating costs and capital expenditures.

On November 28, 2006, representatives of Houston Exploration, Forest and their respective financial advisors met in Denver. During the meeting, Forest management made a presentation regarding the Forest organization, including its business units, capital structure and debt, reserves, producing properties, acreage positions, capital expenditures, finding and development costs, hedging positions, recent acquisitions, recent term loan financing transaction involving Forest Alaska Operating LLC ("Forest Alaska"), and various other subsidiaries. Also at the meeting, representatives of the parties reviewed the financial and stock price performance of each company, the strategic rationales for a merger of Forest and Houston Exploration, and the pro forma reserves and production for the combined entity. At the conclusion of the meeting, Messrs. Hargett and Clark met privately. Mr. Hargett stated that Houston Exploration's board of directors was willing to consider a combination with Forest, but would like for Forest to increase its offer. Mr. Clark requested a meeting in Houston to review Houston Exploration's financial model, human resource plans and third quarter performance.

On November 30, 2006, representatives of Forest met with a representative of Houston Exploration in the Houston offices of Akin Gump to review additional legal due diligence items, including Houston Exploration's litigation, loss contingencies, environmental and SEC matters and insurance.

On December 1, 2006, representatives of Forest, Houston Exploration and their respective legal and financial advisors met at the Houston offices of Akin Gump to review and discuss Houston Exploration's financial model, human resource plans and third quarter performance, as well as Forest's financial model.

After the November 30 and December 1, 2006 meetings, Houston Exploration supplied Forest with additional due diligence information requested, including information related to Houston Exploration's human resource and benefits plans, insurance matters, corporate affiliates of Houston Exploration,

overriding royalty interests owned by former and present officers of Houston Exploration, and updated reserve, production, capital expenditure and budget information.

In connection with Forest's due diligence regarding the merger, it considered the effect on Houston Exploration's assets and Forest's operations of certain property rights held by a former executive officer who founded Houston Exploration. In conjunction with such officer's prior employment agreement, certain joint operating agreements to which such officer was a party, and such officer's separation agreement in 2001, the former officer exchanged working interests he had previously purchased in several of Houston Exploration's South Texas fields, including the Charco Field, for economically equivalent overriding royalty interests in those same South Texas fields based on an analysis done by an independent accounting firm. The former officer's working interests were larger percentages than the equivalent overriding royalty interests, as working interests are cost-bearing and overriding royalty interests are not. In addition, in exchange for prospective working interest rights, the former officer received the prospective right to a 2.7075% overriding royalty interest in any leases acquired by Houston Exploration on or before April 1, 2011 covering interests in Zapata County, Texas. The 2.7075% is proportionately reduced to the extent that Houston Exploration acquires less than 100% of the working interest in any lease.

Accordingly, if Houston Exploration is merged into Forest, Forest will become obligated until April 1, 2011 upon any subsequent acquisition of an interest in Zapata County to assign to the former officer an overriding royalty interest equal to 2.7075% of the working interest acquired by Forest. Based on current plans and economics, Forest believes that the former officer's prospective right to overriding royalty interests in Zapata County will not have a material adverse effect on Forest's ability to operate and compete in South Texas.

The overriding royalty interests described above, as well as the right to receive additional overriding royalty interests from Zapata County, are owned by the former officer and recorded in the real property records of Zapata County. Houston Exploration's reserve reports do not reflect as owned by Houston Exploration any interest attributable to such former officer. Likewise, Houston Exploration's financial statements do not include any assets or revenues attributable to such former officer's interest. The former officer's existing (and any future) overriding royalty interests will be effective for the life of each underlying lease.

Since his departure from Houston Exploration in 2001, the former officer and his affiliates have received approximately the following revenues attributable to his ownership of overriding royalty interests in Houston Exploration's South Texas fields, as compared to Houston Exploration's gross revenues less royalty, lease operating expense, severance tax and transportation expense, from its South Texas fields, which revenues have been significantly impacted by changing natural gas prices:

Officer			Houston Exploration		
2002	\$	2.9 million	2002	\$	113.3 million
2003		6.5 million	2003		221.0 million
2004		8.0 million	2004		257.3 million
2005		8.7 million	2005		321.7 million
2006		9.7 million	2006		287.8 million

On December 5, 2006, the Forest board of directors held a special telephonic meeting. Members of senior Forest management and representatives of Forest's financial advisor were also present at this meeting. Senior Forest management advised the board regarding steps in the negotiations with Houston Exploration that had occurred since the board's November 8, 2006 meeting. The directors reviewed and discussed in detail Houston Exploration's reserves, the pro forma financial impact and the economics associated with the merger, management expectations regarding Forest's debt-to-capitalization ratio in the future, recent activities of competitors in South Texas and their proximity to the assets of Houston

Exploration, Forest's assessment of Houston Exploration's assets, including how Forest might be able to reduce Houston Exploration's general and administrative costs following a merger, the effect of Houston Exploration's higher depreciation, depletion and amortization, the recent historical stock price performance of Houston Exploration and Forest, the combined reserve portfolio of Forest and Houston Exploration, a pro forma 2007 plan for the combined Forest and Houston Exploration, hedging strategy, possible reallocation of capital expenditures to improve returns, Houston Exploration's pending litigation, and a proposed financing plan for the merger, among other things. At the meeting, the Forest board of directors also was briefed on potential advantages and disadvantages of a merger between Forest and Houston Exploration, including the concern that the merger may slow Forest's growth during the near term, potential implications of using a significant quantity of Forest stock as consideration in the merger, and the potential impact on near-term analysts' price targets for Forest stock as a result of the merger. At the conclusion of the meeting, the Forest board of directors authorized management to make a new proposal to Houston Exploration to acquire all of the outstanding shares of Houston Exploration common stock on a current economic basis of \$55 per share, based on the then-current trading price of Forest common stock. The Forest board also authorized its Executive Committee to increase certain economic terms of the proposal if the Executive Committee and management deemed such increases appropriate. The Executive Committee was instructed to reconvene the full board of directors if it became necessary to consider making any significant increase in the economic terms or if any other material developments occurred in the negotiations.

On December 9, 2006, Mr. Keyte informed Lehman Brothers that Forest would not be willing to increase its proposal to acquire Houston Exploration. Lehman Brothers informed Mr. Keyte that proposing a below-market deal would not be constructive.

On December 11, 2006, Forest submitted to the Houston Exploration board of directors a confidential written, non-binding proposal to acquire all of Houston Exploration's outstanding common stock. The proposal was to pay per share consideration that was comprised of 0.84 shares of Forest common stock and \$26.152 in cash. Based on the closing price of Forest's stock on December 8th, this proposal represented a nominal valuation of \$55.30 per Houston Exploration share, which represented no premium to Houston Exploration's closing share price on that date. As with previous proposals, the December 11th proposal was conditioned on satisfactory completion of confirmatory due diligence, Forest's obtaining acquisition financing commitments of not less than \$1.4 billion, and approval of Forest's board of directors. The proposal also provided that, absent a satisfactory response from Houston Exploration, the proposal would be withdrawn at 12:00 p.m., Mountain time, on December 15, 2006.

On December 12, 2006, Forest sent a draft form of merger agreement to the Houston Exploration board of directors and asked that it be considered in conjunction with Forest's December 11th proposal.

On December 13, 2006, Company B and its financial advisors attended a reciprocal due diligence session with Houston Exploration and representatives of Lehman Brothers. However, Company B did not clarify its November 2nd proposal.

On December 14, 2006, Houston Exploration's board met again, together with senior management of Houston Exploration and representatives of Lehman Brothers, Akin Gump and Morris Nichols, to discuss the current state of the sale process as well as the other strategic alternatives available to Houston Exploration. At that meeting, Houston Exploration's board discussed the significant execution risk and that it could not properly evaluate Company B's preliminary proposal given that no definitive transaction structure had been identified, no firm proposal or more definitive details had been received and that, despite numerous meetings, discussions and follow-up, Company B did not articulate the details of a transaction or the potential value to be derived by Houston Exploration's stockholders. After discussion, the board concluded that the Forest proposal appeared likely to offer the best value

to Houston Exploration stockholders and authorized Mr. Hargett to propose a cash-election merger transaction to Mr. Clark at an exchange ratio of 0.84 of a share of Forest common stock plus \$28 per share in cash for each outstanding share of Houston Exploration common stock.

Later that afternoon, Mr. Hargett telephoned Mr. Clark and stated that the Houston Exploration board of directors was favorably disposed to the per share stock consideration in Forest's December 11th proposal (0.84 of a share of Forest common stock), but that Houston Exploration's board wanted to increase the per share cash consideration from \$26.152 to \$28. Mr. Hargett also stated that Houston Exploration would prefer a mechanism that would allow its stockholders to elect cash or stock as consideration. Mr. Clark stated that he would call Mr. Hargett back with a response.

On December 15, 2006, Mr. Clark conferred with the other members of the Executive Committee of the Forest board of directors regarding his December 14th conversation with Mr. Hargett and a proposed response.

On December 16, 2006, Mr. Clark telephoned Mr. Hargett and stated that Forest would be willing to increase the per share cash component of its proposal from \$26.152 to \$26.25 and to provide a cash and stock election mechanism for Houston Exploration's stockholders. Mr. Clark also stated that Forest required additional due diligence on the overriding royalty interests held by a former officer of Houston Exploration and on certain tax issues, as well as reasonable provisions in a merger agreement regarding Houston Exploration's capital expenditures prior to closing.

Later on December 16, 2006, Mr. Hargett telephoned Mr. Clark and stated that Houston Exploration was willing to proceed with the negotiation of a merger agreement but requested that Forest increase its merger consideration to a current economic value of \$56 per share of Houston Exploration common stock. Mr. Clark declined to increase Forest's proposal.

On December 17, 2006, Houston Exploration forwarded to Forest initial comments to the draft merger agreement.

From December 18-20, 2006, representatives of Akin Gump and Houston Exploration conducted due diligence in Forest's offices in Denver. The representatives reviewed materials relating to, among other things, Forest's corporate structure, corporate governance, litigation, recent transactions, taxes, financial statements, treasury functions and loss contingencies.

On December 19, 2006, Messrs. Clark and Hargett spoke by telephone and discussed the terms of the potential acquisition, focusing on the per share consideration to be provided by Forest. They each discussed the value that they placed on Houston Exploration's stock and Forest's stock. They ultimately reached a tentative understanding, subject to approval of their respective boards, that Forest would provide per share consideration to Houston Exploration's stockholders of 0.84 of a share of Forest common stock and \$26.25 cash.

On December 20, 2006, representatives of Forest and Houston Exploration met in the Houston offices of Vinson & Elkins L.L.P. ("Vinson & Elkins"), Forest's outside counsel, together with representatives of their respective legal and financial advisors, to negotiate open issues with respect to the merger agreement. These issues included, among others, the stockholder election and equalization provisions of the merger agreement, the treatment of Houston Exploration stock options, the structure of the merger, various employee benefits issues, termination rights and fees, including in the event of a superior proposal, a voting agreement with JANA, and continuation of director and officer insurance coverage for Houston Exploration's directors and officers following the closing.

On December 21, 2006, representatives of Forest and Houston Exploration met at the Houston offices of Akin Gump. During the meeting, they continued various due diligence and discussions, including with respect to overriding royalty interests held by a former officer of Houston Exploration.

Over the next week, Houston Exploration provided additional information requested by Forest during this meeting.

Later in the day on December 21, 2006, representatives of Forest and Houston Exploration met in the Houston offices of Vinson & Elkins to continue to negotiate the terms of the merger agreement. Representatives of their respective legal and financial advisors also participated in the meeting. The participants in the meeting continued to negotiate, among other matters, various employee issues, the non-solicitation provisions and termination rights and fees benefits, rights of a party's board of directors to change its recommendation regarding the proposed merger, and restrictions on interim operations between the time of execution and closing of the merger.

On December 28, 2006, representatives of Forest and Houston Exploration met in the Houston offices of Vinson & Elkins to continue to negotiate the terms of a merger agreement. The participants also included representatives of Vinson & Elkins, Akin Gump and Lehman Brothers. The participants in the meeting discussed, among other matters, the right of JANA to terminate the voting agreement in the event that the Houston Exploration board of directors changed its recommendation with respect to the merger, the amount of the termination fees, various representations under the merger agreement, and the treatment under the merger agreement of Forest's potential sale of Forest Alaska, including the extent to which Forest could proceed with such a sale if it appeared reasonably likely the sale could delay the closing of the merger.

On December 29, 2006, Messrs. Clark and Hargett spoke by telephone. They discussed the amount of each party's termination fee, human resource matters, including the accelerated vesting of 401(k) accounts, Forest stock options to be given to all Houston Exploration employees, and incentive bonuses for Houston Exploration employees for 2006 and 2007, as well as continuation of director and officer insurance coverage for Houston Exploration's directors and officers after the closing of the merger.

Later on December 29, 2006, representatives of Forest, Houston Exploration, Vinson & Elkins and Akin Gump held a teleconference. During the teleconference, the participants confirmed, among other matters, resolution of issues related to the benefits that Houston Exploration employees would receive after their transfer to Forest, accelerated vesting of their 401(k) and deferred compensation plans, Forest options to be issued to the Houston Exploration employees after closing of the merger, and insurance coverage to be provided to Houston Exploration directors and officers after closing of the merger. The participants also discussed each party's position with respect to the amount of the termination fees. Later that night, Houston Exploration and Forest exchanged initial drafts of the disclosure schedules to the merger agreement. They also discussed, by email, the treatment of possible ceiling test writedowns under the merger agreement's definition of "material adverse effect."

On December 30, 2006, Vinson & Elkins distributed a revised draft of a merger agreement to representatives of Forest and Houston Exploration.

Later on December 30, 2006, Cyrus D. Marter IV, Forest's Vice President General Counsel and Secretary, distributed to all of the members of the Forest board of directors the then-current draft of the merger agreement to be entered into among Forest, Merger Sub and Houston Exploration.

On January 2, 2007, Messrs. Clark and Hargett spoke by telephone and negotiated the termination fees payable under the merger agreement, how to address Forest's potential sale of Forest Alaska under the merger agreement and the severance benefits of, and provision of post-closing transition services from, Houston Exploration's officers. Also on January 2, 2007, Carolyn M. Campbell, Houston Exploration's Senior Vice President and General Counsel, distributed the then-current draft of the merger agreement and related materials to Houston Exploration's board of directors.

On January 3, 2007, the Forest board of directors held a special telephonic meeting. In addition to the directors, senior Forest management attended the entire meeting, and representatives of Forest's

legal and financial advisors attended portions of the meeting. During the meeting, Mr. Clark and the other Forest officers present discussed with the board the negotiations with Houston Exploration since the board's December 5, 2006 meeting, the current economic value of the consideration to be paid by Forest to Houston Exploration's stockholders, the effect on the economic metrics of the proposal caused by decreasing natural gas prices, whether Houston Exploration would incur a ceiling test writedown for the fourth quarter of 2006, Forest's latest assessment of Houston Exploration's reserves, the due diligence process and the results of that process, the material issues that remained unresolved, the current status of negotiations regarding the parties' respective termination fees and the benefits to be offered to the Houston Exploration employees, and a potential execution and closing timetable for the merger. Representatives of Vinson & Elkins then reviewed for the board the material terms of the merger agreement, including how the stockholder election and equalization provisions operate and the details of the termination rights for each party under the agreement, and the appraisal rights of dissenting stockholders. Also at this meeting, Credit Suisse reviewed with the Forest board its financial analysis of the consideration to be paid by Forest in the merger and informed the Forest board that, assuming no material change in the terms of the merger or in the totality of the information it considered in connection with its financial analysis, Credit Suisse believed it would be in a position to render to the Forest board in connection with the execution of the merger agreement an opinion as to the fairness, from a financial point of view and as of the date of the opinion, to Forest of the consideration to be paid by Forest in the merger. The directors discussed with Forest's management and representatives of Credit Suisse the extent to which the proposed acquisition could be accretive to Forest's shareholders, the economic impact of issuing new Forest shares as consideration for the acquisition, how the market might react to the acquisition, the increase in Forest's leverage as a result of the acquisition, and the extent to which Forest might reduce capital expenditures on Houston Exploration's assets in the future.

The Forest board of directors then discussed with management the potential for Houston Exploration to incur a ceiling test writedown, the technical expertise of Houston Exploration's employees, the ability of Forest to upgrade the quality of its assets through the acquisition of Houston Exploration, the need for good execution by the management team following the closing of the acquisition, and the definition of "material adverse effect" under the draft merger agreement. The directors then unanimously agreed that Forest should proceed with the acquisition on the terms described during the meeting and as contained in the current draft merger agreement. The board then delegated to its Executive Committee the authority to approve execution of the final form of the merger agreement and all related transactions under the merger agreement, assuming that no material changes to the merger agreement or other material events should arise prior to execution of the merger agreement.

Houston Exploration's board of directors also met on January 3, 2007 to review valuation metrics and discuss the status of negotiations and further pricing discussions with Forest. Representatives of Akin Gump and Morris Nichols advised the board with respect to its fiduciary duties and reviewed the material terms of the proposed merger agreement, as well as remaining issues to be negotiated and the terms of the merger agreement based on materials previously provided to the board. Lehman Brothers reviewed with the board the strategic alternatives considered to date, the sale process, the material terms of the proposed transaction with Forest, Forest's reserve profile and a valuation analysis of Forest as well as an updated valuation analysis of Houston Exploration, a pro forma merger analysis and potential benefits from the transaction for Houston Exploration stockholders.

Further on January 3, 2007, after the Forest and Houston Exploration board of directors meetings, Messrs. Clark and Hargett spoke and reached resolution that Houston Exploration's termination fee under the merger agreement would be \$55 million and Forest's termination fee would be \$60 million. They continued to negotiate how to address the potential sale of Forest Alaska and the treatment of Houston Exploration's officers following the closing of the merger.

On January 4, 2007, representatives of Forest and Houston Exploration met in the Houston offices of Vinson & Elkins and by phone to continue to negotiate the terms of a merger agreement. The participants in person or via telephone at the meeting also included representatives of the parties' respective legal and financial advisors. The participants reviewed the current draft of the merger agreement and addressed issues related to appraisal rights of dissenting stockholders, the treatment of Houston Exploration officers after closing of the merger, and the potential sale of Forest Alaska.

During a break in the general negotiating meeting on January 4th, representatives of Forest and Houston Exploration participated in a teleconference and negotiated the merger agreement's provisions regarding the potential sale of Forest Alaska and the treatment of Houston Exploration officers after closing. During this conference, Mr. Hargett stated that Houston Exploration would not accept the closing risk associated with allowing Forest an unlimited right to sell Forest Alaska. He also stated that the Houston Exploration board of directors was very concerned that a high level of uncertainty among Houston Exploration's officers might create morale and potential operational problems during the time period leading up to and immediately following the closing. The participants on the teleconference discussed the possibility of officers amending their existing employment agreements to allow them to provide 60 days of transition services to Forest without prejudice to any severance rights they otherwise would have.

On the evening of January 4, 2007, Ms. Campbell distributed a revised draft of the merger agreement and certain related materials to Houston Exploration's board of directors.

Throughout the remainder of the day on January 4th and continuing on January 5, 2007, representatives of Forest and Houston Exploration negotiated various aspects of the merger agreement, including termination fees, director and officer insurance, the potential sale of Forest Alaska and various employee benefits issues, and the disclosure schedules to the merger agreement.

On January 5, 2007, representatives of Forest, Houston Exploration and JANA participated in a teleconference. Representatives of Vinson & Elkins, Akin Gump and Schulte Roth & Zabel LLP, JANA's outside counsel, also participated in the teleconference. The participants discussed the terms of a proposed voting agreement with JANA and a proposed standstill agreement between JANA and Forest. Later that day, Forest, Houston Exploration and JANA reached a tentative agreement with respect to the proposed terms of a voting agreement to be entered into assuming, and subject to, the execution of a definitive merger agreement, and Forest and JANA reached a tentative agreement on the proposed terms of a standstill agreement to be entered into assuming, and subject to, the execution of a definitive merger agreement.

Later on January 5, 2007, the Houston Exploration board of directors held a special telephonic meeting to discuss with management and its financial and legal advisors the status of negotiations and open issues, including Forest's right to pursue a sale of Forest Alaska even if that sale materially delayed the closing of the merger, as well as a review of the terms of the current draft of the merger agreement previously distributed to the board. After discussion, the board determined that it would not agree to an open-ended material delay and directed management to revisit the issue with Forest.

Also on January 5, 2007, following the Houston Exploration board meeting, Messrs. Hargett and Clark spoke by telephone and Mr. Hargett advised Mr. Clark that Houston Exploration's board remained unsatisfied with Forest's ability to sell Forest Alaska prior to the closing of the merger if the sale materially delayed the closing. Mr. Clark responded that Forest required flexibility to pursue its sale efforts, but that he would discuss possible compromises with Forest's counsel.

On January 6 and 7, 2007, representatives of Forest and Houston Exploration negotiated language that addressed the precise extent to which Forest could proceed with a sale of Forest Alaska prior to the closing of the Houston Exploration merger. The representatives also addressed various issues regarding the disclosure schedules to the merger agreement.

On January 7, 2007, the Executive Committee of Forest's board of directors held a special telephonic meeting. Senior Forest management and representatives of Forest's legal and financial advisors also attended the meeting. Mr. Clark reported to the other committee members that he had spoken to each of the other Forest directors on January 6, 2006 and updated them on the developments in the negotiations with Houston Exploration. Mr. Marter then described the events in the negotiations that had occurred since the January 3, 2007 meeting of the Forest board of directors and the changes in the merger agreement since the January 3rd meeting. Mr. Marter reviewed certain provisions of the merger agreement that previously had been provided and described the limitations that existed with respect to efforts by Forest to sell Forest Alaska between the time Forest executes the merger agreement and closing. He also discussed negotiations with JANA and the proposed terms of the voting agreement and standstill agreement between JANA and Forest. Mr. Clark elaborated on the merger agreement's treatment of benefits to be provided to Houston Exploration employees, both before and after the merger, as well as the investment and capital expenditure constraints on Houston Exploration during the interim period between the time of execution and closing. The Executive Committee was also updated by representatives of Credit Suisse as to, among other things, movements in certain commodity price and stock market trading data since the board's meeting on January 3rd. At this meeting, Credit Suisse delivered its opinion, dated January 7, 2007, to the Forest board to the effect that, as of that date and based on and subject to the matters described in its opinion, the consideration to be paid by Forest in the merger was fair, from a financial point of view, to Forest. The Executive Committee then unanimously approved the execution of the merger agreement with Houston Exploration and approved all related transactions contemplated by the merger agreement.

Later on January 7, 2007, Houston Exploration's board of directors met, together with senior management and representatives of Lehman Brothers, Akin Gump and Morris Nichols to consider Forest's final offer, and to review Forest's proposal in light of Houston Exploration's other strategic options. The board discussed the strategic benefits, as well as the potential risks, of the contemplated business combination as well as the pro forma outlook for the combined company. The board also reviewed with counsel the material terms of the proposed merger agreement, a copy of which previously had been provided to the board, as well as the terms of Forest's commitment letter, discussed resolution of final issues on the merger agreement and was advised by counsel once again on its fiduciary obligations to Houston Exploration and its stockholders. Lehman Brothers then discussed and delivered an oral opinion that was later confirmed in writing to Houston Exploration's board of directors to the effect that, as of that date and subject to the assumptions, limitations, qualifications and other matters described in its opinion, the exchange ratio contemplated by the merger was fair, from a financial point of view, to the holders of Houston Exploration common stock. See "Opinion of Houston Exploration's Financial Advisor." The Henry Hub spot price at this time was \$5.51 per MMBtu and the three-year average forward price for 2007 to 2009 was \$7.54 per MMBtu. After further discussion, Houston Exploration's board of directors voted to approve the merger and declared the merger agreement advisable and in the best interest of Houston Exploration and its stockholders.

Later that evening, Forest and Houston Exploration executed the merger agreement, exchanging signature pages via email. Thereafter, Forest and JANA executed the voting agreement and the standstill agreement, and Forest and Houston Exploration issued separate press releases announcing the execution of the agreement.

On January 11, 2007, the City of Monroe plaintiff amended its pending lawsuit against Houston Exploration's directors to assert that the decision to enter into the merger agreement with Forest constituted an additional breach of fiduciary duties by the directors because, according to the plaintiff, the merger consideration is inadequate. The City of Monroe plaintiff also added Forest as a defendant, asserting that Forest aided and abetted the Houston Exploration directors' breach of fiduciary duties.

Recommendation of the Forest Board of Directors and Its Reasons for the Merger

By unanimous vote at a meeting held on January 7, 2007, the Executive Committee of the Forest board of directors determined that the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of the Forest shareholders and approved and adopted the merger agreement and the transactions contemplated thereby, including the issuance of shares of Forest common stock in the merger. **The Forest board of directors unanimously recommends that Forest shareholders vote FOR approval of the issuance of additional Forest common stock in connection with the merger.**

In evaluating the merger, the Forest board of directors consulted with Forest's management and legal and financial advisors and, in deciding to approve the merger agreement and to recommend that Forest's shareholders vote to approve the issuance of Forest common stock in the merger pursuant to the merger agreement, considered several factors, including:

that the location and predominant nature of Houston Exploration's onshore producing properties are consistent with Forest's strategy to focus its efforts on onshore properties in similar areas, as evidenced by Forest's spin-off of its offshore Gulf of Mexico properties in 2006;

that all of Houston Exploration's proved reserves and production are located in the lower 48 states of the United States;

that the combined company will have critical mass in four attractive onshore basins: East Texas, the Texas Panhandle, the Permian Basin and South Texas;

that the locations of Houston Exploration's producing properties in South and East Texas are close to Forest's own producing properties and will provide synergies in field operations and the processing and marketing of gas;

that Forest's existing knowledge and experience with respect to similar reservoirs, particularly tight gas sands, should be applicable to Houston Exploration's assets;

that the merger would significantly increase Forest's estimated proved reserves and average daily production;

that the merger should be accretive to Forest's shareholders during 2007 and 2008 with respect to per share cash flow, reserves and production;

that the combined company will have a Houston presence, which Forest does not otherwise have;

that the combined company will be significantly larger than Forest is now and, as a result, should have greater exploitation and production strengths, should have greater liquidity in the market for its securities and should be able to pursue future strategic opportunities that might not otherwise be possible;

the opinion of Credit Suisse, dated January 7, 2007, to the Forest board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to Forest of the consideration to be paid by Forest in the merger, as more fully described below under the caption " Opinion of Forest's Financial Advisor;"

the terms of the merger agreement and the structure of the transaction, including the conditions to each party's obligation to complete the merger;

that the merger agreement requires Houston Exploration to pay a termination fee of \$55 million if the merger agreement is terminated in accordance with certain provisions of the merger agreement;

Edgar Filing: FOREST OIL CORP - Form S-4

the ability of Forest and Houston Exploration to complete the merger, including their ability to obtain the necessary regulatory approvals and their obligations to attempt to obtain those approvals;

the terms of the commitment letter from J.P. Morgan Securities Inc. and JPMorgan Chase Bank, N.A. to finance the cash portion of the merger consideration; and

the structure of the merger will constitute a reorganization under section 368(a) of the Internal Revenue Code.

Each of these factors favored the conclusion of Forest's board of directors that the merger is advisable and in the best interests of Forest and its shareholders. The board of directors relied on the Forest and Houston Exploration management teams to provide accurate and complete financial information, projections and assumptions as the starting point for its analysis.

The Forest board of directors considered a number of additional factors concerning the merger agreement and the transactions contemplated by the merger agreement, including the merger. These factors included:

information concerning the financial condition, results of operations, prospects and businesses of Forest and Houston Exploration, including respective companies' reserves, production volumes, cash flows from operations, recent performance of common stock and the ratio of Forest's common stock price to Houston Exploration's common stock price over various periods, as well as current industry, economic and market conditions;

the net asset value per share of the common stock of both Forest and Houston Exploration; and

the results of Forest's business, legal and financial due diligence of Houston Exploration.

Forest's board of directors also considered a variety of risks and other potentially negative factors concerning the merger agreement and the transactions contemplated by the merger agreement, including the merger. These factors included:

that there are significant risks inherent in combining and integrating two companies, including that the companies may not be successfully integrated, and that successful integration of the companies will require the dedication of significant management resources, which will temporarily detract attention from the day-to-day businesses of the combined company;

the effects on net asset value, cash flows from operations and other financial measures under various modeling assumptions, and the uncertainties in timing with respect to some anticipated benefits of the merger;

the risks of changes in oil and gas prices from those used to evaluate the merger, compounded by the fact that Houston Exploration's gas production was largely unhedged at the time the merger agreement was executed;

that the percentage of the combined company's estimated proved reserves attributable to the "proved undeveloped" category will be higher than is the case with Forest's estimated proved reserves on a stand-alone basis;

that the reserve life of the combined company will be shorter than is the case with Forest on a stand-alone basis;

that the depreciation and depletion expense of the combined company will likely be higher on a per unit basis than is the case with Forest on a stand-alone basis;

the increased level of indebtedness of the combined company as a result of Forest's financing of the merger;

that the merger agreement imposes limitations on Forest's ability to solicit offers for the acquisition of Forest, as well as the possibility that Forest could be required to pay a termination fee of \$60 million in certain circumstances;

that the capital requirements necessary to achieve the expected growth of the combined company's businesses will be significant, and there can be no assurance that the combined company will be able to fund all of its capital requirements from operating cash flows, and the fact that the combined company would have substantially more total long-term debt than Forest on a stand-alone basis;

that the merger might not be completed as a result of a failure to satisfy the conditions contained in the merger agreement; and

other matters described under the caption "Risk Factors."

This discussion of the information and factors considered by the Forest board of directors in reaching its conclusion and recommendations includes all of the material factors considered by the board but is not intended to be exhaustive. In view of the wide variety of factors considered by the Forest board of directors in evaluating the merger agreement and the transactions contemplated by it, including the merger, and the complexity of these matters, the Forest board of directors did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of the Forest board of directors may have given different weight to different factors.

It should be noted that this explanation of the reasoning of the Forest board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Cautionary Statement Concerning Forward-Looking Statements."

Recommendation of the Houston Exploration Board of Directors and Its Reasons for the Merger

By unanimous vote, the Houston Exploration board of directors, at a meeting held on January 7, 2007, determined that the merger agreement was advisable and the transactions contemplated by the merger agreement were in the best interests of the Houston Exploration stockholders and approved and adopted the merger agreement and the transactions contemplated thereby, including the merger. **The Houston Exploration board of directors unanimously recommends that the Houston Exploration stockholders vote FOR the proposal to adopt the merger agreement at the Houston Exploration special meeting.**

In reaching its decision to approve the merger, Houston Exploration's board of directors consulted with Houston Exploration's management and legal and financial advisors and considered a number of factors, including the following:

the fact that after an extensive review of strategic alternatives, the Houston Exploration board of directors concluded that the offer made by Forest was superior to other alternatives available to Houston Exploration, including remaining as an independent concern;

the fact that the transaction will allow Houston Exploration's stockholders to participate in the future value creation fostered by a combination with Forest, while still providing immediate value through the cash component;

Forest's track record of creating long-term value for shareholders, and the Houston Exploration board of directors' confidence in the ability of Forest's senior management to lead the combined company and continue creating long-term value for shareholders;

Edgar Filing: FOREST OIL CORP - Form S-4

the complementary nature of the two companies' respective asset bases, which is expected to permit the combined company to more effectively compete with other exploration and production companies;

the expected synergies that could result from the merger, and Forest's history of successful integration of acquired companies;

the Houston Exploration board of directors' review of the financial condition, prospects and opportunities of Houston Exploration as compared to the consideration to be received by Houston Exploration stockholders in the merger;

the fact that a number of Houston Exploration's large stockholders supported a sale of the company, and that JANA, Houston Exploration's largest stockholder, was prepared to publicly support the merger;

current industry, economic and market conditions, as well as natural gas price volatility;

the Houston Exploration board of directors' belief that worldwide energy demand will remain strong and continued equity participation in the business from a more diversified and broad base is warranted;

the structure of the merger will constitute a reorganization under section 368(a) of the Internal Revenue Code and may be tax-free to Houston Exploration's stockholders to the extent they receive shares of Forest stock as merger consideration;

the terms of the merger agreement and the structure of the transaction, including the conditions to each company's obligations to complete the merger;

the terms of the merger agreement that permit the Houston Exploration board of directors to change or withdraw its recommendation of the merger to Houston Exploration stockholders or to terminate the merger agreement if the Houston Exploration board of directors determines that an unsolicited acquisition proposal is deemed a superior offer for Houston Exploration from a financial point of view;

the ability of Houston Exploration's stockholders to elect to receive cash or stock consideration, subject to equalization and proration, thereby giving each stockholder the opportunity to specify his, her or its desired level of participation in the combined company or liquidity;

the pro forma financial condition, prospects and opportunities of the combined company;

Forest's ability to consummate the merger, including the commitment letter with J.P. Morgan Securities Inc. and JPMorgan Chase Bank, N.A. to provide Forest with funds necessary to finance the transaction; and

the oral opinion delivered by Lehman Brothers on January 7, 2007, and subsequently confirmed in writing that, as of that date and based on and subject to the matters set forth in the opinion, the consideration to be received by Houston Exploration stockholders in the merger was fair from a financial point of view to such holders.

The Houston Exploration board of directors also identified and considered numerous risks and potential disadvantages associated with the merger and/or the merger agreement, including the following:

Edgar Filing: FOREST OIL CORP - Form S-4

the fact that there are no "collar" provisions and the nominal value of the merger consideration is not fixed, such that, if the market price of Forest's common stock declines prior to the effective time of the merger, the nominal value of the consideration to be received by Houston Exploration stockholders also will decline (unless the stockholders reject the merger and the merger agreement is terminated);

the risk that there may be difficulties in combining the business of Forest and Houston Exploration, and that the synergies expected to result from the merger may not occur;

the risk that the other potential benefits sought in the merger might not be fully realized;

the risk that the merger might not be completed;

the fact that as of the date of the merger agreement, the merger consideration represented a 7.7% discount to Houston Exploration's one-year average stock price, although it represented a 7.8% premium to Houston Exploration's stock price the trading day prior to the announcement of the merger;

the fact that natural gas prices had declined significantly since the Houston Exploration board of directors' commencement of its review of strategic alternatives for Houston Exploration;

the fact that Forest will have significant indebtedness following the merger, which could limit its flexibility;

the fact that litigation was pending and was likely to continue or increase as a result of the announcement of the merger;

the fact that, under the merger agreement, Houston Exploration could be required to pay Forest a termination fee of \$55 million and/or pay to Forest an expense reimbursement fee in certain circumstances, and the risk that such termination fee could serve as a deterrent to parties who might wish to make a superior proposal for Houston Exploration; and

certain of the other matters described under "Risk Factors" beginning on page 27.

Although the preceding list of factors considered is not intended to be exhaustive, in the judgment of Houston Exploration's board of directors, the potential benefits of the merger outweigh the risks and the potential disadvantages. In view of the variety of factors considered in connection with its evaluation of the proposed merger and the terms of the merger agreement, the Houston Exploration board of directors did not quantify or assign relative weights to the factors considered in reaching its conclusion. Rather, the Houston Exploration board of directors views its recommendation as being based on the totality of the information presented to and considered by it. In addition, individual Houston Exploration directors may have given different weights to different factors.

It should be noted that this explanation of the reasoning of the Houston Exploration board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Cautionary Statement Concerning Forward-Looking Statements."

Opinion of Forest's Financial Advisor

Forest retained Credit Suisse to act as Forest's financial advisor in connection with the merger. In connection with Credit Suisse's engagement, Forest requested that Credit Suisse evaluate the fairness, from a financial point of view, to Forest of the consideration to be paid by Forest in the merger. Credit Suisse reviewed with the Forest board of directors its financial analysis of the consideration to be paid by Forest in the merger at a meeting of the Forest board held on January 3, 2007, at which the Forest board approved proceeding with the acquisition and delegated to its Executive Committee the authority to approve execution of the final form of merger agreement. On January 7, 2007, the date of execution of the final merger agreement, Credit Suisse delivered to the Forest board a written opinion dated January 7, 2007 to the effect that, as of that date and based on and subject to the matters described in its opinion, the consideration to be paid by Forest in the merger was fair, from a financial point of view, to Forest.

The full text of Credit Suisse's written opinion, dated January 7, 2007, to the Forest board of directors, which sets forth, among other things, the procedures followed, assumptions made, matters considered and limitations on the scope of the review undertaken by Credit Suisse in rendering its opinion, is attached as Annex B and is incorporated into this joint proxy statement/prospectus by reference in its entirety. You are encouraged to read the opinion carefully in its entirety. Credit Suisse's opinion was provided to the Forest board of directors for its information in connection with its evaluation of the consideration to be paid by Forest in the merger and relates only to the fairness of the consideration from a financial point of view to Forest, does not address any other aspect of the proposed merger and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act on any matter relating to the merger. The summary of Credit Suisse's opinion in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion, Credit Suisse reviewed the merger agreement and certain publicly available business and financial information relating to Forest and Houston Exploration. Credit Suisse also reviewed certain other information relating to Forest and Houston Exploration provided to or discussed with Credit Suisse by Forest, including financial forecasts and oil and gas reserve reports relating to Forest and Houston Exploration, as well as alternative commodity pricing assumptions. Credit Suisse also met with the managements of Forest and Houston Exploration to discuss the business and prospects of Forest and Houston Exploration, respectively. Credit Suisse further considered certain financial and stock market data of Forest and Houston Exploration and compared that data with similar data for other publicly held companies in businesses Credit Suisse deemed similar to those of Forest and Houston Exploration and considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions which have been effected or announced. Credit Suisse also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which it deemed relevant.

In connection with its review, Credit Suisse did not assume any responsibility for independent verification of any of the foregoing information and relied on such information being complete and accurate in all material respects. With respect to the financial forecasts and reserve reports for Forest and Houston Exploration that Credit Suisse reviewed, Credit Suisse was advised, and Credit Suisse assumed, that such financial forecasts and reserve reports were reasonably prepared on bases reflecting the best currently available estimates and judgments of Forest's management as to the future financial performance and oil and gas reserves of Forest and Houston Exploration. With respect to the alternative commodity pricing assumptions that Credit Suisse reviewed, Credit Suisse was advised by Forest's management, and Credit Suisse assumed, that such assumptions were a reasonable basis on which to evaluate the future financial performance of Forest and Houston Exploration, and were appropriate for Credit Suisse to utilize in its analyses.

Credit Suisse assumed, with Forest's consent, that the merger would qualify for U.S. federal income tax purposes as a reorganization under section 368(a) of the Internal Revenue Code. Credit Suisse also assumed, with Forest's consent, that, in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Forest, Houston Exploration or the contemplated benefits of the merger and that the merger would be consummated in accordance with the terms of the merger agreement, without waiver, modification or amendment of any material term, condition or agreement. Credit Suisse was not requested to, and did not, make an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Forest or Houston Exploration, including, without limitation, potential tax or other liabilities resulting from prior dispositions or pending litigation, nor was Credit Suisse furnished with any such evaluations or appraisals (other than certain third party reserve reports). Credit Suisse is not an expert in the evaluation of oil and gas reserves and expressed no view as to the reserve quantities, or the

development or production (including, without limitation, as to the feasibility or timing thereof), of any oil or gas properties of Forest or Houston Exploration (including unevaluated properties). Credit Suisse's opinion addressed only the fairness, from a financial point of view and as of the date of the opinion, to Forest of the consideration to be paid in the merger and did not address any other aspect or implication of the merger or any other agreement, arrangement or understanding entered into in connection with the merger or otherwise. Credit Suisse's opinion was necessarily based upon information made available to it as of the date of the opinion and financial, economic, market and other conditions as they existed and could be evaluated on the date of the opinion. Credit Suisse's opinion also was based on certain assumptions as to future commodity prices for oil and gas, which are subject to significant volatility and which, if different than as assumed, could have a material impact on Credit Suisse's analyses. Credit Suisse did not express any opinion as to what the value of Forest common stock actually would be when issued to the holders of Houston Exploration common stock in the merger or the prices at which Forest common stock would trade at any time. Credit Suisse's opinion did not address the relative merits of the merger as compared to alternative transactions or strategies that might be available to Forest, nor did it address the underlying business decision of Forest to proceed with the merger. Except as described above, Forest imposed no other limitations on Credit Suisse with respect to the investigations made or procedures followed in rendering the opinion.

In preparing its opinion, Credit Suisse performed a variety of financial and comparative analyses, including those described below. The summary of Credit Suisse's analyses described below is not a complete description of the analyses underlying Credit Suisse's opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. Credit Suisse arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis. Accordingly, Credit Suisse believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Credit Suisse considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Forest and Houston Exploration. No company, transaction or business used in Credit Suisse's analyses as a comparison is identical to Forest, Houston Exploration or the proposed merger, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed. The estimates contained in Credit Suisse's analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Credit Suisse's analyses are inherently subject to substantial uncertainty.

Credit Suisse was not requested to, and it did not, recommend the specific consideration payable in the proposed merger, which consideration was determined between Forest and Houston Exploration, and the decision to enter into the merger was solely that of the Forest board of directors. Credit Suisse's opinion and financial analyses were only one of many factors considered by the Forest board of directors in its evaluation of the proposed merger and should not be viewed as determinative of the

views of the Forest board of directors or Forest's management with respect to the merger or the consideration payable in the merger.

The following is a summary of the material financial analyses reviewed with the Forest board of directors on January 3, 2007 in connection with Credit Suisse's opinion, which opinion was delivered to the Forest board of directors in connection with the execution of the merger agreement on January 7, 2007. **The financial analyses summarized below include information presented in tabular format. In order to fully understand Credit Suisse's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Credit Suisse's financial analyses.** For purposes of this summary of Credit Suisse's analyses, the term "implied per share value of the merger consideration" refers to the implied per share value of the consideration to be paid by Forest in the merger of \$53.70 based on the per share closing price of Forest common stock of \$32.68 on December 29, 2006, the last trading day prior to the January 3, 2007 board meeting.

Houston Exploration Financial Analyses

Selected Public Companies Analysis

Credit Suisse reviewed financial and stock market information of Houston Exploration and the following six selected publicly traded companies in the oil and gas exploration and production industry, referred to as the E&P industry:

Cimarex Energy Co.

EXCO Resources, Inc.

Newfield Exploration Company

Petrohawk Energy Corporation

PetroQuest Energy, Inc.

St. Mary Land & Exploration Company

Credit Suisse reviewed, among other things, enterprise values, calculated as market value based on closing stock prices on December 29, 2006, plus debt, preferred stock and out-of-the-money convertibles, less cash and cash equivalents, of the selected companies as multiples of the following:

calendar year 2007 estimated earnings before interest, taxes, depreciation and amortization, referred to as EBITDA;

estimated proved reserves as of December 31, 2005 (in \$ per Mcfe);

daily production for the third quarter of calendar year 2006 (in \$ per Mcfe per day), referred to as 3Q2006 daily production;
and

the estimated present value, using a discount rate of 10%, of projected future cash flows from proved reserves less estimated future development, production, abandonment and dismantlement costs, referred to as pre-tax PV10%, as of December 31, 2005.

Edgar Filing: FOREST OIL CORP - Form S-4

Credit Suisse then applied a range of selected multiples of such financial and operating data derived from the selected companies to corresponding data of Houston Exploration, except that multiples of estimated proved reserves and pre-tax PV10% as of December 31, 2005 derived from the selected companies were applied to Houston Exploration's estimated proved reserves and pre-tax PV10% as of September 30, 2006. Financial and operating data of the selected companies were based on publicly

Edgar Filing: FOREST OIL CORP - Form S-4

available research analysts' estimates, public filings and other publicly available information. Operating data of Houston Exploration were based on internal estimates of Forest's management and, in the case of 3Q2006 daily production, public filings. Operating data of Houston Exploration and the selected companies were pro forma for acquisitions and divestitures. Calendar year 2007 estimated EBITDA of Houston Exploration was based on internal production estimates of Forest's management and First Call commodity prices for calendar year 2007. Pre-tax PV10% for the selected companies as of December 31, 2005 and for Houston Exploration as of September 30, 2006 reflected spot commodity pricing as of December 31, 2005. This analysis indicated the following implied per share equity reference range for Houston Exploration, as compared to the implied per share value of the merger consideration:

Implied Per Share Equity Reference Range for Houston Exploration	Implied Per Share Value of Merger Consideration
\$52.80 \$66.30	\$ 53.70

Selected Transactions Analysis

Credit Suisse reviewed the transaction values of the following 12 merger transactions in the E&P industry publicly announced from January 26, 2005 through August 26, 2006:

Acquiror	Target
Woodside Petroleum Ltd. Anadarko Petroleum Corporation Anadarko Petroleum Corporation Energy Partners, Ltd. Devon Energy Corporation Plains Exploration & Production Company Petrohawk Energy Corporation Helix Energy Solutions Group, Inc. ConocoPhillips Occidental Petroleum Corporation Norsk Hydro ASA Cimarex Energy Co.	Energy Partners, Ltd. Western Gas Resources, Inc. Kerr-McGee Corporation Stone Energy Corporation Chief Holdings LLC Stone Energy Corporation KCS Energy, Inc. Remington Oil and Gas Corporation Burlington Resources Inc. Vintage Petroleum, Inc. Spinnaker Exploration Company Magnum Hunter Resources, Inc.

Credit Suisse also reviewed the transaction values in the following five Gulf Coast/Texas asset transactions in the E&P industry publicly announced from February 7, 2006 through December 26, 2006:

Buyer	Seller
EXCO Resources, Inc. El Paso Exploration & Production Company EXCO Resources, Inc. Forest XTO Energy Inc.	Anadarko Petroleum Corporation Laredo Energy III, LP Progress Energy, Inc. Chalker Energy Partners LP Total E&P USA, Inc.

Credit Suisse reviewed, among other things, transaction values in the selected transactions (excluding the estimated value, to the extent publicly available, of non-reserve assets) as multiples of the following data:

estimated proved reserves (in \$ per Mcfe); and

daily production (in \$ per Mcfe per day).

Edgar Filing: FOREST OIL CORP - Form S-4

Credit Suisse then applied a range of selected multiples of such operating data derived from the selected transactions to corresponding data of Houston Exploration. Operating data of the selected transactions were based on publicly available information at the time of announcement of the relevant transactions. Estimated proved reserves of Houston Exploration were based on internal estimates of Forest's management as of September 30, 2006, and daily production of Houston Exploration was based on 3Q2006 daily production of Houston Exploration as reflected in Houston Exploration's public filings. This analysis indicated the following implied per share equity reference range for Houston Exploration, as compared to the implied per share value of the merger consideration:

Implied Per Share Equity Reference Range for Houston Exploration		Implied Per Share Value of Merger Consideration
\$59.59	\$73.00	\$ 53.70

Proved Reserves Net Asset Value Analysis

Credit Suisse performed a net asset value analysis of Houston Exploration's estimated proved reserves as of September 30, 2006 by calculating the estimated present value of the unlevered, after-tax free cash flows that Houston Exploration could generate during calendar years 2007 through 2020 from its estimated proved reserves as of September 30, 2006. Estimated cash flows were based on reserve and production data reflected in a reserve report prepared by Forest's management and forward curve oil and gas commodity prices as reported on the New York Mercantile Exchange, referred to as NYMEX forward curve pricing. The present value of the cash flows were calculated using discount rates ranging from 11.0% to 12.0%. This analysis indicated the following implied per share equity reference range for Houston Exploration, as compared to the implied per share value of the merger consideration:

Implied Per Share Equity Reference Range for Houston Exploration		Implied Per Share Value of Merger Consideration
\$33.83	\$35.45	\$ 53.70

Discounted Cash Flow Analysis

Credit Suisse performed a discounted cash flow analysis of Houston Exploration to calculate the estimated present value of the unlevered, after-tax free cash flows that Houston Exploration could generate on a standalone basis during calendar years 2007 through 2011. Estimated cash flows were based on internal estimates of Forest's management under two alternative oil and gas commodity pricing assumptions, one based on NYMEX forward curve pricing and one based on flat pricing of \$60.00 per barrel of oil and \$7.75 per thousand cubic feet of gas, referred to as flat pricing. Credit Suisse calculated terminal values of Houston Exploration by applying to Houston Exploration's calendar year 2011 estimated EBITDA a range of terminal value EBITDA multiples of 4.0x to 5.0x. The present value of the cash flows and terminal values were calculated using discount rates ranging from 11.0% to 12.0%. This analysis indicated the following implied per share equity reference ranges for Houston Exploration under each alternative commodity pricing assumption, as compared to the implied per share value of the merger consideration:

Implied Per Share Equity Reference Range for Houston Exploration				Implied Per Share Value of Merger Consideration
NYMEX Forward Curve Pricing		Flat Pricing		
\$45.99	\$58.33	\$ 53.01	\$66.72	\$ 53.70

Forest Financial Analyses

Selected Public Companies Analysis

Credit Suisse reviewed financial and stock market information of Forest and the following nine selected publicly traded companies in the E&P industry:

Cabot Oil & Gas Corporation

Chesapeake Energy Corporation

Cimarex Energy Co.

EOG Resources, Inc.

Petrohawk Energy Corporation

Pioneer Natural Resources Company

Range Resources Corporation

St. Mary Land & Exploration Company

XTO Energy Inc.

Credit Suisse reviewed, among other things, enterprise values of the selected companies as multiples of the following:

calendar year 2007 estimated EBITDA;

estimated proved reserves as of December 31, 2005 (in \$ per Mcfe);

3Q2006 daily production (in \$ per Mcfe per day); and

pre-tax PV10%, as of December 31, 2005.

Credit Suisse then applied a range of selected multiples of such financial and operating data derived from the selected companies to corresponding data of Forest, except that multiples of estimated proved reserves and pre-tax PV10% as of December 31, 2005 derived from the selected companies were applied to Forest's estimated proved reserves and pre-tax PV10% as of September 30, 2006. Financial and operating data of the selected companies were based on publicly available research analysts' estimates, public filings and other publicly available information. Operating data of Forest were based on internal estimates of Forest's management and, in the case of 3Q2006 daily production, public filings. Operating data of Forest and the selected companies were pro forma for acquisitions and divestitures. Calendar year 2007 estimated EBITDA of Forest was based on internal production estimates of Forest's management and First Call commodity prices for calendar year 2007. Pre-tax PV10% for the selected companies as of December 31, 2005 and for Forest as of September 30, 2006 reflected spot commodity pricing as of December 31, 2005. This analysis indicated the following implied per share equity reference range for Forest, as compared to the per share closing price of Forest common stock on December 29, 2006:

Implied Per Share Equity Reference Range for	Per Share Closing Price of Forest Common Stock
---	---

Edgar Filing: FOREST OIL CORP - Form S-4

Forest		on December 29, 2006	
\$29.74	\$40.48	\$	32.68

Proved Reserves Net Asset Value Analysis

Credit Suisse performed a net asset value analysis of Forest's estimated proved reserves as of September 30, 2006 by calculating the estimated present value of the unlevered, after-tax free cash

Edgar Filing: FOREST OIL CORP - Form S-4

flows that Forest could generate during calendar years 2007 through 2020 from its estimated proved reserves as of September 30, 2006. Estimated cash flows were based on reserve and production data reflected in a reserve report prepared by Forest's management and NYMEX forward curve pricing. The present value of the cash flows were calculated using discount rates ranging from 11.0% to 12.0%. This analysis indicated the following implied per share equity reference range for Forest, as compared to the per share closing price of Forest common stock on December 29, 2006:

Implied Per Share Equity Reference Range for Forest		Per Share Closing Price of Forest Common Stock on December 29, 2006	
\$30.01	\$32.01	\$	32.68

Discounted Cash Flow Analysis

Credit Suisse performed a discounted cash flow analysis of Forest to calculate the estimated present value of the unlevered, after-tax free cash flows that Forest could generate on a standalone basis during calendar years 2007 through 2011. Estimated cash flows were based on internal estimates of Forest's management under two alternative oil and gas commodity pricing assumptions, one based on NYMEX forward curve pricing and one based on flat pricing. Credit Suisse calculated terminal values of Forest by applying to Forest's fiscal year 2011 estimated EBITDA a range of terminal value EBITDA multiples of 5.0x to 6.0x. The present value of the cash flows and terminal values were calculated using discount rates ranging from 11.0% to 12.0%. This analysis indicated the following implied per share equity reference ranges for Forest under each alternative commodity pricing assumption, as compared to the per share closing price of Forest common stock on December 29, 2006:

Implied Per Share Equity Reference Range for Forest				Per Share Closing Price of Forest Common Stock on December 29, 2006	
NYMEX Forward Curve Pricing		Flat Pricing			
\$32.62	\$42.56	\$	31.66	\$41.68	\$ 32.68

Miscellaneous

Forest selected Credit Suisse based on Credit Suisse's qualifications, experience and reputation, and its familiarity with Forest and its business. Credit Suisse is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

Credit Suisse and certain of its affiliates may participate in the financing for the merger, for which Credit Suisse and such affiliates would receive compensation. From time to time, Credit Suisse and its affiliates in the past have provided, currently are providing and in the future may provide investment banking and other financial services to Forest unrelated to the proposed merger, for which Credit Suisse and its affiliates have received, and would expect to receive, compensation. Credit Suisse is a full service securities firm engaged in securities trading and brokerage activities, as well as providing investment banking and other financial services. In the ordinary course of business, Credit Suisse and its affiliates may acquire, hold or sell, for its and its affiliates' own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of Forest and Houston Exploration, as well as provide investment banking and other financial services to such companies.

Forest has agreed to pay Credit Suisse a customary fee for its financial advisory services in connection with the merger, a portion of which is payable upon the execution of the merger agreement and a significant portion of which is contingent upon the consummation of the merger. In addition,

Forest has agreed to reimburse Credit Suisse for its reasonable expenses, including fees and expenses of legal counsel and any other advisor retained by Credit Suisse, and to indemnify Credit Suisse and related parties against certain liabilities and other items, including liabilities under the federal securities laws, arising out of its engagement.

Opinion of Houston Exploration's Financial Advisor

Houston Exploration engaged Lehman Brothers to act as Houston Exploration's financial advisor in connection with the proposed merger. On January 7, 2007, Lehman Brothers rendered its opinion to the board of directors of Houston Exploration that as of such date and based upon and subject to certain matters stated in the opinion letter, from a financial point of view, the consideration to be offered to Houston Exploration's stockholders in the merger was fair to Houston Exploration's stockholders.

The full text of Lehman Brothers' opinion dated January 7, 2007, is included as Annex C to this joint proxy statement/prospectus and is incorporated herein by reference. Holders of Houston Exploration's common stock should read Lehman Brothers' opinion for a discussion of the procedures followed, factors considered, assumptions made and qualifications and limitations of the review undertaken by Lehman Brothers in connection with its opinion. This summary of the Lehman Brothers opinion is qualified in its entirety by reference to the full text of such opinion.

Lehman Brothers' advisory services and opinion were provided for the information and assistance of the board of directors of Houston Exploration in connection with its consideration of the merger. Lehman Brothers' opinion is not a recommendation to any stockholder of Houston Exploration as to how such stockholder should vote with respect to the merger. Lehman Brothers was not requested to opine as to, and its opinion does not address, Houston Exploration's underlying business decision to proceed with or effect the merger.

In arriving at its opinion, Lehman Brothers reviewed, among other things:

the merger agreement and the specific terms of the merger;

publicly available information concerning Houston Exploration and Forest that Lehman Brothers believed to be relevant to its analysis, including, without limitation, the Annual Reports on Form 10-K for the year ended December 31, 2005, and the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006 for each of Houston Exploration and Forest;

financial and operating information with respect to the business, operations and prospects of Houston Exploration furnished to Lehman Brothers by Houston Exploration, including financial projections of Houston Exploration prepared by management of Houston Exploration;

financial and operating information with respect to the business, operations and prospects of Forest furnished to Lehman Brothers by Forest, including financial projections of Forest prepared by the management of Forest;

estimates of certain (i) proved reserves, as of December 31, 2005, for Houston Exploration prepared by a third-party reserve engineer, (ii) proved reserves, as of September 30, 2006, for the Company prepared by the management of Houston Exploration and (iii) non-proved reserves for the Company as prepared by the management of Houston Exploration (collectively, the "Houston Exploration Reserve Reports");

estimates of certain proved and non-proved reserves, as of December 31, 2005, for Forest prepared by the management of Forest and audited by a third-party reserve engineer and rolled forward by the management of Forest to September 30, 2006 (collectively, the "Forest Reserve Reports");

the trading histories of Houston Exploration common stock and Forest common stock from January 6, 2006 to January 5, 2007 and a comparison of those trading histories with each other and with those of other companies that Lehman Brothers

deemed relevant;

Edgar Filing: FOREST OIL CORP - Form S-4

a comparison of the historical financial results and present financial condition of Houston Exploration and Forest with each other and with those of other companies that Lehman Brothers deemed relevant;

a comparison of the financial terms of the merger with the financial terms of certain other transactions that Lehman Brothers deemed relevant;

the potential pro forma impact of the merger on the current and future financial performance of the combined company, including the amounts and timing of the cost savings and operating synergies expected to result from the merger (the "Expected Synergies");

published estimates of certain independent equity research analysts with respect to the future financial performance of Houston Exploration and Forest;

the relative contributions of Houston Exploration and Forest to the current and future financial performance of the combined company on a pro forma basis; and

the results of Lehman Brothers' efforts to solicit indications of interest and definitive proposals from third parties with respect to an acquisition of Houston Exploration.

In addition, Lehman Brothers had discussions with the managements of Houston Exploration and Forest concerning their respective businesses, operations, assets, financial conditions, reserves, production profiles, hedging levels, exploration programs and prospects and undertook such other studies, analyses and investigations that Lehman Brothers deemed appropriate.

In arriving at its opinion, Lehman Brothers assumed and relied upon the accuracy and completeness of the financial and other information used by it without assuming any responsibility for independent verification of such information and have further relied upon the assurances of the managements of Houston Exploration and Forest that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial projections of Houston Exploration, upon advice of Houston Exploration, Lehman Brothers assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Houston Exploration as to the future financial performance of Houston Exploration and that Houston Exploration will perform substantially in accordance with such projections. With respect to the financial projections of Forest, upon advice of Forest, Lehman Brothers assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Forest as to the future financial performance of Forest and that Forest will perform substantially in accordance with such projections. With respect to the Houston Exploration Reserve Reports, Lehman Brothers discussed these reports with the management of Houston Exploration, and upon the advice of Houston Exploration Lehman Brothers assumed that the Houston Exploration Reserve Reports are a reasonable basis upon which to evaluate the proved and non-proved reserve levels of Houston Exploration. With respect to the Forest Reserve Reports, Lehman Brothers discussed these reports with the managements of Houston Exploration and Forest, and upon the advice of Houston Exploration and Forest Lehman Brothers assumed that the Forest Reserve Reports are a reasonable basis upon which to evaluate the proved and non-proved reserve levels of Forest. With respect to the Expected Synergies, Lehman Brothers assumed that the amount and timing of the Expected Synergies are reasonable as estimated by the management of Forest and discussed with the management of Houston Exploration and Lehman Brothers also assumed that the Expected Synergies will be realized substantially in accordance with such estimates. In arriving at its opinion, Lehman Brothers did not conduct a physical inspection of the properties and facilities of Houston Exploration or Forest and did not make or obtain any evaluations or appraisals of the assets or liabilities of Houston Exploration or Forest. Lehman Brothers' opinion necessarily is based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion letter. In addition, Lehman Brothers expressed no opinion as to the prices at which shares of

- (i) Houston Exploration common stock or Forest common stock would trade at any time following the announcement of the proposed merger or
- (ii) Forest common stock will trade at any time following the consummation of the proposed merger.

In arriving at its opinion, Lehman Brothers did not ascribe a specific range of value to Houston Exploration or Forest, but rather made its determination as to the fairness to Houston Exploration, from a financial point of view, of the consideration to be offered to Houston Exploration's stockholders in the merger on the basis of the financial, comparative and other analyses described below. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial, comparative and other analysis and the application of those methods to the particular circumstances, and, therefore, such an opinion is not readily susceptible to summary description. Furthermore, in arriving at its fairness opinion, Lehman Brothers did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Lehman Brothers believes that its analyses must be considered as a whole and that considering any portion of such analyses and the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the opinion. In its analyses, Lehman Brothers made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Houston Exploration or Forest. None of Houston Exploration, Forest or Lehman Brothers, or any other person, assumes responsibility if future results are materially different from those assumptions. Any estimates contained in the analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth in the analyses. In addition, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which businesses could actually be sold.

The following is a summary of the material financial, comparative and other analyses prepared and used by Lehman Brothers in connection with rendering its opinion to the Board of Directors of Houston Exploration. Certain of the summaries of the analyses include information presented in tabular format. In order to fully understand the analyses used by Lehman Brothers, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses. Accordingly, the information presented in the tables and described below must be considered as a whole. **Considering any portion of such analyses and of the factors considered, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying Lehman Brothers' opinion.**

Summary of Analyses

Lehman Brothers prepared separate valuations of Houston Exploration and Forest before considering the pro forma impact of the Expected Synergies resulting from the merger. In determining valuation, Lehman Brothers used the following methodologies: net asset valuation analysis, comparable company analysis, comparable transactions analysis and going concern analysis. Each of these methodologies was used to generate a reference enterprise value range for each of Houston Exploration and Forest. The enterprise value range for each company was adjusted for appropriate on-balance sheet and off-balance sheet assets and liabilities to arrive at an implied equity value range (in aggregate dollars) for each company. The implied equity value range was divided by diluted shares outstanding, which is comprised of primary shares and the dilutive effect of outstanding options, restricted stock and restricted stock units to derive an equity value range per share. The implied equity value ranges per share of Houston Exploration common stock were then compared to the merger consideration to be offered to Houston Exploration's stockholders in the merger. The implied share price ranges, derived using the various valuation methodologies listed above, supported the conclusion that the consideration to be offered to Houston Exploration's stockholders in the merger was fair, from

a financial point of view, to Houston Exploration's stockholders. Additionally, the implied equity value ranges per share of Forest common stock were compared to Forest's stock price as of January 5, 2007.

The various valuation methodologies noted above and the implied share price ranges derived therefrom are included in the following table. **This table should be read together with the more detailed descriptions set forth below.** In particular, in applying the various valuation methodologies to the particular businesses, operations and prospects of Houston Exploration and Forest, and the particular circumstances of the merger, Lehman Brothers made qualitative judgments as to the significance and relevance of each analysis. In addition, Lehman Brothers made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Houston Exploration or Forest. Accordingly, the methodologies and the implied share price ranges derived therefrom set forth in the table must be considered as a whole and in the context of the narrative description of the financial analyses, including the assumptions underlying these analyses. Considering the implied share price ranges set forth in the table without considering the full narrative description of the financial analyses, including the assumptions underlying these analyses, could create a misleading or incomplete view of the process underlying, and conclusions represented by, Lehman Brothers' opinion.

Summary of Houston Exploration Valuation Analyses

Valuation Methodology	Summary Description of Valuation Methodology	Implied Share Price Range
Net Asset Valuation Analysis	Net present valuation of after-tax cash flows generated by producing to exhaustion existing proved, probable, possible and exploratory reserves using selected hydrocarbon pricing scenarios and discount rates plus the evaluation of certain other assets and liabilities	
	Case I Commodity Prices	\$42.83 \$53.74
	Case II Commodity Prices	\$46.20 \$57.93
	Case III Commodity Prices	\$55.42 \$69.66
Comparable Company Analysis	Market valuation benchmark based on trading multiples of selected comparable companies for selected financial and asset-based measures	\$51.23 \$71.34
Comparable Transactions Analysis	Market valuation benchmark based on consideration paid in selected comparable transactions	\$57.93 \$76.36
Going Concern Analysis	Net present valuation of adjusted management projections of after-tax cash flows assuming selected discount rates and terminal value multiples	\$51.23 \$71.34
Market value of consideration to be offered to Houston Exploration's stockholders in the Merger based on closing share prices on January 5, 2007		\$52.47

Edgar Filing: FOREST OIL CORP - Form S-4

Summary of Forest Valuation Analyses

Valuation Methodology	Summary Description of Valuation Methodology	Implied Share Price Range
Net Asset Valuation Analysis	Net present valuation of after-tax cash flows generated by producing to exhaustion existing proved, probable, possible and exploratory reserves using selected hydrocarbon pricing scenarios and discount rates plus the evaluation of certain other assets and liabilities	
	Case I Commodity Prices	\$34.32 \$42.98
	Case II Commodity Prices	\$37.71 \$46.75
	Case III Commodity Prices	\$43.74 \$53.53
Comparable Company Analysis	Market valuation benchmark based on trading multiples of selected comparable companies for selected financial and asset-based measures	\$33.57 \$45.62
Comparable Transactions Analysis	Market valuation benchmark based on consideration paid in selected comparable transactions	\$39.59 \$53.15
Going Concern Analysis	Net present valuation of adjusted management projections of after-tax cash flows assuming selected discount rates and terminal value multiples	\$30.56 \$40.35
Forest's stock price as of January 5, 2007		\$31.22

In addition to preparing separate valuations of Houston Exploration and Forest, Lehman Brothers analyzed the implied share price of Houston Exploration based on valuation analyses calculated for Forest per the above discussed methodologies and the cash portion of the merger consideration. The implied share prices derived based on Forest's equity value per share and the cash portion of the merger consideration are included in the following table:

Summary of Value of Houston Exploration Merger Consideration Implied From Forest Valuation Analyses

Valuation Methodology	Summary Description of Valuation Methodology	Implied Share Price Range
Net Asset Valuation Analysis	Net present valuation of after-tax cash flows generated by producing to exhaustion existing proved, probable, possible and exploratory reserves using selected hydrocarbon pricing scenarios and discount rates plus the evaluation of certain other assets and liabilities	
	Case I Commodity Prices	\$55.08 \$62.36
	Case II Commodity Prices	\$57.93 \$65.52
	Case III Commodity Prices	\$62.99 \$71.21

Edgar Filing: FOREST OIL CORP - Form S-4

Comparable Company Analysis	Market valuation benchmark based on trading multiples of selected comparable companies for selected financial and asset-based measures	\$54.45	\$64.57
Comparable Transactions Analysis	Market valuation benchmark based on consideration paid in selected comparable transactions	\$59.51	\$70.90
Going Concern Analysis	Net present valuation of adjusted management projections of after-tax cash flows assuming selected discount rates and terminal value multiples	\$51.92	\$60.14
Market value of consideration to be offered to Houston Exploration's stockholders in the Merger based on closing share prices on January 5, 2007			\$52.47
<i>Net Asset Valuation Analysis</i>			

Lehman Brothers estimated the present value of the future after-tax cash flows expected to be generated from each company's proved reserves as of September 30, 2006, based on estimated reserves and production cost estimates, as adjusted to take into account such reserve and production cost estimates as of January 1, 2007, and non-proved reserves provided by the managements of Houston Exploration and Forest, respectively. The present value of the future after-tax cash flow was determined using a range of discount rates and assuming a tax rate of 35%. Lehman Brothers added to such estimated values for proved reserves assessments of the value of certain other assets and liabilities estimated by Houston Exploration and Forest, including each company's undeveloped acreage and current commodity hedging portfolio. In the case of Forest, the present values of other non-reserve assets were added as well. The net asset valuation analysis was performed under three commodity price scenarios (Case I, Case II and Case III), which are described below.

Certain of the natural gas and oil price forecasts employed by Lehman Brothers were based on New York Mercantile Exchange ("NYMEX") price forecasts (Henry Hub, Louisiana delivery for natural gas and West Texas Intermediate, Cushing, Oklahoma delivery for oil) from which adjustments were made to reflect location and quality differentials. NYMEX gas price quotations are stated in heating value equivalents per million British Thermal Units ("MMBtu"), which are adjusted to reflect the value per thousand cubic feet ("Mcf") of gas. NYMEX oil price quotations are stated in dollars per barrel ("Bbl") of crude oil.

Edgar Filing: FOREST OIL CORP - Form S-4

The following table summarizes the natural gas and oil price forecasts Lehman Brothers employed to estimate future after-tax cash flows for each of the reserve categories Lehman Brothers considered for Houston Exploration and Forest.

	<u>2007E</u>	<u>2008E</u>	<u>2009E</u>	<u>2010E</u>	<u>2011E</u>	<u>Escalation Thereafter</u>
Gas (\$/Mcf)						
Case I: All reserve classifications	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	0.0%
Case II:						
Proved Developed reserves	\$ 6.92	\$ 7.94	\$ 7.76	\$ 7.41	\$ 7.07	0.0%
All other reserve classifications	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	0.0%
Case III: All reserve classifications	\$ 6.92	\$ 7.94	\$ 7.76	\$ 7.41	\$ 7.07	0.0%
Oil (\$/Bbl)						
Case I: All reserve classifications	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	0.0%
Case II:						
Proved Developed reserves	\$ 60.12	\$ 63.60	\$ 63.65	\$ 63.37	\$ 62.60	0.0%
All other reserve classifications	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	0.0%
Case III: All reserve classifications	\$ 60.12	\$ 63.60	\$ 63.65	\$ 63.37	\$ 62.60	0.0%

The net asset valuation analyses yielded valuations for Houston Exploration that imply an equity value range of \$42.83 to \$53.74 per share for Case I, an equity value range of \$46.20 to \$57.93 per share for Case II and an equity value range of \$55.42 to \$69.66 per share for Case III, as compared to the market value of the consideration to be offered to Houston Exploration's stockholders in the merger, based on closing stock prices on January 5, 2007, of \$52.47.

The net asset valuation analyses yielded valuations for Forest that imply an equity value range of \$34.32 to \$42.98 per share for Case I, an equity value range of \$37.71 to \$46.75 per share for Case II and an equity value range of \$43.74 to \$53.53 per share for Case III, as compared to Forest's closing stock price as of January 5, 2007 of \$31.22.

The valuation for Houston Exploration implied by the net asset valuation analyses for Forest and the merger consideration implies an equity value range of \$55.08 to \$62.36 per Houston Exploration share for Case I, an equity value range of \$57.93 to \$65.52 per Houston Exploration share for Case II and an equity value range of \$62.99 to \$71.21 per Houston Exploration share for Case III.

Comparable Company Analysis

With respect to Houston Exploration, Lehman Brothers reviewed the public stock market trading multiples for the following exploration and production companies, which Lehman Brothers selected because of their similar capitalization, domestic focus and mix of natural gas production:

Bill Barrett Corporation

Cimarex Energy Co.

Delta Petroleum Corporation

Forest Oil Corporation

Petrohawk Energy Corporation

Range Resources Corporation

Edgar Filing: FOREST OIL CORP - Form S-4

The companies listed above were chosen because they are publicly traded companies with operations that, for purposes of this analysis, may be considered similar to Houston Exploration. Using publicly available information, including First Call consensus estimates and certain published equity

Edgar Filing: FOREST OIL CORP - Form S-4

research estimates from independent equity research analysts, Lehman Brothers calculated and analyzed enterprise value multiples of certain historical and projected financial and operating criteria such as earnings before interest, taxes, depreciation, depletion, amortization and exploration expense ("EBITDE"), proved reserves and daily production. The enterprise value of each company was obtained by adding its outstanding debt to the sum of the market value of its common equity, the book value of its preferred stock and the book value of any minority interest minus its cash balance. Lehman Brothers calculated the enterprise value multiples of proved reserves and daily production by excluding the value of non-proved reserves, as estimated by independent research analysts, from enterprise value and dividing the resulting value by proved reserves and daily production, respectively.

Because of the inherent differences between the corporate structure, businesses, operations and prospects of Houston Exploration and the corporate structure, businesses, operations and prospects of the companies included in the comparable company group, Lehman Brothers believes that it would be inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis and, accordingly, also made qualitative judgments concerning differences between the financial and operating characteristics of Houston Exploration and companies in the comparable company group that would affect the public trading values of Houston Exploration and such comparable companies.

With respect to the selected comparable companies, Lehman Brothers considered the following statistics and multiples:

	Multiple Range of Comparable Companies of Houston Exploration		
	Low	Median	High
Enterprise Value as a Multiple of:			
2007E EBITDE	3.3x	4.3x	13.2x
Adjusted Enterprise Value as a Multiple of:			
Proved Reserves (\$/Mcf)	\$ 2.11	\$ 2.55	\$ 4.66
2007E Daily Production (\$/MMcfe per day)	\$ 5,407	\$ 8,386	\$ 22,551

The comparable company methodology yielded valuations for Houston Exploration that implied an equity value range of \$51.23 to \$71.34 per share, as compared to the market value of the consideration to be offered to Houston Exploration's stockholders in the merger, based on closing stock prices on January 5, 2007, of \$52.47.

With respect to Forest, Lehman Brothers reviewed the public stock market trading multiples for the following exploration and production companies, which Lehman Brothers selected because of their similar capitalization and domestic focus:

Bill Barrett Corporation

Cimarex Energy Co.

Delta Petroleum Corporation

Petrohawk Energy Corporation

Range Resources Corporation

The Houston Exploration Company

The companies listed above were chosen because they are publicly traded companies with operations that, for purposes of this analysis, may be considered similar to Forest. Using publicly available information, including First Call consensus estimates and certain published equity research estimates from independent equity research analysts, Lehman Brothers calculated and analyzed

Edgar Filing: FOREST OIL CORP - Form S-4

enterprise value multiples of certain historical and projected financial and operating criteria such as EBITDE, proved reserves and daily production. The enterprise value of each company was obtained by adding its outstanding debt to the sum of the market value of its common equity, the book value of its preferred stock and the book value of any minority interest minus its cash balance. Lehman Brothers calculated the enterprise value multiples of proved reserves and daily production by excluding the value of non-proved reserves, as estimated by independent research analysts, from enterprise value and dividing the resulting value by proved reserves and daily production, respectively.

Because of the inherent differences between the corporate structure, businesses, operations and prospects of Forest and the corporate structure, businesses, operations and prospects of the companies included in the comparable company group, Lehman Brothers believed that it would be inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis and, accordingly, also made qualitative judgments concerning differences between the financial and operating characteristics of Forest and companies in the comparable company group that would affect the public trading values of Forest and such comparable companies.

With respect to the selected comparable companies, Lehman Brothers considered the following statistics and multiples:

	Multiple Range of Comparable Companies of Forest		
	Low	Median	High
Enterprise Value as a Multiple of:			
2007E EBITDE	3.1x	4.0x	13.2x
Adjusted Enterprise Value as a Multiple of:			
Proved Reserves (\$/Mcf)	\$ 1.98	\$ 2.55	\$ 4.66
2007E Daily Production (\$/MMcfe per day)	\$ 5,391	\$ 6,891	\$ 22,551

The comparable company methodology yielded valuations for Forest that implied an equity value range of \$33.57 to \$45.62 per share, as compared to Forest's closing stock price as of January 5, 2007 of \$31.22.

The valuation for Houston Exploration implied from the comparable company analysis for Forest and the merger consideration implies an equity value range of \$54.45 to \$64.57 per Houston Exploration share.

Comparable Transactions Analysis

Lehman Brothers reviewed certain publicly available information on selected corporate level exploration and production transactions having a value greater than \$1.0 billion it deemed comparable to both Houston Exploration and Forest, which were announced from January 2005 to December 2006 including, but not limited to:

Woodside Petroleum Ltd. / Energy Partners, Ltd. (not a consummated transaction retracted proposal)

Anadarko Petroleum Corporation / Western Gas Resources, Inc.

Anadarko Petroleum Corporation / Kerr-McGee Corporation

Devon Energy Corporation / Chief Holdings LLC

Petrohawk Energy Corporation / KCS Energy, Inc.

Cal Dive International Inc. / Remington Oil & Gas Corporation

ConocoPhillips / Burlington Resources Inc.

Edgar Filing: FOREST OIL CORP - Form S-4

Occidental Petroleum Corporation / Vintage Petroleum, Inc.

Chesapeake Energy Corporation / Columbia Natural Resources LLC

Norsk Hydro ASA / Spinnaker Exploration Company

Chevron Corporation / Unocal Corporation

Cimarex Energy Co. / Magnum Hunter Resources, Inc.

Because the market conditions, rationale and circumstances surrounding each of the transactions analyzed were specific to each transaction and because of the inherent differences between the businesses, operations and prospects of Houston Exploration and Forest and the acquired businesses analyzed, Lehman Brothers believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis and, accordingly, also made qualitative judgments concerning differences between the characteristics of these transactions and the merger that would affect the acquisition values of Houston Exploration and Forest and such acquired companies.

For corporate transactions analysis, relevant enterprise value transaction multiples were analyzed, including the total transaction value, adjusted downward by the value allocated to non-proved reserves (referred to as reserve value), divided by proved reserves and daily production.

With respect to the selected comparable corporate transactions, Lehman Brothers considered the following statistics and multiples:

	Multiple Range of Comparable Transactions		
	Low	Median	High
Adjusted Transaction Value as a Multiple of:			
Proved Reserves (\$/Mcf)	\$ 1.36	\$ 2.78	\$ 6.04
2006E Daily Production (\$/Mmcf per day)	\$ 5,206	\$ 11,577	\$ 20,188

The comparable transactions methodology yielded valuations for Houston Exploration that implied an equity value range of \$57.93 to \$76.36 per share, as compared to the market value of the consideration to be offered to Houston Exploration's stockholders in the merger, based on closing stock prices on January 5, 2007, of \$52.47.

The comparable transactions methodology yielded valuations for Forest that implied an equity value range of \$39.59 to \$53.15 per share, as compared to Forest's closing stock price as of January 5, 2007 of \$31.22.

The valuation for Houston Exploration implied from the comparable transactions analysis for Forest and the merger consideration implies an equity value range of \$59.51 to \$70.90 per Houston Exploration share.

Going Concern Analysis

Lehman Brothers prepared an after-tax cash flow model for the period from January 1, 2007 through December 31, 2009 for both Houston Exploration and Forest utilizing information and projections provided by the managements of Houston Exploration and Forest, respectively. Lehman Brothers adjusted the commodity price projections of Houston Exploration and Forest by utilizing a commodity price based on First Call consensus estimates in 2007 and 2008 and published estimates by certain independent equity research analysts in 2009, adjusted for Houston Exploration and Forest's projected location and quality differentials. With respect to the Houston Exploration going concern analysis, Lehman Brothers used discount rates of 9% to 12% and terminal value EBITDE multiples of 3.25x to 4.75x. With respect to the Forest going concern analysis, Lehman Brothers used discount rates

of 9% to 12% and terminal value EBITDE multiples of 4.0x to 5.5x. The discount rates were based on Lehman Brothers' review of the financial terms of similar transactions in the sector of exploration and production companies. The terminal value multiples were selected based on the trading multiples of comparable publicly traded companies and the multiples of recently completed acquisitions of similar assets and companies.

The going concern methodology yielded valuations for Houston Exploration that implied an equity value range of \$51.23 to \$71.34 per share, as compared to the market value of the consideration to be offered to Houston Exploration's stockholders in the merger, based on closing stock prices on January 5, 2007, of \$52.47.

The going concern methodology yielded valuations for Forest that implied an equity value range of \$30.56 to \$40.35 per share, as compared to Forest's closing stock price as of January 5, 2007 of \$31.22.

The valuation for Houston Exploration implied from the going concern analysis for Forest and the merger consideration implies an equity value range of \$51.92 to \$60.14 per Houston Exploration share.

Pro Forma Merger Consequences Analysis

Lehman Brothers analyzed the pro forma impact of the merger on the projected earnings per share ("EPS") and discretionary cash flow per share ("CFPS") of Houston Exploration and Forest. In the pro forma merger consequences, Lehman Brothers prepared a pro forma merger model which incorporated First Call consensus estimates and the financial projections prepared by managements of Houston Exploration and Forest for the year 2007, as well as the Expected Synergies. Lehman Brothers then compared the EPS and CFPS of Houston Exploration and Forest on a standalone basis to the EPS and CFPS attributable to each of Houston Exploration and Forest's interest in the pro forma combined company. Lehman Brothers noted that the merger is accretive to the pro forma 2007E EPS and CFPS for each of Houston Exploration and Forest. The pro forma merger consequences analysis suggests that the consideration to be offered to Houston Exploration's stockholders in the merger is fair to Houston Exploration's stockholders from a financial point of view.

Miscellaneous

Lehman Brothers is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Houston Exploration's Board of Directors selected Lehman Brothers because of its expertise, reputation and familiarity with Houston Exploration and the energy industry generally and because its investment banking professionals have substantial experience in transactions comparable to the merger.

Pursuant to the terms of an engagement letter dated June 26, 2006, between Lehman Brothers and Houston Exploration, Houston Exploration paid Lehman Brothers a monthly retainer fee beginning on the effective date of the engagement letter. Additionally, Houston Exploration paid Lehman Brothers a fee upon delivery of Lehman Brothers' fairness opinion. Houston Exploration has also agreed to pay Lehman Brothers an additional fee upon the closing of the merger. In addition, Houston Exploration has agreed to reimburse Lehman Brothers for its reasonable out-of-pocket expenses incurred in connection with its engagement, and to indemnify Lehman Brothers and certain related persons against certain liabilities in connection with its engagement, including certain liabilities which may arise under federal securities laws.

Lehman Brothers in the past has performed various investment banking services for Houston Exploration and Forest and has received customary fees for such services, including acting as strategic advisor to Houston Exploration in 2006. Specifically, Lehman Brothers acted as a co-manager on the

2004 Senior Notes offering for Forest. In the ordinary course of its business, Lehman Brothers may actively trade in the debt and/or equity securities of Houston Exploration and Forest for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Interests of the Directors and Executive Officers of Houston Exploration in the Merger

In considering the recommendation of the Houston Exploration board of directors with respect to the merger agreement, Houston Exploration stockholders should be aware that some of Houston Exploration's directors and executive officers have interests in the merger and have arrangements that may be different from, or in addition to, those of the Houston Exploration stockholders generally. These interests and arrangements may create potential conflicts of interest. The Houston Exploration board of directors was aware of these interests and considered them, among other matters, in making its recommendation.

Severance Arrangements

Certain executive officers whose employment is terminated under certain circumstances after the effective time of the merger will be entitled to severance benefits under the agreements and plans described below.

Employment Agreements. Pursuant to employment agreements between Houston Exploration and each of William G. Hargett, Steven L. Mueller, Robert T. Ray, Jeffrey B. Sherrick, Carolyn M. Campbell, James F. Westmoreland, Roger B. Rice, Joanne C. Hresko and John E. Bergeron, Jr., if Houston Exploration terminates the employment of any one of these executives without "cause," as defined in their employment agreements, or if the executive terminates his or her employment with Houston Exploration for "good reason," as defined in the employment agreements, including the occurrence of certain events following a change in control of Houston Exploration, including the merger, Houston Exploration is obligated to pay the executive a lump-sum severance payment of 2.99 times his or her then current annual rate of total compensation, which is defined to include salary, targeted bonus and car allowance, and to pay the executive's COBRA premiums for continuation coverage under Houston Exploration's group health plan for a maximum period of 12 months (except for Mr. Westmoreland, who is entitled to continue certain welfare benefits for up to three years following termination of employment in lieu of having his COBRA premiums paid). Based on their current compensation, if this occurred, Mr. Hargett would receive approximately \$3.07 million, Mr. Mueller would receive approximately \$2.0 million, Mr. Ray would receive approximately \$1.65 million, Mr. Sherrick would receive approximately \$1.43 million, Ms. Campbell would receive approximately \$1.37 million, Mr. Westmoreland and Mr. Rice would each receive approximately \$1.26 million and Ms. Hresko and Mr. Bergeron would each receive approximately \$1.16 million. In addition, all unvested options, restricted stock and non-qualified deferred compensation automatically would vest and any other conditions to such awards would be deemed satisfied.

Each of the employment agreements described in the preceding paragraph includes special provisions designed to keep the executive whole in the event any payment or distribution to the executive would be subject to the federal excise tax imposed by section 4999 of the Internal Revenue Code on "excess parachute payments." If any payment or distribution to the executive, whether pursuant to his or her employment agreement or otherwise, would be subject to such excise tax, then, under his or her employment agreement, the executive would be entitled to receive an additional payment such that, after the payment of any income or excise tax on such additional payment, the executive retains an amount sufficient to pay all such excise taxes. As of the date of this joint proxy statement/prospectus, it is anticipated that an additional payment described in this paragraph will not be required to be made to Mr. Hargett and, assuming all severance benefits provided under the employment agreements and other arrangements are required to be provided to the other executives,

an additional payment described in this paragraph would likely have to be made to each of the other executives. While the precise amount of each such additional payment is not yet known, it is anticipated that the additional payment to Mr. Mueller may exceed \$1.0 million and that the additional payment to each of the other executives will be less than \$1.0 million. The amounts described in the preceding sentence are estimates and the actual amount of the additional payments to the executives may be more or less than such estimated amounts.

The merger agreement permits Houston Exploration to amend each of the employment agreements described above to provide for a transitional period of 60 days following the effective time of the merger. Pursuant to such amendment, the executive would agree not to assert that he or she has good reason to terminate employment and to remain employed for 60 days following the effective time of the merger. In exchange, Houston Exploration (and Forest, as its successor) would agree that (a) the executive will continue to be paid base salary during such transitional period at the rate in effect immediately prior to the effective time of the merger, (b) unless otherwise agreed in writing with the executive, the executive's employment will terminate on the last day of such 60-day transitional period and (c) such termination (or any earlier termination by the employer without cause or due to the executive's death or disability) will be deemed to be a termination by the employer without cause for all purposes under the employment agreement. As of the date of this joint proxy statement/prospectus, all of the executives have signed amendments to their employment agreements as described above.

Pursuant to the merger agreement and to the extent required in the employment agreements, Forest has agreed to assume and perform each of the employment agreements as of the effective time of the merger.

Change of Control Plan. Pursuant to the Houston Exploration Change of Control Plan, upon a change of control, as defined in the plan, including the merger, all employees, including executive officers, are entitled to receive "stay-on" bonuses in the amount of 125% of the employee's regular target bonus percentage as in effect immediately prior to the change of control multiplied by the employee's annual base salary as in effect immediately prior to the change of control. One-half of this bonus will be paid on or as soon as reasonably practical following the date of the change of control, and the remaining one-half will be paid 60 days later, or on the date of termination of the employee's employment, if earlier. As a result, based on their current compensation, Messrs. Hargett, Mueller, Ray, Sherrick, Westmoreland and Rice, Ms. Campbell, Ms. Hresko and Mr. Bergeron would receive stay-on bonuses of approximately \$584,375, \$325,000, \$240,625, \$208,313, \$183,563, \$182,188, \$199,375, \$168,438 and \$168,438, respectively. In addition, a change of control would cause all stock options, restricted stock and restricted stock units to become fully vested. The Change of Control Plan also provides for outplacement benefits in the event an employee's employment is terminated within 12 months following the change of control without cause or by the employee for good reason within 30 days after the day on which the good reason event occurs. If the employee is party to an employment agreement immediately prior to such termination of employment, then the employee will receive outplacement services from an executive outplacement firm selected by the employee, and approved by the administrator of the plan, for up to 12 months from the date of such termination of employment. If the employee is not a party to an employment agreement immediately prior to such termination of employment, then the employee will receive outplacement services from an outplacement firm selected by the administrator of the plan for up to three months from the date of such termination of employment.

Employees of Houston Exploration who do not have employment agreements may also receive additional severance benefits under the Change of Control Plan if their employment is terminated within 12 months following the change of control without cause or by the employee for good reason within 30 days after the day on which the good reason event occurs. Such severance benefits, which are

conditioned on the employee's execution of a release and waiver of employment-related claims, include the following:

a lump sum cash payment (which may not exceed the employee's annual base salary) equal to the sum of (1) three times the employee's monthly base salary, (2) one-half of the employee's monthly base salary multiplied by his or her years of service, and (3) one-half of the employee's monthly base salary multiplied by each full and partial \$10,000 increment of the employee's annual base salary; and

continued coverage for up to 12 months under the group health, life insurance and long-term disability plans in which the employee participated on the date his or her employment terminated (or in any successor plan).

401(k) Plan. Houston Exploration maintains The Houston Exploration Company 401(k) Plan and Trust, which is referred to herein as the 401(k) Plan, for its employees. Under the 401(k) Plan, eligible employees may elect to have Houston Exploration contribute on their behalf up to 12.5% of their compensation on a before tax basis in accordance with the limitations imposed under the Internal Revenue Code. Houston Exploration matches 100% of each employee's deferrals in accordance with the limitations imposed by the 401(k) Plan and the Internal Revenue Code. The cash amounts contributed under the 401(k) Plan are held in a trust and invested among various investment funds in accordance with the directions of each participant. An employee's salary deferral contributions under the 401(k) Plan are 100% vested. Houston Exploration's matching contributions vest at the rate of 20% per year of service. Participants are entitled to payment of their vested account balances upon termination of employment. In connection with the transactions contemplated by the merger agreement, Houston Exploration has amended the 401(k) Plan to provide for automatic 100% vesting of the employer contributions credited to each participant's account under the 401(k) Plan upon a change of control, as such term is defined in the Houston Exploration 2004 Long Term Incentive Plan, provided that the participant is employed by Houston Exploration immediately prior to the effective time of such change of control. This amendment is effective as of immediately prior to, and contingent upon, the effective time of the merger contemplated by the merger agreement, which merger will constitute a change of control for purposes of the amendment to the 401(k) Plan. Vesting under the Houston Exploration 2005 Executive Deferred Compensation Plan follows the 401(k) Plan so its balances also will fully vest upon the merger.

Supplemental Executive Retirement Plan. Effective January 1, 2006, Houston Exploration adopted a new Supplemental Executive Retirement Plan, which is referred to herein as the SERP, to provide retirement benefits to certain management level or other highly compensated employees. The SERP is an unfunded, non-tax qualified defined benefit pension plan. Participation in the SERP is currently limited to Houston Exploration's executive officers. Participants in the SERP will be entitled to a retirement benefit payable monthly for life. The annual amount of this retirement benefit is equal to 2.5% times final average compensation, times years of service with Houston Exploration (not to exceed 20 years), reduced by an annuity based on a hypothetical account that is credited with 6% of the participant's compensation during each year of employment and investment returns as defined in the plan ("offset"). Participants are fully vested in their benefits after five years of plan participation or age 65, whichever is earlier. If a vested participant retires prior to age 65, then the monthly retirement benefit as described above (before reduction for the offset) will be reduced by 5% for each year that retirement precedes age 65. In the event a participant is terminated for cause, all benefits under the SERP will be forfeited. All benefits become fully vested upon a change of control, as defined in the plan and including the merger, and may become payable in a lump sum if a participant's employment is terminated by Houston Exploration without cause or the participant resigns for good reason within two years following a change of control. Assuming a June 30, 2007 termination of employment of each of the Houston Exploration officers following the merger, the total lump sum that may be payable is approximately \$3.2 million.

Stock Options, Restricted Stock and Restricted Stock Units

Certain directors and executive officers will benefit from the accelerated vesting of, and payment in the merger with respect to, certain stock options and lapse of restrictions on shares of restricted stock as described below.

Prior to the effective time of the merger, Houston Exploration will take all actions necessary under the Houston Exploration stock plans to cause each holder of an outstanding Houston Exploration stock option immediately prior to the effective time to have the right to exercise such stock option in full, whether or not vested, prior to the effective time of the merger. To the extent any Houston Exploration stock option that has an exercise price that is equal to or greater than the per share consideration is not exercised prior to the effective time of the merger, such stock option will be cancelled and no consideration will be paid in connection with such cancellation. To the extent any Houston Exploration stock option that has an exercise price per share that is less than the per share consideration is not exercised immediately prior to the effective time of the merger, which stock option is referred to herein as an in-the-money stock option, such in-the-money stock option will be cancelled and converted into the right to receive, from Forest, as soon as practicable following the effective time of the merger, an amount in cash, less any applicable withholding taxes and without interest, equal to the product of (1) the excess of the per share consideration over the per share exercise price of Houston Exploration common stock subject to such in-the-money stock option, multiplied by (2) the number of shares of Houston Exploration common stock subject to such in-the-money stock option immediately prior to the effective time of the merger, whether or not vested. As of the effective time of the merger, all Houston Exploration stock options will no longer be outstanding and will automatically cease to exist, and each holder of a Houston Exploration stock option will cease to have any rights with respect to such Houston Exploration stock option, except, with respect to in-the-money stock options, the right to receive the payment described in the immediately preceding sentence.

A holder of Houston Exploration stock options who wishes to have the right to elect whether and to what extent such holder wishes to receive cash or shares of Forest common stock in the merger may exercise his or her stock options, to the extent then vested and exercisable, sufficiently in advance of the election deadline and return a properly completed election form prior to the election deadline with respect to shares of Houston Exploration common stock issued upon exercise.

As of the effective time of the merger, the restrictions on each restricted share of Houston Exploration common stock granted and then outstanding under the Houston Exploration stock plans will lapse immediately prior to the effective time of the merger. Each such share of Houston Exploration restricted stock will be fully vested in each holder thereof at the effective time of the merger and will be treated at the effective time of the merger the same as, and have the same rights and be subject to the same conditions as, each share of Houston Exploration common stock not subject to any restrictions; provided, that, upon vesting, the holder may satisfy the applicable withholding tax obligation by returning a number of shares of Houston Exploration common stock equal in value to such obligation.

Immediately prior to the effective time of the merger, each restricted stock unit award granted and then outstanding under the Houston Exploration stock plans will be fully vested in each holder thereof, and the underlying shares of Houston Exploration common stock will be issued and will be treated at the effective time of the merger the same as, and will have the same rights and be subject to the same conditions as, other shares of Houston Exploration common stock; provided, that, upon vesting and issuance, the holder may satisfy the applicable withholding tax obligation by returning a number of shares of Houston Exploration common stock equal in value to such obligation.

All Houston Exploration stock plans and any other plan providing for the issuance, transfer or grant of any capital stock of Houston Exploration will terminate as of the effective time of the merger.

In addition, on or before the fifth business day following the date on which the effective time of the merger occurs, Forest will grant a stock option to each Houston Exploration employee who (1) has remained continuously employed by Forest and its subsidiaries from the effective time of the merger to the date of grant and (2) held immediately prior to the effective time of the merger an unexercised Houston Exploration stock option that had an exercise price per share at such time equal to or greater than \$54.18. The stock option granted to each such Houston Exploration employee will (a) cover a number of shares of Forest common stock equal to the number of shares of Houston Exploration common stock subject to the Houston Exploration stock option described in clause (2) of the immediately preceding sentence and with respect to which such Houston Exploration stock option was not exercised prior to the effective time of the merger, (b) have an exercise price per share of Forest common stock equal to the fair market value of a share of Forest common stock as of the date of grant, (c) not constitute an incentive stock option (within the meaning of section 422 of the Internal Revenue Code), and (d) be subject to such other terms and conditions as are set forth in Forest's standard form of stock option agreement which will be used to evidence such grant. As of January 31, 2007, Forest expects to grant stock options covering a maximum of 748,688 shares of Forest common stock to such Houston Exploration employees pursuant to the provisions described in this paragraph, which number will decrease if the employment of any of such Houston Exploration employees terminates prior to the date of grant. In addition, while neither Forest nor the Houston Exploration officers to whom approximately 45% of these options are expected to be issued have announced formal decisions regarding post-merger employment, it is likely that a substantial portion of these options will not vest and will terminate unexercised because their holders will not remain employed by Forest beyond the 60-day transition period during which such officers have agreed to remain employed by the combined company.

Continuing Employment with Forest

Certain of Houston Exploration's current executive officers may be offered employment with Forest after the effective time of the merger.

Indemnification and Insurance

The merger agreement provides that Forest will, jointly and severally, indemnify, defend and hold harmless the current and certain of the former directors and officers of Houston Exploration and any of its subsidiaries in such capacities to the fullest extent permitted by law for claims and expenses occurring at or before the effective time of the merger.

Forest will also maintain tail directors' and officers' liability insurance from an insurance carrier with the same or better credit rating as Houston Exploration's current insurance carrier, with a claims period of six years from the effective time of the merger, with respect to the directors and officers of Houston Exploration and its subsidiaries who are currently covered by Houston Exploration's existing directors' and officers' liability insurance with respect to claims arising from facts or events that occurred before the effective time of the merger, in an amount and scope and on terms and conditions no less favorable to such directors and officers than those in effect on the date of the merger agreement. However, Forest will not be obligated to make annual premium payments for this insurance to the extent that the premiums exceed 200% of the per annum rate of premium currently paid by Houston Exploration for such insurance on the date of the merger agreement. In the event that the annual premium for such insurance exceeds such maximum amount, Forest will purchase as much coverage per policy year as reasonably obtainable for such maximum amount.

Voting Agreement

Concurrently with the execution of the merger agreement, Forest and Merger Sub entered into a voting agreement with the JANA funds. As of January 7, 2007, JANA beneficially owned approximately

14.7% of the total issued and outstanding shares of Houston Exploration's common stock. During the term of the voting agreement, the JANA funds have agreed to vote their shares of Houston Exploration's common stock in favor of the merger and the adoption of the merger agreement and against any transaction that would impede or delay the merger, and have granted Forest a proxy to vote their shares at any meeting of the stockholders of Houston Exploration convened for such matters. The voting agreement will terminate on the first to occur of certain dates, including the effective time of the merger, any date that the board of directors of Houston Exploration withdraws or adversely modifies or amends its approval of or recommendation to adopt the merger agreement or recommends another acquisition proposal as contemplated by the terms of the merger agreement, the date of any material amendment to the merger agreement that is adverse to Houston Exploration or its stockholders or waiver of a material condition to its obligation to close the merger, or September 30, 2007. The foregoing description of the voting agreement is qualified in its entirety by reference to the full text of the voting agreement, which has previously been filed by Forest with the SEC, and is incorporated by reference herein.

Standstill Agreement

Concurrently with the execution of the merger agreement, Forest and JANA entered into a standstill agreement. JANA agreed not to propose any extraordinary transactions with Forest or to seek to influence the management or control of Forest for a period that expires one year following the effective time of the merger.

Conditions to the Consummation of the Merger

Antitrust Approvals

United States. The merger is subject to the expiration or termination of the applicable waiting period under the HSR Act. Under the HSR Act, the merger may not be consummated until notifications have been given and certain information has been furnished to the Antitrust Division and the FTC and the applicable waiting period has expired or been terminated.

Forest and Houston Exploration filed on January 24, 2007 the requisite Pre-Merger Notification and Report Forms under the HSR Act with the Antitrust Division and the FTC. The waiting period terminated on February 8, 2007.

There can be no assurance that the merger will not be challenged on antitrust or competition grounds or, if a challenge is made, what the outcome would be. The Antitrust Division, the FTC, any U.S. state and other applicable regulatory bodies may challenge the merger on antitrust or competition grounds at any time, including after the expiration or termination of the HSR Act waiting period or other applicable process, as they may deem necessary or desirable or in the public interest. Accordingly, at any time before or after the completion of the merger, any such party could take action under the antitrust laws, including, without limitation, by seeking to enjoin the effective time of the merger or permitting completion subject to regulatory concessions or conditions. Private parties may also seek to take legal action under antitrust laws under certain circumstances.

Other Regulatory Procedures

The merger may be subject to certain regulatory requirements of other municipal, state, federal and foreign governmental agencies and authorities, including those relating to the offer and sale of securities. Forest and Houston Exploration are currently working to evaluate and comply in all material respects with these requirements, as appropriate, and do not currently anticipate that they will hinder, delay or restrict completion of the merger.

It is possible that one or more of the regulatory approvals required to complete the merger will not be obtained on a timely basis or at all. In addition, it is possible that any of the governmental entities with which filings are made may seek regulatory concessions as conditions for granting approval of the merger. Under the merger agreement, Forest and Houston Exploration have each agreed to use commercially reasonable efforts to complete the merger, including to gain clearance from antitrust authorities and obtain other required approvals. See "The Merger Agreement Covenants."

Although Forest and Houston Exploration do not expect regulatory authorities to raise any significant objections to the merger, Forest and Houston Exploration cannot be certain that all required regulatory approvals will be obtained or that these approvals will not contain terms, conditions or restrictions that would be detrimental to Forest after the effective time of the merger. Forest and Houston Exploration have not yet obtained any of the governmental or regulatory approvals required to complete the merger.

Certain Material U.S. Federal Income Tax Consequences

General

The following is a general discussion of certain material U.S. federal income tax consequences of the merger that may be relevant to Houston Exploration stockholders if they hold shares of Houston Exploration common stock as a capital asset (generally property held for investment) and are:

an individual citizen or resident of the United States;

a corporation or other entity taxable as a corporation created in or organized under the laws of the United States or any political subdivision thereof;

an estate the income of which is subject to U.S. federal income tax without regard to its source; or

a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

This discussion is addressed only to Houston Exploration stockholders who exchange shares of Houston Exploration common stock for either shares of Forest common stock, cash or a combination of both in the merger.

This discussion is not intended to be a complete analysis and does not address all potential tax consequences that may be relevant to Houston Exploration stockholders. Moreover, this discussion does not apply to Houston Exploration stockholders if they are subject to special treatment under the Internal Revenue Code, including, without limitation, because they are:

a foreign person or entity;

a tax-exempt organization, financial institution, mutual fund, dealer or broker in securities or insurance company;

a trader who elects to mark its securities to market for U.S. federal income tax purposes;

a person who holds shares of Houston Exploration common stock as part of an integrated investment such as a straddle, hedge, constructive sale, conversion transaction or other risk reduction transaction;

a person who holds shares of Houston Exploration common stock in an individual retirement or other tax-deferred account;

a person whose functional currency is not the U.S. dollar;

an individual who received shares of Houston Exploration common stock, or who acquires shares of Forest common stock, pursuant to the exercise of employee stock options or otherwise as compensation or in connection with the performance of services;

a partnership or other flow-through entity (including an S corporation or a limited liability company treated as a partnership for U.S. federal income tax purposes) and persons who hold an interest in such entities; or

a person subject to the alternative minimum tax.

If a partnership, or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, exchanges its shares of Houston Exploration common stock in the merger, the tax treatment of a partner in the partnership will depend upon the status of that partner and the activities of the partnership. Partners in a partnership that intends to exchange its shares of Houston Exploration common stock in the merger should consult their tax advisors as to the particular U.S. federal income tax consequences applicable to them.

This discussion also does not address the tax consequences of the merger under foreign, state, local or other tax laws. The following discussion is based on existing U.S. federal income tax law, including the provisions of the Internal Revenue Code, the Treasury Regulations thereunder, IRS rulings, judicial decisions and other administrative pronouncements, all as in effect on the date of this joint proxy statement/prospectus. Neither Forest nor Houston Exploration can provide any assurance that future legislative, administrative or judicial changes or interpretations will not affect the accuracy of the statements or conclusions set forth below. Any future change in the U.S. federal income tax law or interpretation thereof could apply retroactively and could affect the accuracy of the following discussion. In addition, neither Forest nor Houston Exploration can assure Houston Exploration stockholders that the IRS will agree with the conclusions expressed herein.

Houston Exploration stockholders are strongly urged to consult their tax advisors as to the U.S. federal income tax consequences of the merger, including the income tax consequences arising from their own facts and circumstances, and as to any estate, gift, state, local or non-U.S. tax consequences, arising out of the merger and the ownership and disposition of shares of Forest common stock.

Certain U.S. Federal Income Tax Consequences of the Merger

The obligation of Forest and Houston Exploration to consummate the merger is conditioned upon the receipt of tax opinions, reasonably satisfactory in form and in substance, dated the effective time of the merger, from Vinson & Elkins and Akin Gump, respectively, that the merger will be treated for U.S. federal income tax purposes as a "reorganization" qualifying under the provisions of section 368(a) of the Internal Revenue Code.

The tax opinions described above will be based on certain facts, representations, covenants and assumptions, including representations of Forest and Houston Exploration, and assume that the parties will comply with certain reporting obligations under the Internal Revenue Code. This discussion and the tax opinions are not binding on the IRS or any court and do not preclude the IRS or a court from reaching a contrary conclusion. Therefore, while Forest and Houston Exploration believe that the merger will be treated as a reorganization under section 368(a) of the Internal Revenue Code, no assurance can be provided that the IRS will agree with this conclusion.

The following discussion regarding the U.S. federal income tax consequences of the merger assumes that the merger will be consummated as described in the merger agreement and this joint

proxy statement/prospectus. Assuming further that the merger is treated as a reorganization under section 368(a) of the Internal Revenue Code, the following tax consequences will result:

if a Houston Exploration stockholder exchanges all of its shares of Houston Exploration common stock solely for shares of Forest common stock in the merger, such stockholder will not recognize any gain or loss (except with respect to cash received in lieu of a fractional share of a Forest common stock, as discussed below).

if a Houston Exploration stockholder exchanges all of its shares of Houston Exploration common stock solely for cash in the merger, such stockholder generally will recognize capital gain or loss equal to the difference between the amount of cash received and its tax basis in the shares of Houston Exploration common stock. For this purpose, Houston Exploration stockholders must calculate gain or loss separately for each identifiable block (that is, stock acquired at the same time for the same price) of shares of Houston Exploration common stock they exchange. If, however, such stockholder owns, or is treated as owning, shares of Forest common stock after the merger, the amount of cash received might be treated as a dividend (as discussed in the last bullet point below).

if a Houston Exploration stockholder exchanges its shares of Houston Exploration common stock for a combination of shares of Forest common stock and cash, such stockholder generally will recognize capital gain (but not loss) in the merger. Any such gain recognized will equal the lesser of (1) the excess, if any, of (a) the sum of the amount of cash (excluding any cash received instead of a fractional share) and the fair market value of the shares of Forest common stock received in the merger over (b) its adjusted tax basis in the shares of Houston Exploration common stock exchanged and (2) the amount of cash received in the merger (excluding cash received instead of a fractional share, as discussed below). For this purpose, Houston Exploration stockholders must calculate gain or loss separately for each identifiable block (that is, stock acquired at the same time for the same price) of shares of Houston Exploration common stock they exchange. The amount of any gain recognized in the merger by such stockholder may be treated as a dividend (as discussed in the last bullet point below).

the aggregate tax basis of any shares of Forest common stock received by a Houston Exploration stockholder in the merger (before reduction for the basis in any fractional share of Forest common stock) will be the same as the aggregate tax basis of the Houston Exploration common stock exchanged in the merger, decreased by the amount of cash received (excluding any cash received in lieu of a fractional share) and increased by the amount of gain or dividend income recognized in the merger (excluding any gain recognized as a result of cash received in lieu of a fractional share).

the holding period of any shares of Forest common stock a Houston Exploration stockholder receives in the merger generally will include the holding period of the shares of Houston Exploration common stock it exchanged for such shares of Forest common stock.

if a Houston Exploration stockholder has differing bases or holding periods in respect of its shares of Houston Exploration common stock, it should consult its tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of Forest common stock received in the merger.

because Forest will not issue any fractional shares of Forest common stock in the merger, if any Houston Exploration stockholder exchanges shares of Houston Exploration common stock in the merger and would otherwise have received a fraction of a share of Forest common stock, such stockholder will receive cash for that fractional share. Any cash received in lieu of a fractional share of Forest common stock should be treated as received in an exchange of that interest for cash. The amount of any capital gain or loss attributable to the deemed sale will be equal to the

Edgar Filing: FOREST OIL CORP - Form S-4

amount of cash received with respect to the fractional interest less the ratable portion of the tax basis of the shares of Houston Exploration common stock surrendered that is allocated to the fractional interest.

any gain recognized by an individual stockholder of Houston Exploration generally will be subject to U.S. federal income tax at a maximum 15% rate if such individual's holding period in the shares of Houston Exploration common stock is more than one year on the date of completion of the merger. The deductibility of capital losses is subject to limitations. Any amount received in the merger by such individual stockholder which is treated as a dividend generally will be subject to U.S. federal income tax at a maximum 15% rate (as discussed in the following bullet point).

if, after the merger, a Houston Exploration stockholder who receives cash in the merger owns, or is treated as owning under the constructive ownership rules, shares of Forest common stock, it is possible that some or all of such cash will be treated as a dividend rather than as stock disposition proceeds giving rise to capital gain. In general, the appropriate tax treatment will depend upon whether and to what extent the exchange reduces the Houston Exploration stockholder's deemed percentage stock ownership of Forest, which is determined by treating the Houston Exploration stockholder as if it first exchanged all of its shares of Houston Exploration common stock solely for shares of Forest common stock and then Forest immediately redeemed all or a portion of the shares of Forest common stock in exchange for the cash actually received by the shareholder. Gain recognized in the deemed redemption generally will be treated as a dividend to the extent of the stockholder's ratable share of undistributed earnings and profits of Houston Exploration if the deemed redemption does not result in a "meaningful reduction" in the stockholder's deemed stock ownership of Forest. In making this determination, each Houston Exploration stockholder will, under the constructive ownership rules, be deemed to own not only the stock actually owned, but also stock that is owned by certain related persons and entities or that the stockholder or such persons or entities have the right to acquire pursuant to an option. The IRS has ruled that a stockholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is generally considered to have a "meaningful reduction" if that stockholder has any reduction in its percentage stock ownership under the above analysis. Thus, any stockholder in this situation generally should recognize capital gain. These rules are complex and dependent upon the specific factual circumstances particular to each holder. Each Houston Exploration stockholder should consult its tax advisor as to the application of these rules to its particular facts.

If the IRS were successfully to challenge the qualification of the merger as a reorganization, Houston Exploration stockholders would generally be required to recognize gain or loss equal to the difference between their adjusted tax basis in the shares of Houston Exploration common stock they surrendered in the merger and an amount equal to any cash received plus the fair market value, as of the effective time of the merger, of any shares of Forest common stock received or to be received in the merger. Generally, in such event, each Houston Exploration stockholder's tax basis in the shares of Forest common stock received in the merger would equal their fair market value as of the date of the merger, and such Houston Exploration stockholder's holding period for the shares of Forest common stock would begin on the day after the merger.

U.S. Information Reporting and Backup Withholding

Under U.S. federal income tax laws, Forest or the exchange agent will generally be required to report to a Houston Exploration stockholder and to the IRS any reportable payments made to such Houston Exploration stockholder in the merger. Additionally, if any Houston Exploration stockholder that is considered a "significant holder" receives shares of Forest common stock in the merger, such stockholder will be required (i) to file a statement with its U.S. federal income tax return providing

certain facts pertinent to the merger, including the tax basis in the shares of Houston Exploration common stock surrendered and the fair market value of the shares of Forest common stock received in the merger and (ii) to retain permanent records of these facts relating to the merger. A "significant holder" for this purpose is any Houston Exploration stockholder who, immediately before the merger, (a) owned at least 5% (by vote or value) of the Houston Exploration common stock or (b) owned Houston Exploration securities with a tax basis of \$1 million or more.

Houston Exploration stockholders may be subject to a backup withholding tax at the rate of 28% with respect to any cash received in the merger (including cash in lieu of fractional shares of Forest common stock), unless they (1) are a corporation or come within certain other exempt categories or (2) provide a correct taxpayer identification number and, in each case, otherwise comply with applicable requirements of the backup withholding rules. To prevent backup withholding on payments made to Houston Exploration stockholders pursuant to the merger, Houston Exploration stockholders must provide the exchange agent with their correct taxpayer identification number by completing an IRS Form W-9 or a substitute Form W-9. If a Houston Exploration stockholder does not provide its correct taxpayer identification number, it may be subject to penalties imposed by the IRS in addition to backup withholding. Any amounts withheld under these rules may be credited against a Houston Exploration stockholder's U.S. federal income tax liability if such stockholder files proper documentation with the IRS.

The foregoing discussion is for general information only and not intended to be legal or tax advice to any particular Houston Exploration stockholder. Tax matters regarding the merger are very complicated, and the tax consequences of the merger to any particular Houston Exploration stockholder will depend on that stockholder's particular situation. Houston Exploration stockholders should consult their own tax advisors regarding the specific tax consequences of the merger, including tax return reporting requirements, the applicability of U.S. federal, state, local and foreign tax laws and the effect of any proposed change in the tax laws to them.

Accounting Treatment

Forest intends to account for the merger under the purchase method for business combinations with Forest being deemed to have acquired Houston Exploration. This means that the assets and liabilities of Houston Exploration will be recorded, as of the completion of the merger, at their fair values and added to those of Forest.

Listing of Forest Common Stock

Forest will use its reasonable best efforts to cause the shares of Forest common stock to be issued in connection with the merger to be approved for listing on the NYSE upon the completion of the merger. Approval of the listing on the NYSE of the shares of Forest common stock to be issued pursuant to the merger is a condition to each party's obligation to complete the merger.

Delisting and Deregistration of Houston Exploration Common Stock

If the merger is completed, Houston Exploration common stock will be delisted from the NYSE and deregistered under the Exchange Act.

Restrictions on Sales of Shares of Forest Common Stock Received in the Merger

The shares of Forest common stock to be issued in connection with the merger will be registered under the Securities Act and will be freely transferable, except for shares of Forest common stock issued to any person who is deemed to be an "affiliate" of Houston Exploration under the Securities Act at the time of the Houston Exploration special meeting. Persons who may be deemed to be "affiliates" of Houston Exploration prior to the merger include individuals or entities that control, are

controlled by, or are under common control with, Houston Exploration prior to the merger, and may include officers and directors, as well as significant stockholders of Houston Exploration prior to the merger. Affiliates of Houston Exploration prior to the merger may not sell any of the shares of Forest common stock received by them in connection with the merger except pursuant to:

an effective registration statement under the Securities Act covering the resale of those shares;

an exemption under paragraph (d) of Rule 145 under the Securities Act; or

any other applicable exemption under the Securities Act.

Houston Exploration has agreed to use its reasonable best efforts to cause each person identified as an affiliate of Houston Exploration at the time of the Houston Exploration special meeting to deliver, on or prior to the effective time of the merger, a letter agreement providing, among other things, that such person agrees not to transfer any shares of Forest common stock received pursuant to the merger in violation of the Securities Act. Persons identified as affiliates will be unable to exchange their Houston Exploration common stock for the merger consideration until they execute such letter agreement.

THE MERGER AGREEMENT

The following summary describes selected material provisions of the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference herein. This summary may not contain all of the information about the merger agreement that is important to Forest shareholders and Houston Exploration stockholders. Forest shareholders and Houston Exploration stockholders are encouraged to carefully read the merger agreement in its entirety.

The representations and warranties described below and included in the merger agreement were made by each of Forest and Houston Exploration to the other. These representations and warranties were made as of specific dates and are subject to important exceptions and limitations, including a contractual standard of materiality different from that generally applicable under federal securities laws. In addition, the representations and warranties may have been included in the merger agreement for the purpose of allocating risk between Forest and Houston Exploration, rather than to establish matters as facts. The merger agreement is described in this joint proxy statement/prospectus and attached as Annex A hereto only to provide Forest shareholders and Houston Exploration stockholders with information regarding its terms and conditions, and not to provide any other factual information regarding Forest, Houston Exploration or their respective businesses. Accordingly, Forest shareholders and Houston Exploration stockholders should not rely on the representations and warranties in the merger agreement as characterizations of the actual state of facts about Forest or Houston Exploration, and Forest shareholders and Houston Exploration stockholders should read the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference into this joint proxy statement/prospectus for information regarding Forest and Houston Exploration and their respective businesses. See "Where You Can Find More Information; Incorporation by Reference."

Structure of the Merger

Pursuant to the terms and subject to the conditions of the merger agreement, at the effective time, Merger Sub, a wholly owned subsidiary of Forest, will merge with and into Houston Exploration, with Houston Exploration surviving the merger as a wholly owned subsidiary of Forest, which merger is referred to herein as the first merger, and immediately thereafter, Houston Exploration will, in a second merger, merge with and into Forest, with Forest continuing its corporate existence and surviving the merger, which merger is referred to herein as the second merger. The first merger and the second merger are collectively referred to herein as the merger.

Effective Time of the Merger

The closing of the merger and the other transactions contemplated by the merger agreement will occur no later than the second business day after all of the conditions to the completion of the merger contained in the merger agreement have been satisfied or waived, or at such other time as Forest and Houston Exploration may agree. At the closing, the appropriate parties will file a certificate of merger with the Secretary of State of the State of Delaware relating to the first merger. The first merger will become effective upon the filing of the certificate of merger or at such other time as Forest and Houston Exploration agree and specify in the certificate of merger. At the closing, or as promptly as practicable after the closing, and immediately after the effective time of the first merger, the appropriate parties will file a certificate of ownership and merger with the Secretary of State of the State of Delaware and the Secretary of State of the State of New York relating to the second merger. The second merger will become effective upon the filing of the certificate of ownership and merger or at such other time as Forest and Houston Exploration agree and specify in the certificate of ownership and merger.

Merger Consideration

The merger agreement provides that at the effective time of the first merger each share of Houston Exploration common stock issued and outstanding immediately prior to the effective time will be converted into the right to receive either a number of shares of Forest common stock or an amount of cash as described below.

Houston Exploration stockholders will have the right to elect to receive either cash or shares of Forest common stock with respect to each share of Houston Exploration common stock they hold, meaning that each Houston Exploration stockholder may elect to receive his or her merger consideration entirely in cash, entirely in shares of Forest common stock or in a combination of cash and shares of Forest common stock, subject in each case to the equalization provisions and proration procedures described below. See " Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration; Proration Election Procedures" and " Proration." The number of shares of Forest common stock to be received for each share of Houston Exploration common stock being converted into shares of Forest common stock is referred to herein as the "per share stock consideration," and the amount of cash to be received for each share of Houston Exploration common stock being converted into cash is referred to herein as the "per share cash consideration."

Based on the number of shares of Houston Exploration common stock outstanding on January 4, 2007, Forest would issue approximately 23.6 million shares of Forest common stock and pay approximately \$740 million in cash in the merger. Those amounts will be adjusted upwards depending on the actual number of shares of Houston Exploration common stock outstanding at the effective time of the merger, which will increase if Houston Exploration issues any shares in accordance with the terms of the merger agreement, such as through the exercise of Houston Exploration stock options. Based on the outstanding shares of Houston Exploration common stock on January 4, 2007 and the maximum number of additional shares of Houston Exploration common stock that may be issued in accordance with the merger agreement pursuant to the exercise of outstanding Houston Exploration stock options or otherwise, the aggregate number of shares of Forest common stock that Forest would issue in the merger is approximately 25 million, and the aggregate amount that Forest would pay in cash will be proportionately increased.

The amount of the per share stock consideration or per share cash consideration that will be paid to Houston Exploration stockholders for each share of Houston Exploration common stock cannot be determined until the effective time of the merger because, as detailed below, the per share stock consideration and per share cash consideration are calculated based on the market price for the shares of Forest common stock over a 10-day trading period that ends three calendar days before the effective time of the merger. Forest will issue a press release that discloses the amount of the per share stock consideration and the amount of the per share cash consideration once such amounts are known.

Subject to the proration procedures described below, the per share cash consideration that will be paid for each share of Houston Exploration common stock in respect of which a cash election is made will be the amount calculated by dividing the "aggregate consideration" by the "total common stock amount." The discussion also includes references to that amount as the "per share consideration."

The "aggregate consideration" is the dollar amount of the sum of:

the product of (1) the aggregate number of shares of Forest common stock that Forest will issue pursuant to the merger (which is generally the product of 1.6813 and 49.96% of the "total common stock amount") and (2) the "average Forest common stock value" (referred to in the merger agreement as the "final parent stock price"), and

the aggregate amount of cash Forest will pay pursuant to the merger (which is generally the product of (1) 50.04% of the total common stock amount and (2) \$52.4580, minus any cash

Edgar Filing: FOREST OIL CORP - Form S-4

dividends to all stockholders made by Houston Exploration after January 7, 2006). This aggregate amount of cash is referred to as the "total cash amount."

The "average Forest common stock value" is the average of the per share closing prices of shares of Forest common stock on the NYSE as reported in *The Wall Street Journal* during the 10 consecutive trading day period during which the shares of Forest common stock are traded on the NYSE ending on (and including) the third calendar day immediately prior to the effective time of the merger (or, if such calendar day is not a trading day, ending on the trading day immediately preceding such calendar day). This 10 consecutive trading day period is referred to as the "valuation period."

The "total common stock amount" is the total number of shares of Houston Exploration common stock outstanding immediately prior to the effective time of the merger; provided, that, for purposes of determining the aggregate consideration, the total common stock amount will not exceed the sum of 28,140,054 (the number of shares of Houston Exploration common stock and restricted stock units outstanding on January 4, 2007, a cut-off date used in the merger agreement for purposes of this determination) and the number of shares of Houston Exploration common stock issued, if any, by Houston Exploration prior to the merger as permitted under the terms of the merger agreement, including through the issuance of stock options.

Subject to the proration procedure described below, the per share stock consideration to be paid for each share of Houston Exploration common stock in respect of which a stock election is made will be the number of shares of Forest common stock equal to the "exchange ratio," which is the number obtained by dividing the per share consideration by the average Forest common stock value.

The formula described above is designed to substantially equalize the value of the consideration to be received for each share of Houston Exploration common stock pursuant to the merger at the time the calculation is made regardless of whether a Houston Exploration stockholder elects to receive cash, shares of Forest common stock or a combination of cash and shares of Forest common stock. Forest and Houston Exploration believe this equalization mechanism is desirable because the value of the shares of Forest common stock will fluctuate between January 7, 2007, the date the parties entered into the merger agreement, and the effective time of the merger. The value of the merger consideration to be received with respect to each share of Houston Exploration common stock will be equal to \$26.25 plus approximately \$0.84 per \$1.00 of average Forest common stock value. However, because the value of the shares of Forest common stock will continue to fluctuate between the time the per share consideration is calculated and the time that the merger consideration is received by Houston Exploration stockholders, the value of the per share stock consideration actually received by a Houston Exploration stockholder may differ from the value of the per share stock consideration at the time of the calculation.

The formula is also designed to fix the amount of cash and the number of shares of Forest common stock to be paid and issued, respectively, pursuant to the merger (subject in each case to upward adjustment in the event that any shares of Houston Exploration common stock are issued in accordance with the merger agreement pursuant to the exercise of outstanding Houston Exploration stock options or otherwise). Because the amount of cash and the number of shares of Forest common stock to be paid and issued, respectively, pursuant to the merger are fixed, the percentage of shares of Houston Exploration common stock that will be exchanged for shares of Forest common stock and the percentage that will be exchanged for cash will depend upon the average Forest common stock value. The higher the average Forest common stock value, the greater the percentage of shares of Houston Exploration common stock that will be exchanged for shares of Forest common stock, and the lower the average Forest common stock value, the greater the percentage of shares of Houston Exploration common stock that will be exchanged for cash.

For example, if the average Forest common stock value is \$30.00, a Houston Exploration stockholder receiving shares of Forest common stock in exchange for shares of Houston Exploration common stock would receive 1.7150 shares of Forest common stock per share of Houston Exploration common stock, having a value of approximately \$51.45 per share based on such average Forest common stock value, and a Houston Exploration stockholder receiving cash in exchange for shares of Houston Exploration common stock would receive \$51.45 in cash per share of Houston Exploration common stock, subject in each case to the proration procedures described below. Based on an average Forest common stock value of \$30.00, approximately 49% of the outstanding shares of Houston Exploration common stock would be exchanged for shares of Forest common stock and approximately 51% would be exchanged for cash.

The greater the average Forest common stock value, the lesser the number of shares of Houston Exploration common stock that will be exchanged for cash and the greater the number of shares that will be exchanged for shares of Forest common stock. For example, if the average Forest common stock value is \$35.00, then approximately 47% of the outstanding shares of Houston Exploration common stock would be exchanged for cash, and approximately 53% would be exchanged for shares of Forest common stock. If the average Forest common stock value is \$35.00, a Houston Exploration stockholder receiving shares of Forest common stock would receive 1.59 shares of Forest common stock per share of Houston Exploration common stock having a value of approximately \$55.65 per share (based on such average Forest common stock value), and a Houston Exploration stockholder receiving cash would receive \$55.65 in cash per share of Houston Exploration common stock, subject in each case to the proration procedures described below.

Conversely, the lower the average Forest common stock value, the greater the number of shares of Houston Exploration common stock that will be exchanged for cash and the lesser the number of shares that will be exchanged for shares of Forest common stock. For example, if the average Forest common stock value is \$25.00, then approximately 56% of the outstanding shares of Houston Exploration common stock would be exchanged for cash and approximately 44% would be exchanged for shares of Forest common stock. If the average Forest common stock value is \$25.00, a Houston Exploration stockholder receiving shares of Forest common stock would receive 1.89 shares of Forest common stock per share of Houston Exploration common stock having a value, based on such average Forest common stock value, of \$47.25 per share (assuming the market price of the shares of Forest common stock remained constant from the end of the valuation period through the effective time of the merger), and a Houston Exploration stockholder receiving cash would receive \$47.25 in cash per share of Houston Exploration common stock, subject in each case to the proration procedures described below.

The following table sets forth, based on various hypothetical average Forest common stock values, the per share cash consideration and the per share stock consideration, as well as the value of such per share stock consideration based on the hypothetical average Forest common stock values. The table also shows the percentage of outstanding shares of Houston Exploration common stock that would be converted into shares of Forest common stock and cash based on such average Forest common stock value. The table is based on the assumption that no Houston Exploration stock options have been exercised following the date of this joint proxy statement/prospectus and prior to the effective time of the merger, that no additional shares of Houston Exploration common stock are otherwise issued following the date of this joint proxy statement/prospectus and that the number of exchangeable shares of Houston Exploration common stock is 28,140,054 (the number of shares of Houston Exploration common stock and restricted stock units outstanding on January 4, 2007). To the extent that the number of shares of Houston Exploration common stock outstanding increases in accordance with the merger agreement (whether as a result of the exercise of outstanding Houston Exploration stock options or otherwise), the number of shares of Houston Exploration common stock exchanged for merger consideration will increase and the aggregate transaction value will increase, but there will be

Edgar Filing: FOREST OIL CORP - Form S-4

no change in the per share stock consideration or per share cash consideration. Each additional share of Houston Exploration common stock will increase the aggregate transaction value by approximately 0.84 shares of Forest common stock and \$26.25 in cash.

Average Forest Common Stock Value	Per Share Cash Consideration	Per Share Forest Common Stock Consideration	Value of Per Share Forest Common Stock Consideration(1)	Approximate Percentage of Merger Consideration	
				In Common Stock	In Cash
\$25.00	\$ 47.25	1.8900	\$ 47.25	44.44%	55.56%
\$26.00	\$ 48.09	1.8496	\$ 48.09	45.41%	54.59%
\$27.00	\$ 48.93	1.8122	\$ 48.93	46.35%	53.65%
\$28.00	\$ 49.77	1.7775	\$ 49.77	47.26%	52.74%
\$29.00	\$ 50.61	1.7452	\$ 50.61	48.13%	51.87%
\$30.00	\$ 51.45	1.7150	\$ 51.45	48.98%	51.02%
\$31.00	\$ 52.29	1.6868	\$ 52.29	49.80%	50.20%
\$32.00	\$ 53.13	1.6603	\$ 53.13	50.59%	49.41%
\$33.00	\$ 53.97	1.6355	\$ 53.97	51.36%	48.64%
\$34.00	\$ 54.81	1.6121	\$ 54.81	52.11%	47.89%
\$35.00	\$ 55.65	1.5900	\$ 55.65	52.83%	47.17%

(1) Based on the hypothetical average Forest common stock values.

The actual value of the cash consideration or number of shares of Forest common stock that Houston Exploration stockholders will receive for each share of Houston Exploration common stock held may differ from the hypothetical amounts shown in this example because the actual amounts can only be determined after the effective time of the merger based on a formula set forth in the merger agreement and described in this joint proxy statement/prospectus. Forest will issue a press release that discloses the amount of the per share stock consideration and the amount of the per share cash consideration once such amounts are known. See "Risk Factors Risk Factors Relating to the Merger Because the merger consideration is fixed and the market price of shares of Forest common stock will fluctuate, Houston Exploration stockholders cannot be sure of the value of the merger consideration they will receive."

No assurance can be given that the current fair market value of shares of Forest common stock will be equivalent to the fair market value of shares of Forest common stock on the date that the merger consideration is received by a Houston Exploration stockholder or at any other time. The actual fair market value of the shares of Forest common stock received by Houston Exploration stockholders depends upon the fair market value of shares of Forest common stock upon receipt, which may be higher or lower than the average Forest common stock value or the market price of shares of Forest common stock on the date the merger was announced, on the date that this joint proxy statement/prospectus is mailed to Houston Exploration's stockholders, on the date a Houston Exploration stockholder makes an election with respect to the merger consideration, or on the date of the special meeting of Houston Exploration stockholders.

If, between the date of the merger agreement and the effective time of the merger, the shares of Forest common stock are changed into a different number or class of shares by reason of reclassification, split-up, combination, exchange of shares or similar readjustment, or a stock dividend is declared with a record date within that period, appropriate adjustments will be made to the per share stock consideration.

No fractional shares of Forest common stock will be issued to any holder of Houston Exploration common stock in connection with the merger. For each fractional share of Forest common stock that would otherwise be issued, Forest will pay cash in an amount equal to the fraction multiplied by the

average of the closing sale prices of shares of Forest common stock on the NYSE as reported by *The Wall Street Journal* for the five trading days immediately preceding the date on which the merger occurs. No interest will be paid or accrued on cash payable in lieu of fractional shares of Forest common stock.

Appraisal Rights

If, pursuant to the terms of the merger agreement, including the equalization and proration provisions, any Houston Exploration stockholders who elected stock are required to accept cash (other than cash in lieu of fractional shares of Forest common stock) in the merger in exchange for their stock election shares, appraisal rights will be available to all Houston Exploration stockholders. It is not clear, however, whether appraisal rights will be available under Delaware law if no Houston Exploration stockholders who elect stock are in fact required to accept cash (other than cash in lieu of fractional shares of Forest common stock) in the merger in exchange for their stock election shares. Houston Exploration stockholders who wish to seek appraisal are in any case urged to seek the advice of counsel with respect to the availability of appraisal rights. If appraisal rights are available, the shares of Houston Exploration common stock outstanding immediately prior to the effective time of the merger and held by a holder who has not voted in favor of, or consented in writing to, the adoption of the merger agreement and who has delivered a written demand for appraisal of such shares in accordance with Section 262 of the General Corporation Law of the State of Delaware, will not be converted into the right to receive the merger consideration, but such holder will be entitled to seek an appraisal of such shares under the General Corporation Law of the State of Delaware, unless and until the dissenting holder fails to perfect or withdraws or otherwise loses his or her right to appraisal and payment under the General Corporation Law of the State of Delaware. If, after the effective time of the merger, a dissenting stockholder fails to perfect or withdraws or loses his or her right to appraisal, his or her shares of Houston Exploration common stock will be treated as if they had been converted as of the effective time of the merger into the right to receive the merger consideration into which "no election shares" have been converted, subject to the right of Forest to treat such shares as cash election shares, without interest or dividends thereon. A copy of Section 262 of the General Corporation Law of the State of Delaware, which sets forth the appraisal rights, is attached to this joint proxy statement/prospectus as Annex D.

Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration; Proration

The conversion of shares of Houston Exploration common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. As soon as reasonably practicable after the effective time of the merger, Mellon Investor Services LLC, or Mellon, as exchange agent, will exchange certificates formerly representing shares of Houston Exploration common stock for merger consideration to be received in the merger pursuant to the merger agreement.

Exchange Procedures

Prior to the effective time of the merger, Forest will deposit with Mellon (the exchange agent in connection with the merger) sufficient cash and Forest common stock for the benefit of holders of shares of Houston Exploration common stock to be converted into the merger consideration.

Promptly after the effective time of the merger, the exchange agent will send a letter of transmittal to each person who was a Houston Exploration stockholder at the effective time of the merger who has not previously and properly surrendered certificates representing shares of Houston Exploration common stock to the exchange agent in connection with an election as described below. This mailing will contain instructions on how to surrender certificates formerly representing shares of Houston

Exploration common stock (if these certificates have not already been surrendered) in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

If certificates formerly representing shares of Houston Exploration common stock are presented for transfer after the effective time of the merger, they will be exchanged for the merger consideration into which the shares of Houston Exploration common stock formerly represented by that certificate shall have been converted.

Dividends and Distributions with Respect to Unexchanged Houston Exploration Common Stock

After the effective time of the merger, holders of shares of Houston Exploration common stock will be entitled to dividends and other distributions payable with a record date after the effective time of the merger with respect to the number of shares of Forest common stock to which they are entitled upon exchange of their shares of Houston Exploration common stock, without interest, but they will not be paid any dividends or other distributions on such shares of Forest common stock until they surrender their shares of Houston Exploration common stock to the exchange agent in accordance with the exchange agent's instructions. After the close of business on the date on which the effective time of the merger occurs, there will be no transfers on the stock transfer books of Houston Exploration of any shares of Houston Exploration common stock.

Fractional Shares

Fractional shares of Forest common stock will not be delivered pursuant to the merger. Instead, each holder of shares of Houston Exploration common stock who would otherwise be entitled to receive a fractional share of Forest common stock pursuant to the merger will be entitled to receive a cash payment, in lieu thereof, in an amount equal to the product of (1) the average of the closing sale prices of shares of Forest common stock on the NYSE as reported by *The Wall Street Journal* for the five trading days immediately preceding the effective time of the merger and (2) the fraction of a share of Forest common stock which such holder would otherwise be entitled to receive.

Termination of Exchange Fund

Any portion of the merger consideration, or dividends payable in accordance with the merger agreement, made available to the exchange agent that remains unclaimed by holders of shares of Houston Exploration common stock after 180 days following the effective time of the merger will be returned to Forest upon demand. Thereafter, a holder of Houston Exploration common stock must look only to Forest for payment of the merger consideration to which the holder is entitled under the terms of the merger agreement. Any amounts remaining unclaimed by holders of shares of Houston Exploration common stock immediately prior to such time, as such amounts would otherwise escheat to or become the property of any governmental authority, will become the property of Forest free and clear of any liens.

Lost Stock Certificates

If a certificate formerly representing shares of Houston Exploration common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of an affidavit as to that loss, theft or destruction, and, if required by Forest, the posting of a bond as indemnity.

Withholding

Each of Forest, the combined corporation and the exchange agent will be entitled to deduct and withhold from the merger consideration payable to any Houston Exploration stockholder the amounts it is required to deduct and withhold under the Internal Revenue Code or any state, local or foreign

tax law. Withheld amounts will be treated for all purposes of the merger as having been paid to the Houston Exploration stockholders from whom they were withheld.

Adjustments to Prevent Dilution

The per share stock consideration will be adjusted to provide holders of shares of Houston Exploration common stock the same economic effect contemplated by the merger agreement if, at any time between the signing and the effective time of the merger, there is any change in the outstanding shares of capital stock of Houston Exploration or Forest by reason of any reclassification, recapitalization, stock split or combination, exchange or readjustment, or stock dividend declared with a record date during such period.

Election Procedures

Subject to the proration mechanism described below, each Houston Exploration stockholder may elect to receive cash or shares of Forest common stock with respect to each of his or her shares of Houston Exploration common stock.

Cash Election Shares. Stockholders who elect to receive cash for some or all of their shares of Houston Exploration common stock will receive the per share cash consideration in respect of that portion of such holder's shares of Houston Exploration common stock equal to such holder's cash election, subject to the proration mechanism described below. In this discussion, the shares of Houston Exploration common stock for which cash elections have been made are referred to as "cash election shares."

Stock Election Shares. Stockholders who elect to receive shares of Forest common stock for some or all of their shares of Houston Exploration common stock will receive the per share stock consideration in respect of that portion of such holder's shares of Houston Exploration common stock equal to such holder's stock election, subject to the proration mechanism described below. In this discussion, the shares for which stock elections have been made are referred to as "stock election shares."

No Election Shares. Houston Exploration stockholders who do not make a valid election will be deemed to have made "no election" with respect to those shares of Houston Exploration common stock. Houston Exploration stockholders who are deemed to have made no election with respect to some or all of their shares will receive the per share stock consideration unless there is an oversubscription of the stock consideration, in which case they may receive the per share cash consideration for some or all of those shares of Houston Exploration common stock. In this discussion, the shares of Houston Exploration common stock with respect to which stockholders have made no election are referred to as "no election shares." See " Proration."

For example, assuming a Houston Exploration stockholder holds 100 shares of Houston Exploration common stock (and that the average Forest common stock value is \$), if such stockholder made:

a cash election with respect to all the shares, he or she would receive approximately \$ in cash;

a stock election with respect to all the shares, he or she would receive shares of Forest common stock; and

a cash election with respect to some of the shares and a stock election with respect to some of the shares, he or she would receive approximately \$ for each cash election share and shares of Forest common stock for each stock election share. Assuming 50 cash election shares and 50 stock election shares, the Houston Exploration stockholder would receive

Edgar Filing: FOREST OIL CORP - Form S-4

approximately \$ _____ in cash, _____ shares of Forest common stock and cash in lieu of _____ of a fractional share of Forest common stock.

The actual proration of cash and common stock would be subject, in each case, to the proration procedures described under the heading " Proration."

A fixed number of shares of Forest common stock will be issued and a fixed amount of cash will be paid pursuant to the merger. Accordingly, there is no assurance that a holder of shares of Houston Exploration common stock will receive the form of consideration that the holder elects with respect to any or all shares of Houston Exploration common stock held by that holder. If the elections result in an oversubscription with respect to shares of Houston Exploration common stock that would otherwise receive either the per share stock consideration or the per share cash consideration, the procedures for allocating shares of Forest common stock and cash described below under " Proration" will be followed by the exchange agent. See "Risk Factors Risk Factors Relating to the Merger Houston Exploration stockholders may receive a form or combination of consideration different from what they elect."

Election Form. Each Houston Exploration stockholder will receive an election form and other appropriate and customary transmittal materials. Each election form allows the holder to specify that the holder (1) elects to receive the per share stock consideration for all of such holder's Houston Exploration shares, (2) elects to receive the per share cash consideration for all of such holder's Houston Exploration shares, (3) elects to receive a combination of per share stock consideration and per share cash consideration or (4) makes no election. Forest will also make available forms of election to persons who become holders of shares of Houston Exploration common stock subsequent to the Houston Exploration record date up until the close of business on the business day prior to the election deadline. If you have not received an election form, please contact the information agent, Georgeson, at 1 (866) 783-6553.

Holders of shares of Houston Exploration common stock who wish to elect the type of merger consideration they will receive pursuant to the merger should carefully review and follow the instructions set forth in the election form. Shares of Houston Exploration common stock as to which the holder has not made a valid election prior to the election deadline, which is 5:00 p.m., New York City time, on _____, 2007, will be deemed no election shares.

However, if the closing of the merger has not occurred within 10 days of the election deadline, then, unless the closing of the merger is then scheduled to take place by the tenth day after the election deadline, the election deadline shall be changed, unless Forest and Houston Exploration agree not to change the election deadline, to the tenth day after the election deadline or such other date as agreed to by Forest and Houston Exploration. If a new election deadline is set, Houston Exploration and Forest shall publicly announce the new election deadline.

To make an election, a holder of shares of Houston Exploration common stock must submit a properly completed election form and stock certificates (or in the case of Houston Exploration shares in book entry form, any additional documents specified in the election form) so that it is actually received by the exchange agent at or prior to the election deadline in accordance with the instructions on the election form. An election form will be properly completed only if accompanied by certificates representing all shares of Houston Exploration common stock covered by the election form (or a properly completed notice of guaranteed delivery in lieu of stock certificates or, in the case of Houston Exploration shares in book entry form, any additional documents specified in the election form). If a Houston Exploration stockholder cannot deliver his or her stock certificates to the exchange agent by the election deadline, a stockholder may deliver a notice of guaranteed delivery promising to deliver his or her stock certificates, as described in the election form, so long as (1) the guarantee of delivery is from a firm which is a member of the NYSE or another registered national securities exchange or a commercial bank or trust company having an office in the United States and (2) the actual stock

certificates are in fact delivered to the exchange agent by the time set forth in the guarantee of delivery. If Houston Exploration stockholders own shares of Houston Exploration common stock held in "street name" by their broker or other nominee and they wish to make an election, they should seek instructions from the broker or other nominee holding their shares of Houston Exploration common stock concerning how to make their election.

An election may be revoked or changed by the person submitting the election form prior to the election deadline. In the event of a revocation of an election, the exchange agent will, upon receiving a written request from the holder of shares of Houston Exploration common stock making a revocation, return the certificates of Houston Exploration common stock submitted by that holder, and that holder will be deemed to have made no election. The exchange agent will have reasonable discretion to determine whether any election, revocation or change has been properly or timely made and to disregard immaterial defects in the election forms, and any good faith decisions of the exchange agent regarding these matters will be binding and conclusive. Neither Forest nor the exchange agent will be under any obligation to notify any person of any defects in an election form. If any Houston Exploration stockholder instructs a broker to submit an election for its shares, such Houston Exploration stockholder must follow its broker's directions for changing those instructions.

Shares of Houston Exploration common stock as to which the holder has not made a valid election prior to the election deadline, including as a result of revocation, will be deemed no election shares. If it is determined that any purported cash election or stock election was not properly made, the purported election will be deemed to be of no force or effect, and the holder making the purported election will be deemed not to have made an election for these purposes, unless a proper election is subsequently made on a timely basis.

Proration

A fixed total number of shares of Forest common stock will be issued and a fixed total amount of cash will be paid pursuant to the merger, in each case subject to upward adjustment in the event that any shares of Houston Exploration common stock are issued in accordance with the merger agreement pursuant to outstanding Houston Exploration stock options or otherwise. If the elections of all of the Houston Exploration stockholders result in an oversubscription of the pool of cash or shares of Forest common stock, the pool of cash or shares of Forest common stock will not be increased. Rather, the exchange agent will allocate between cash and shares of Forest common stock in the manner described below. Accordingly, there is no assurance that Houston Exploration stockholders will receive the form or combination of consideration that they elect with respect to all of the shares of Houston Exploration common stock they hold. See "Risk Factors Risk Factors Relating to the Merger Houston Exploration stockholders may receive a form or combination of consideration different from what they elect."

Oversubscription of the Cash Consideration. If the aggregate cash amount that would be paid upon the conversion in the merger of the cash election shares is more than the total cash amount, then:

all stock election shares and no election shares will be converted into the right to receive the per share stock consideration;

the exchange agent will then select from among the cash election shares, pro rata to the holders of cash election shares in accordance with their respective numbers of cash election shares, a sufficient number of cash election shares and switch them to stock election shares such that the aggregate cash amount that will be paid pursuant to the merger equals as closely as practicable the total cash amount;

all cash election shares selected by the exchange agent through the pro rata selection process described above will be converted into the right to receive the per share stock consideration; and

the cash election shares that have not been selected by the exchange agent to be converted into the per share stock consideration will be converted into the right to receive the per share cash consideration.

Oversubscription of the Stock Consideration. If the aggregate cash amount that would be paid upon the conversion in the merger of the cash election shares is less than the total cash amount, then:

all cash election shares will be converted into the right to receive the per share cash consideration;

the exchange agent will then select from among the no election shares and then, if necessary, from among the stock election shares, in each case pro rata to the holders of no election shares or stock election shares, as the case may be, in accordance with their respective numbers of no election shares or cash election shares, a sufficient number of stock election shares and switch them to cash election shares such that the aggregate cash amount that will be paid pursuant to the merger equals as closely as practicable the total cash amount;

all no election and stock election shares selected by the exchange agent through the pro rata selection process described above will be converted into the right to receive the per share cash consideration; and

the stock election shares and any no election shares that have not been selected by the exchange agent to be converted into the per share cash consideration will be converted into the right to receive the per share stock consideration.

Forest will cause the exchange agent to carry out the proration described above based on calculations prepared by Forest within 10 business days after the election deadline, unless the merger has not been completed, in which case the proration will be completed as soon as practicable after the effective time of the merger. The exchange agent will use an equitable pro rata allocation process to be mutually determined by Houston Exploration and Forest.

Because the U.S. federal income tax consequences of receiving cash or shares of Forest common stock, or both cash and shares of Forest common stock, will differ, Houston Exploration stockholders are urged to read carefully the information set forth under the heading "The Merger Certain Material U.S. Federal Income Tax Consequences" and to consult their tax advisors for a full understanding of the merger's tax consequences to them. In addition, because the stock consideration can fluctuate in value from the determination made during the valuation period, the economic value per share received by Houston Exploration stockholders who receive the stock consideration may, as of the date of receipt by them, be more or less than the amount of cash consideration per share received by Houston Exploration stockholders who receive cash consideration.

Treatment of Stock Options

Prior to the effective time of the merger, Houston Exploration will take all actions necessary under the Houston Exploration stock plans (including the Houston Exploration 1996 Stock Option Plan, the Houston Exploration 1999 Non-Qualified Stock Option Plan, the Houston Exploration 2002 Long Term Incentive Plan and the Houston Exploration 2004 Long Term Incentive Plan), to cause each holder of an outstanding Houston Exploration stock option immediately prior to the effective time to have the right to exercise such stock option in full, whether or not vested, prior to the effective time of the merger. To the extent any Houston Exploration stock option that has an exercise price that is equal to or greater than the per share consideration is not exercised prior to the effective time of the merger, such stock option will be cancelled and no consideration will be paid in connection with such cancellation.

To the extent any Houston Exploration stock option that has an exercise price per share that is less than the per share consideration is not exercised immediately prior to the effective time of the merger, which stock option is referred to herein as an "in-the-money" stock option, such in-the-money stock option will be cancelled and converted into the right to receive, from Forest, as soon as practicable following the effective time of the merger, an amount in cash, less any applicable withholding taxes and without interest, equal to the product of (1) the excess of the per share consideration over the per share exercise price of Houston Exploration common stock subject to such in-the-money stock option, multiplied by (2) the number of shares of Houston Exploration common stock subject to such in-the-money stock option immediately prior to the effective time of the merger, whether or not vested. As of the effective time of the merger, all Houston Exploration stock options will no longer be outstanding and will automatically cease to exist, and each holder of a Houston Exploration stock option will cease to have any rights with respect to such Houston Exploration stock option except, with respect to in-the-money stock options, the right to receive the payment described in the immediately preceding sentence.

All Houston Exploration stock plans and any other plan providing for the issuance, transfer or grant of any capital stock of Houston Exploration will terminate as of the effective time of the merger.

A holder of Houston Exploration stock options who wishes to have the right to elect whether and to what extent he wishes to receive cash or shares of Forest common stock in the merger may exercise his or her stock options, to the extent then vested and exercisable, in accordance with the relevant plan sufficiently in advance of the election deadline and return a properly completed election form prior to the election deadline of 5:00 p.m., New York City time, on _____, 2007 with respect to the shares of Houston Exploration common stock issued upon exercise.

Treatment of Restricted Stock

The restrictions on each restricted share of Houston Exploration common stock granted and then outstanding under the Houston Exploration stock plans will lapse immediately prior to the effective time of the merger. Each such share of Houston Exploration restricted stock will be fully vested in each holder thereof at the effective time of the merger and will be treated at the effective time of the merger the same as, and have the same rights and be subject to the same conditions as, each share of Houston Exploration common stock not subject to any restrictions; provided, that, upon vesting, the holder may satisfy the applicable withholding tax obligation by returning a number of shares of Houston Exploration common stock equal in value to such obligation.

Treatment of Restricted Stock Unit Awards

Immediately prior to the effective time of the merger, each restricted stock unit award granted and then outstanding under the Houston Exploration stock plans will be fully vested in each holder thereof, and the underlying shares of Houston Exploration common stock will be issued and will be treated at the effective time of the merger the same as, and will have the same rights and be subject to the same conditions as, other shares of Houston Exploration common stock; provided, that, upon vesting and issuance, the holder may satisfy the applicable withholding tax obligation by returning a number of shares of Houston Exploration common stock equal in value to such obligation.

Withholding Tax

Except as described above, Forest will be entitled to deduct and withhold, or cause the exchange agent to deduct and withhold, from the consideration otherwise payable to any holders of Houston Exploration stock options, Houston Exploration restricted stock or Houston Exploration restricted stock unit awards such amounts as it may be required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code or any provision of state, local or foreign tax law. To

the extent that amounts are so withheld by Forest or the exchange agent, as the case may be, the withheld amounts will be treated as having been paid to the holders of Houston Exploration stock options, Houston Exploration restricted stock or Houston Exploration restricted stock unit awards, as applicable, in respect of which the deduction and withholding was made.

Representations and Warranties

The merger agreement contains representations and warranties made by each of the parties regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the merger. Each of Houston Exploration, on the one hand, and Forest and Merger Sub, on the other hand, has made representations and warranties to the other in the merger agreement with respect to some or all of the following subject matters:

corporate existence, good standing and qualification to conduct business;

capitalization, including ownership of subsidiary capital stock and the absence of restrictions or encumbrances with respect to capital stock of any subsidiary;

corporate power and authorization to enter into and carry out the obligations of the merger agreement and the enforceability of the merger agreement;

absence of any conflict or violation of organizational documents, third party agreements or law or regulation as a result of entering into and carrying out the obligations of the merger agreement;

governmental, third party and regulatory approvals or consents required to complete the merger;

filings and reports with the SEC and financial information;

oil and gas reserves;

absence of certain changes, events or circumstances;

absence of undisclosed liabilities;

accuracy of the information supplied for inclusion in this joint proxy statement/prospectus;

employee benefit plans and ERISA;

litigation and compliance with laws;

intellectual property;

material contracts;

tax matters;

environmental matters;

oil and gas properties and other assets;

insurance;

labor matters and employees;

transactions with affiliates;

derivative and hedging transactions;

disclosure controls and procedures;

investment company status;

Edgar Filing: FOREST OIL CORP - Form S-4

required vote by stockholders;

recommendations of merger by boards of directors and opinions of financial advisors;

fees payable to brokers in connection with the merger;

reorganization; and

no other representations or warranties.

Houston Exploration has made additional representations and warranties to Forest in the merger agreement with respect to the following subject matters:

natural gas regulation;

the fact that the merger will not result in the grant of any rights to any person under Houston Exploration's rights agreement; and

the inapplicability of any anti-takeover law or provision in Houston Exploration's certificate of incorporation or bylaws to the merger agreement or the voting agreement.

Forest has made additional representations and warranties to Houston Exploration in the merger agreement with respect to the following matters:

voting agreements;

its rights agreement;

its ownership of Houston Exploration common stock; and

a commitment letter for financing.

Certain representations and warranties of Forest and Houston Exploration are qualified as to materiality or as to "material adverse effect," which when used with respect to Forest and Houston Exploration means, as the case may be, the existence of a materially adverse change to the financial condition, business, assets, properties or results of operations of such party and its subsidiaries, taken as a whole, no matter how caused or how arising, except for any materially adverse change that is caused by or arises from one or more of:

changes to economic, political or business conditions affecting the domestic energy markets generally, except, in each case, to the extent any such changes or effects materially disproportionately affect such party;

the occurrence of natural disasters of any type, including, without limitation, earthquakes and tsunamis but not including hurricanes;

changes in market prices, both domestically and globally, for any carbon-based energy product and any write-down for accounting purposes of oil and gas reserves as a result of a "ceiling test" to the extent but only to the extent such write-down is directly attributable to changes in market prices of oil or gas (but not any change resulting from a default under any

Edgar Filing: FOREST OIL CORP - Form S-4

agreement or arrangement as a result of such write-down);

the announcement or pendency of the merger agreement and the transactions contemplated thereby, compliance with the terms thereof or the disclosure of the fact that Forest is the prospective owner of Houston Exploration, including any litigation arising from any of the foregoing;

the existence or occurrence of war, acts of war, terrorism or similar hostilities;

changes in laws of general applicability or interpretations thereof by courts or governmental entities; or

changes in the market price of either Forest common stock or Houston Exploration common stock (but not any change underlying such changes in price to the extent such change would otherwise constitute a material adverse effect relating to Forest or Houston Exploration, as the case may be).

Conditions to the Completion of the Merger

The completion of the merger is subject to various conditions. While it is anticipated that all of these conditions will be satisfied, there can be no assurance as to whether or when all of the conditions will be satisfied or, where permissible, waived.

Conditions to Each Party's Obligations

Each party's obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

adoption by Houston Exploration stockholders of the merger agreement;

approval by Forest shareholders of the issuance of Forest common stock pursuant to the merger;

absence of any statute, rule, order, decree or regulation, and of any action taken by any court or other governmental entity, which temporarily, preliminarily or permanently restrains, precludes, enjoins or otherwise prohibits the consummation of the merger or makes the merger illegal;

expiration or termination of the waiting period (and any extension thereof) applicable to the consummation of the merger under the HSR Act (which occurred on February 8, 2007);

effectiveness of the S-4 registration statement, of which this joint proxy statement/prospectus constitutes a part, and absence of any stop order or proceedings for such purpose pending before or threatened by the SEC; and

authorization for listing on the NYSE of shares of Forest common stock issuable to the stockholders of Houston Exploration pursuant to the merger, subject to official notice of issuance.

Additional Conditions to Houston Exploration's Obligations

The obligation of Houston Exploration to complete the merger is subject to the satisfaction or waiver of the following conditions:

Forest's and Merger Sub's representations and warranties set forth in the merger agreement (without giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein) will be true and correct at and as of the closing date of the merger, as if made at and as of the closing date of the merger (except to the extent expressly made as of an earlier date, in which case as of such date), except where the failure of such representations to be true and correct (without giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein) individually or in the aggregate has not had, and would not be reasonably likely to have or result in, a material adverse effect on Forest;

the performance in all material respects by Forest and Merger Sub of their respective obligations contained in the merger agreement;

absence of any suit, action or proceeding by any court or other governmental entity seeking to restrain, preclude, enjoin or prohibit the merger or any of the other transactions contemplated by the merger agreement; and

the receipt by Houston Exploration of an opinion of its counsel, dated the closing date of the merger, to the effect that the merger will qualify as a reorganization under section 368(a) of the Internal Revenue Code and that Houston Exploration and Forest will each be a "party to the reorganization" within the meaning of section 368 of the Internal Revenue Code.

Additional Conditions to Forest's and Merger Sub's Obligations

The obligations of Forest and Merger Sub to complete the merger are subject to the satisfaction or waiver of the following conditions:

Houston Exploration's representations and warranties set forth in the merger agreement will be true and correct (without giving effect to any limitations as to "materiality" or "material adverse effect" set forth therein) both at and as of the closing date of the merger, as if made at and as of the closing date of the merger (except to the extent expressly made as of an earlier date, in which case as of such date), except where the failure of such representations and warranties to be true and correct (without giving effect to any limitations as to "materiality or material adverse effect") individually or in the aggregate has not had, and would not be reasonably likely to have or result in, a material adverse effect on Houston Exploration;

the performance in all material respects by Houston Exploration of its obligations contained in the merger agreement;

absence of any suit, action or proceeding by any court or other governmental entity seeking to (1) restrain, preclude, enjoin or prohibit the merger or any of the other transactions contemplated by the merger agreement, or (2) prohibit or limit in any material respect the ownership or operation by any of the parties to the merger agreement or any of their respective affiliates of a substantial portion of the business or assets of Houston Exploration and its subsidiaries, taken as a whole, or to require any person to dispose of or hold separate any material portion of the business or assets of Houston Exploration and its subsidiaries, taken as a whole, as a result of the merger or any of the other transactions contemplated by the merger agreement;

the receipt by Forest of an opinion of its counsel, dated the closing date of the merger, to the effect that the merger will qualify as a reorganization under section 368(a) of the Internal Revenue Code and that Houston Exploration and Forest will each be a "party to the reorganization" within the meaning of section 368 of the Internal Revenue Code; and

the number of appraisal shares for which demands for appraisal have not been withdrawn will not exceed 15% of the outstanding shares of Houston Exploration common stock.

Conduct of Business Pending the Merger

Operations of Houston Exploration

Houston Exploration has agreed that it will, and will cause its subsidiaries to, during the period from the date of the merger agreement until the effective time of the merger or the date, if any, on which the merger agreement is terminated, except as disclosed in Houston Exploration's disclosure letter, expressly contemplated or permitted by the merger agreement, required by applicable law or agreed to in writing by Forest (which consent will not be unreasonably withheld, delayed or conditioned):

conduct the business of Houston Exploration and its subsidiaries only in the ordinary course consistent with past practices;

use its reasonable best efforts to preserve intact its business organization and goodwill and the business organization and goodwill of its subsidiaries; and

Edgar Filing: FOREST OIL CORP - Form S-4

use its reasonable best efforts to keep available the services of the current officers and key employees of Houston Exploration and its subsidiaries and preserve and maintain existing relationships with customers, suppliers, officers, employees and creditors.

Houston Exploration has also agreed that it will not, and will not permit any of its subsidiaries to, during the period from the date of the merger agreement until the effective time of the merger or the date, if any, on which the merger agreement is terminated, except as expressly contemplated or permitted by the merger agreement, required by applicable law or agreed to in writing by Forest (which consent will not be unreasonably withheld, delayed or conditioned):

enter into any new line of business, incur or commit to any capital expenditures, or any obligations or liabilities in connection with any capital expenditures other than capital expenditures and obligations or liabilities incurred or committed to in an amount not greater in the aggregate than 110% of, and during the same time period set forth in, Houston Exploration's 2007 monthly operating plan previously made available to Forest or as may be reasonably required to conduct emergency operations on any well, pipeline or other facility;

amend its certificate of incorporation or bylaws or similar organizational documents;

except that Houston Exploration may permit any direct or indirect wholly owned subsidiary to do the following: declare, set aside or pay any dividend or other distribution, whether payable in cash, stock or any other property or right, with respect to its capital stock or other equity interests;

except as required by the terms of any capital stock of, or other equity interests in, Houston Exploration or any of its subsidiaries outstanding on the date of the merger agreement or as contemplated by any Houston Exploration benefit plan or employment agreement existing on the date of the merger agreement and included in Houston Exploration's disclosure letter,

adjust, split, combine or reclassify any capital stock or other equity interests or issue, grant, sell, transfer, pledge, dispose of or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class or of any other such securities or agreements of Houston Exploration or any of its subsidiaries, other than issuances (1) of shares of Houston Exploration common stock pursuant to the Houston Exploration stock options or restricted stock unit awards outstanding on the date of the merger agreement, (2) of Houston Exploration stock options in an amount consistent with past practice to non-officer employees hired after the date of the merger agreement in the ordinary course of business consistent with past practice, (3) by a wholly owned subsidiary of Houston Exploration of such subsidiary's capital stock or other equity interests to Houston Exploration or any other wholly owned subsidiary of Houston Exploration, or (4) pursuant to Houston Exploration's rights or rights agreement in effect on the date of the merger agreement, or

redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock or any other securities or agreements of the type described above;

grant any increase in the compensation (including base salary and target bonus) or benefits payable to any officer of Houston Exploration or any of its subsidiaries, or, except in connection with promotions on a basis consistent with past practices, grant any increase in the compensation or benefits payable to any non-officer of Houston Exploration or any of its subsidiaries, except that Houston Exploration may pay incentive compensation bonuses for 2006; provided, however, that Houston Exploration may not pay officers and employees bonuses in the aggregate amount in excess of \$5.75 million, and, with respect to officers, in no event in an amount greater than the calculated amount expressly provided for in Houston Exploration's annual incentive

Edgar Filing: FOREST OIL CORP - Form S-4

compensation plan as approved by Houston Exploration's compensation and management development committee;

except as required to comply with applicable law or any agreement in existence on the date of the merger agreement or as expressly provided in the merger agreement, adopt, enter into, amend or otherwise increase, or accelerate the payment or vesting of the amounts, benefits or rights payable or accrued or to become payable or accrued under any bonus, incentive compensation, deferred compensation, severance, termination, change in control, retention, hospitalization or other medical, life, disability, insurance or other welfare, profit sharing, stock option, stock appreciation right, restricted stock or other equity based, pension, retirement or other employee compensation or benefit plan, program agreement or arrangement;

enter into or amend any employment agreement or, except in accordance with existing contracts or agreements, grant any severance or termination pay to any officer, director or employee of Houston Exploration or any of its subsidiaries other than amendments expressly permitted by the merger agreement or made for purposes of complying with section 409A of the Internal Revenue Code;

change its methods of accounting in effect at December 31, 2005, except in accordance with changes in U.S. GAAP and applicable law as concurred with by Houston Exploration's independent auditors;

acquire any person or other business organization, division or business by merger, consolidation, purchase of an equity interest or assets, or by any other manner, or (other than in the ordinary course of business consistent with past practice or as disclosed in Houston Exploration's disclosure letter) acquire any material assets;

sell, lease, exchange, transfer or otherwise dispose of, or agree to sell, lease, exchange, transfer or otherwise dispose of, any of its assets except for (1) the sale of hydrocarbons in the ordinary course of business consistent with past practice, (2) any sale, lease or disposition pursuant to agreements existing on the date of the merger agreement and entered into in the ordinary course of business or disclosed in Houston Exploration's disclosure letter, or (3) any sale, lease or disposition in an arm's-length transaction, for not materially less than fair market value and not in excess of \$5.0 million individually or \$10.0 million in the aggregate;

mortgage, pledge, hypothecate, grant any security interest in, or otherwise subject any of its assets to any liens, subject to limited exceptions;

except for taxes, pay, discharge or satisfy any material claims (including claims of stockholders), liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise) where such payment, discharge or satisfaction would require any material payment, except for the payment, discharge or satisfaction of liabilities or obligations in accordance with the terms of agreements in effect on the date of the merger agreement or entered into after the date of the merger agreement in the ordinary course of business consistent with past practice and not in violation of the merger agreement, or compromise, settle, grant any waiver or release relating to any litigation, other than settlements covered by insurance or where the amount paid or to be paid does not exceed \$5.0 million for any individual claim or series of related claims or \$10.0 million in the aggregate;

engage in any transaction (except pursuant to agreements in effect at the time of the merger agreement or as disclosed in Houston Exploration's disclosure letter), or enter into any agreement, arrangement, or understanding, directly or indirectly, with any of Houston Exploration's affiliates (not including any employees of Houston Exploration or any of its subsidiaries, other than the directors and executive officers thereof);

Edgar Filing: FOREST OIL CORP - Form S-4

change any material tax method of accounting, make or change any material tax election, authorize any indemnities for taxes, extend any period for assessment of any tax, file any request for ruling or determination, amend any material tax return, or settle or compromise any material tax liability, except where such action would not have a material adverse effect on Houston Exploration and its subsidiaries taken as a whole;

take any action that would reasonably be expected to result in (1) any of the conditions to the merger not being satisfied, (2) a material adverse effect on Houston Exploration or (3) materially impair or delay consummation of the merger or the other transactions contemplated by the merger agreement;

adopt or enter into a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of Houston Exploration or any of its subsidiaries (other than the merger) or any agreement relating to an acquisition proposal (except certain confidentiality agreements);

incur or assume any indebtedness, except for indebtedness incurred and letters of credit issued under Houston Exploration's credit agreement, in the ordinary course of business;

modify any material indebtedness or other liability to increase Houston Exploration's (or any of its subsidiaries') obligations with respect to such indebtedness;

assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person (other than a wholly owned subsidiary of Houston Exploration), except in the ordinary course of business and consistent with past practice, and in no event exceeding \$1.0 million in the aggregate;

make any loans, advances or capital contributions to, or investments in, any other person (other than to wholly owned subsidiaries of Houston Exploration, or by wholly owned subsidiaries to Houston Exploration, or customary loans or advances to employees consistent with past practice or short-term investments of cash in the ordinary course of business in accordance with Houston Exploration's cash management procedures);

enter into any material commitment or transaction, except in the ordinary course of business and consistent with past practice, and in no event exceeding \$5.0 million in the aggregate;

enter into any agreement, understanding or commitment that materially limits Houston Exploration's, the combined company's or any of each of Houston Exploration's or the combined company's subsidiaries' ability to compete in or conduct any line of business or compete with any person or in any geographic area or during any period of time;

enter into any material joint venture, partnership or other similar arrangement or materially amend or modify in an adverse manner the terms of (or waive any material rights under) any existing material joint venture, partnership or other similar arrangement (other than any such action between its wholly owned subsidiaries);

terminate any material contract to which it is a party or waive or assign any of its rights or claims in a manner that is materially adverse to Houston Exploration or, except in the ordinary course of business consistent with past practice, modify or amend in any material respect any material contract;

make or assume any derivative transaction with a duration of more than 90 days or enter into any agreement to sell hydrocarbons other than in the ordinary course of business at market pricing and in no event with a duration of more than 90 days; or

enter into an agreement, contract, commitment or arrangement to take any of the prohibited actions described above.

Operations of Forest

Forest has agreed that it will, and will cause its subsidiaries to, conduct the business of Forest and its subsidiaries only in the ordinary course substantially consistent with past practices; provided, however, that the foregoing will not be deemed to prohibit Forest or any of its subsidiaries from engaging in any acquisition or divestiture transaction that does not constitute an acquisition proposal for Forest and would not reasonably be expected to have a material adverse effect on Forest or materially impair or delay the consummation of the transactions contemplated by the merger agreement. Forest's disclosure letter provides that during the period from the date of the merger agreement until the effective time of the merger or the date, if any, on which the merger agreement is terminated, Forest will be actively considering and may consummate a sale of Forest Alaska and/or its assets and reserves all rights to effect such a sale if, but only if, (1) such sale would not be a condition to any financing required to consummate the merger and (2) the consideration or consummation of such sale would not reasonably be expected to cause a delay in the effective time of the merger of more than 90 days, but in no event will the consideration or consummation of such sale cause the delay of the effective time of the merger to a date later than September 30, 2007.

Forest has also agreed that it will not, during the period from the date of the merger agreement until the effective time of the merger or the date, if any, on which the merger agreement is terminated, except as disclosed in Forest's disclosure letter, as expressly contemplated or permitted by the merger agreement, required by applicable law, or agreed to in writing by Houston Exploration:

take any action that would reasonably be expected to (1) result in any of the conditions to the merger not being satisfied, (2) result in a material adverse effect on Forest or (3) materially impair or delay consummation of the merger or the other transactions contemplated by the merger agreement; provided, however, that Forest's disclosure letter provides that during the period between execution of the merger agreement and closing, Forest will be actively considering and may consummate a sale of Forest Alaska and reserves all rights to effect such a sale, if but only if, (1) such sale would not be a condition to any financing required to consummate the merger and (2) the consideration or consummation of such sale would not reasonably be expected to cause a delay in the effective time of the merger of more than 90 days, but in no event will the consideration or consummation of such sale cause the delay of the effective time of the merger to a date later than September 30, 2007;

declare, set aside or pay any extraordinary, special or other dividend or distribution, whether payable in cash, stock or any other property or right, with respect to its capital stock or other equity interests (except for wholly owned subsidiaries of Forest);

change its methods of accounting in effect at December 31, 2005, except changes in accordance with GAAP or applicable law as concurred with by Forest's independent auditors;

amend its certificate of incorporation or bylaws in a manner that adversely affects the terms of the Forest common stock;

acquire ownership or become an "owner" for the purposes of Section 203 of the General Corporation Law of the State of Delaware of any shares of any voting securities of Houston Exploration, other than shares so owned as of the date of the merger agreement or shares owned as a result of Forest and Merger Sub entering into the voting agreement or acquired pursuant to the merger agreement;

adopt or enter into a plan of complete or partial liquidation or dissolution;

change any material tax method of accounting, make or change any material tax election, authorize or undertake any indemnities for taxes, extend any period for assessment of any tax, file any request for ruling or determination, amend any material return, or settle or compromise

any material tax liability, except where such action would not have a material effect on the tax position of Forest and its subsidiaries taken as a whole; and

enter into an agreement, contract, commitment or arrangement to take any of the prohibited actions described above.

Covenants

Access to Information and Properties

During the period prior to the effective time of the merger, upon reasonable notice and subject to applicable laws relating to the exchange of information, Forest and Houston Exploration and their respective subsidiaries will afford to the authorized representatives of the other party reasonable access, including the right to conduct Phase I environmental site assessments but specifically excluding soil or groundwater sampling or effluent sampling or testing or subsurface testing of any kind unless consented to in writing by Houston Exploration or Forest, as applicable (which consent will not be unreasonably withheld, delayed or conditioned), during normal business hours, to all of their properties, offices, contracts, books, commitments, records, data and personnel. During this period, each party will make available to the other parties all information concerning its business, properties and personnel as the other parties may reasonably request. No party or any of its subsidiaries will be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of its customers, jeopardize any attorney-client privilege or contravene any law or binding agreement entered into prior to the date of the merger agreement. Forest and Houston Exploration will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

Further Action; Commercially Reasonable Efforts

Each of the parties to the merger agreement will use its commercially reasonable efforts to take all actions necessary, proper or advisable to consummate the transactions contemplated by the merger agreement, including using commercially reasonable efforts to satisfy the conditions precedent to the obligations of any of the parties, to obtain all necessary authorizations, consents and approvals, and to effect all necessary registrations and filings.

Each of the parties to the merger agreement will furnish to the other parties such necessary information and reasonable assistance as such other parties may reasonably request in connection with the foregoing and, subject to applicable laws and any applicable privilege relating to the exchange of information, provide the other parties with copies of all filings made by such party with any governmental entity (except for filings available publicly on the SEC's EDGAR system) or any other information supplied by such party to a governmental entity in connection with the merger agreement and the transactions contemplated thereby; provided, that neither party is obligated to share any document submitted to a governmental entity that reflects the negotiations between the parties or the valuation of some or all of any party's business.

Each of Forest, Merger Sub and Houston Exploration will use its respective commercially reasonable efforts and will cooperate with the other parties to resolve any objections that may be asserted with respect to the transactions contemplated by the merger agreement under the laws, rules, guidelines or regulations of any governmental entity. Houston Exploration and Forest will, as soon as practicable, file notification and report forms under the HSR Act with the FTC and the Antitrust Division, and will use commercially reasonable efforts to respond as promptly as practicable to all inquiries received from the FTC or the Antitrust Division for additional information or documentation.

Edgar Filing: FOREST OIL CORP - Form S-4

Forest will have financing or other funding sufficient to consummate the merger and the other transactions contemplated by the merger agreement. Forest will, and will cause its subsidiaries and its and their respective officers and employees to, use all reasonable efforts in connection with the arrangement of the financing and any other financing that Forest, in its reasonable discretion, deems necessary to fund the transactions contemplated by the merger agreement. In the event Forest arranges for alternative financing, it will promptly provide to Houston Exploration the commitment letter and any similar documentation with respect thereto. The commitment letter relating to the financing will be in full force and effect, or if alternative financing has been arranged, the commitment letter with respect to such alternative financing will be in full force and effect, at all times until the effective time of the merger, or the transactions contemplated by such commitment letter or such alternative financing commitment letter will have been consummated.

Houston Exploration will, and will cause its subsidiaries and its and their respective officers and employees to, and will use its reasonable best efforts to cause its advisors and accountants to, provide reasonable and customary cooperation with Forest and its affiliates in connection with the arrangement of the financing and any other financing that Forest, in its reasonable discretion, deems necessary to fund the transactions contemplated by the merger agreement, including participation in meetings, due diligence sessions, road shows, rating agency presentations, the preparation of offering memoranda, private placement memoranda, prospectuses, rating agency presentations, other marketing material and similar documents, obtaining comfort letters from Houston Exploration's accountants (which comfort letters will be customary in form, scope and substance), and obtaining legal opinions from Houston Exploration's outside counsel (which legal opinions will be customary in form, scope and substance), as may be reasonably requested by Forest.

In conjunction with the obtaining of any such financing, Houston Exploration agrees, at the reasonable request of Forest, to call for prepayment or redemption, or to prepay or redeem, or to attempt to renegotiate the terms of, any then existing indebtedness for borrowed money of Houston Exploration. Houston Exploration will not be obligated to make or cause to become effective such prepayment or redemption or call for prepayment or redemption or renegotiated terms (nor will Houston Exploration be required to incur any cost or liability in respect of any such prepayment or redemption or call therefor or renegotiation thereof) prior to the effective time of the merger.

If at any time after the effective time of the merger, any further action is necessary or desirable to carry out the purposes of the merger agreement, the proper officers and/or directors of Forest will take all such necessary action.

All of the parties to the merger agreement will use commercially reasonable efforts to prevent the entry of, and to cause to be discharged or vacated, any order or injunction of a governmental entity precluding, restraining, enjoining or prohibiting consummation of the merger.

Neither Forest nor Merger Sub will be required to accept, as a condition to obtaining any required approval or resolving any objection of any governmental entity, any requirement to divest or hold separate or in trust (or the imposition of any other condition or restriction with respect to) any assets or operations of Forest or Merger Sub or any of their respective affiliates or any of the respective businesses of Houston Exploration or any of its subsidiaries, including the assets of Houston Exploration.

Proxy Statement/Prospectus; Registration Statement

Houston Exploration and Forest will cooperate in preparing and each will cause to be filed with the SEC, in connection with the merger, this joint proxy statement/prospectus in preliminary form, and Forest will promptly prepare and file with the SEC the related registration statement, in which the proxy statement will be included as a prospectus, and the parties will file, if necessary, any other statement or schedule relating to the merger agreement and the transactions contemplated thereby. In

addition to the proposal to approve the issuance of additional shares of Forest common stock in the merger, which is referred to herein as the Forest proposal, Forest, unless relying on the NYSE's "new hire" exception, will also include in this joint proxy statement/prospectus a proposal for an amendment to the Forest stock incentive plan increasing the number of shares of Forest common stock that are available to be issued under Forest's 2001 Stock Incentive Plan, which is referred to herein as the plan amendment. Each of Houston Exploration, Forest and Merger Sub will use its reasonable best efforts to (1) furnish the information required to be included by the SEC in the joint proxy statement/prospectus, the related registration statement and any such statement or schedule and (2) have the registration statement declared effective under the Securities Act as promptly as practicable after such filing. Each of Houston Exploration and Forest will, as promptly as practicable thereafter, mail the joint proxy statement/prospectus to its stockholders.

If, at any time prior to the effective time of the merger, any event or circumstance relating to Houston Exploration, Forest, Merger Sub or any of their respective affiliates, or its or their respective officers or directors, should be discovered by Houston Exploration, Forest or Merger Sub that should be set forth in an amendment to the registration statement or a supplement to the joint proxy statement/prospectus, Houston Exploration, Forest or Merger Sub will promptly inform the other parties hereto thereof in writing. All documents that Houston Exploration or Forest is responsible for filing with the SEC in connection with the transactions contemplated in the merger agreement will comply as to form in all material respects with applicable requirements of the Securities Act and the Exchange Act. The parties will notify each other promptly of the time when the registration statement has become effective, of the issuance of any stop order or suspension of the qualification of the Forest common stock to be issued in connection with the merger for offering or sale in any jurisdiction, or of the receipt of any comments from the SEC or the staff of the SEC and of any request by the SEC or the staff of the SEC for amendments or supplements to the joint proxy statement/prospectus or the related registration statement or for additional information and will supply each other with copies of (1) all correspondence between it or any of its representatives, on the one hand, and the SEC or the staff of the SEC, on the other hand, with respect to the joint proxy statement/prospectus, the related registration statement or the merger and (2) all orders of the SEC relating to the related registration statement.

Special Meetings

Houston Exploration, acting through the Houston Exploration board of directors, will, in accordance with its certificate of incorporation and bylaws and with applicable law, promptly and duly call, give notice of, convene and hold, as soon as practicable following the date upon which the registration statement becomes effective for the purposes of voting upon the adoption of the merger agreement and the approval of the consummation of the transactions contemplated by the merger agreement, including the merger, a special meeting of its stockholders for the sole purpose of considering and taking action upon the merger agreement, and will use its reasonable best efforts to hold such meeting no later than 45 days after such date. Subject to certain exceptions, Houston Exploration, acting through the Houston Exploration board of directors, will (1) recommend adoption of the merger agreement and include in the joint proxy statement/prospectus such recommendation and (2) use its reasonable best efforts to solicit and obtain such adoption. Notwithstanding any withdrawal, amendment or modification of its recommendation or the commencement, public proposal, public disclosure or communication to Houston Exploration of any acquisition proposal with respect to Houston Exploration or any of its subsidiaries, or any other fact or circumstance (except for termination of the merger agreement), the merger agreement will be submitted to the stockholders of Houston Exploration at the special meeting for the purpose of adopting the merger agreement, with such disclosures as are required by applicable law. At any such special meeting following any such withdrawal, amendment or modification of its recommendation of the merger agreement, Houston Exploration may submit the merger agreement to its stockholders without a recommendation or with a

negative recommendation (although the approval of the merger agreement by the Houston Exploration board of directors may not be rescinded or amended), in which event the Houston Exploration board of directors may communicate the basis for its lack of a recommendation or negative recommendation to its stockholders in the joint proxy statement/prospectus or an appropriate amendment or supplement thereto.

Forest, acting through the Forest board of directors, will, in accordance with its certificate of incorporation and bylaws and with applicable law, promptly and duly call, give notice of, convene and hold, as soon as practicable following the date upon which the registration statement becomes effective for the purposes of voting upon the Forest proposal and, if applicable, plan amendment, a special meeting of its shareholders, and will use its reasonable best efforts to hold the special meeting no later than 45 days after such date. Subject to certain exceptions, Forest, acting through the Forest board of directors, will (1) recommend approval of the Forest proposal and, if applicable, plan amendment and include in the joint proxy statement/prospectus such recommendation and (2) use its reasonable best efforts to solicit and obtain such approval. Notwithstanding any withdrawal, amendment or modification of its recommendation or the commencement, public proposal, public disclosure or communication to Forest of any acquisition proposal with respect to Forest or any of its subsidiaries, or any other fact or circumstance (except for termination of the merger agreement), the Forest proposal and, if applicable, plan amendment will be submitted to the shareholders of Forest at the special meeting for the purpose of approval of the Forest proposal and, if applicable, plan amendment, with such disclosures as are required by applicable law. At any such Forest special meeting following any such withdrawal, amendment or modification of the Forest board of directors' recommendation of the Forest proposal, Forest may submit the Forest proposal and, if applicable, plan amendment to its shareholders without a recommendation or with a negative recommendation of the Forest proposal (although the approval of the Forest proposal by the Forest board of directors may not be rescinded or amended), in which event the Forest board of directors may communicate the basis for its lack of a recommendation or negative recommendation to its shareholders in the joint proxy statement/prospectus or an appropriate amendment or supplement thereto.

Promptly following the execution and delivery of the merger agreement, Forest, as the owner of all of the outstanding shares of capital stock of Merger Sub, will adopt the merger agreement and the transactions contemplated hereby in its capacity as sole stockholder of Merger Sub.

Forest will use its best efforts to take all actions to consummate the second merger as a "short form" merger under Delaware law.

Notification of Certain Matters

Each of Houston Exploration, on the one hand, and Forest and Merger Sub, on the other hand, will give prompt notice to the other of any fact, event or circumstance known to such party that would be reasonably likely to result in a failure of a condition to the merger agreement, and in the case of Forest and Merger Sub a failure of the representation relating to the financing of the merger.

Directors' and Officers' Insurance and Indemnification

The merger agreement provides that Forest will, jointly and severally, indemnify, defend and hold harmless the present and former officers and directors of Houston Exploration and any of its subsidiaries in such capacities to the fullest extent permitted by law for claims and expenses occurring at or before the effective time of the merger.

Forest will also maintain tail directors' and officers' liability insurance from an insurance carrier with the same or better credit rating as Houston Exploration's current insurance carrier, with a claims period of six years from the effective time of the merger, with respect to the directors and officers of Houston Exploration and its subsidiaries who are currently covered by Houston Exploration's existing

directors' and officers' liability insurance with respect to claims arising from facts or events that occurred before the effective time of the merger, in an amount and scope and on terms and conditions no less favorable to such directors and officers than those in effect on the date of the merger agreement. However, Forest will not be obligated to make annual premium payments for this insurance to the extent that the premiums exceed 200% of the per annum rate of premium currently paid by Houston Exploration for such insurance on the date of the merger agreement. In the event that the annual premium for such insurance exceeds such maximum amount, Forest will purchase as much coverage per policy year as reasonably obtainable for such maximum amount.

Publicity

None of Houston Exploration, Forest or Merger Sub, nor any of their respective affiliates, will issue or cause the publication of any press release or other announcement with respect to the merger, the merger agreement or the other transactions contemplated by the merger agreement without the prior consultation of the other party, except as may be required by law or by any listing agreement with, or regulation of, any securities exchange or regulatory authority if all reasonable best efforts have been made to consult with the other party. In addition, Houston Exploration will, to the extent reasonably practicable, consult with Forest regarding the form and content of any public disclosure of any material developments or matters involving Houston Exploration, including earnings releases, reasonably in advance of such publication or release.

Stock Exchange Listing

Forest has agreed to use its reasonable best efforts to cause the shares of Forest common stock to be issued in connection with the merger to be listed on the NYSE, subject to official notice of issuance as of the effective time of the merger.

Employee Benefits

For a one-year period beginning at the effective time of the merger, Forest will cause individuals who are employed by Houston Exploration or its subsidiaries prior to the effective time of the merger and who thereafter remain or become employees of Forest or a subsidiary of Forest, which employees are referred to herein as Houston Exploration employees, and who continue employment with Forest or its subsidiaries to receive (during the period of such employment) (1) at least the same annual base salary or annual wages, as applicable, as such Houston Exploration employees were receiving immediately prior to the effective time of the merger and (2) employee benefits on a basis substantially similar to those provided to similarly situated employees of Forest; provided, however, that Forest may, in its discretion, continue eligibility for coverage of some or all of the Houston Exploration employees under one or more Houston Exploration benefit plans in lieu of providing such Houston Exploration employees with eligibility for coverage under a corresponding plan of Forest. To the extent required in any employment agreement between Houston Exploration and any Houston Exploration employee, as of the effective time of the merger, Forest will assume and agree to perform such agreement.

To the extent service is relevant for purposes of eligibility, participation or vesting (but not the accrual of benefits under any defined benefit pension plan) under any employee benefit plan, program or arrangement established or maintained by Forest in which Houston Exploration employees may participate, such Houston Exploration employees will be credited for service accrued as of the effective time of the merger with Houston Exploration and its subsidiaries to the extent such service was credited under a similar plan, program or arrangement of Houston Exploration. Forest agrees that Houston Exploration employees who continue employment with Forest will be eligible for a bonus with respect to the full calendar year in which the effective time of the merger occurs, on a basis substantially similar to that provided to similarly situated employees of Forest; provided, however, that if any such Houston Exploration employee commenced employment with Houston Exploration after

January 1, 2007, then, subject to the terms of the applicable bonus plan, such Houston Exploration employee will be eligible for a prorated bonus based on the period of his or her employment.

To the extent Houston Exploration employees and their dependents enroll in any health plan sponsored by Forest, Forest will waive any preexisting condition limitation applicable to such Houston Exploration employees to the extent that the employee's or dependent's condition would not have operated as a preexisting condition under the group health plan maintained by Houston Exploration. In addition, Forest will cause such health plans to (1) waive all waiting periods otherwise applicable to Houston Exploration employees and their dependents, other than waiting periods that are in effect with respect to such individuals as of the effective time of the merger to the extent not satisfied under the corresponding benefit plans of Houston Exploration, and (2) provide each Houston Exploration employee and his or her dependents with corresponding credit for any co-payments and deductibles paid by them under the corresponding benefit plans of Houston Exploration during the portion of the respective plan year prior to the effective time of the merger.

With respect to any Houston Exploration employees who become employed by Forest after the effective time of the merger, Forest will permit such Houston Exploration employees to schedule and take vacation days that have accrued prior to the effective time of the merger with pay through December 31, 2007, and Forest will give service credit for purposes of determining post-effective time of the merger vacation, sick leave and any other paid time off entitlements that Forest provides to its employees generally.

In connection with the merger, Houston Exploration amended its 401(k) Plan and Trust to provide for the full vesting of all account balances thereunder at the effective time of the merger with respect to participants who are employed by Houston Exploration immediately prior to such effective time. Vesting under Houston Exploration's 2005 Executive Deferred Compensation Plan follows the 401(k) Plan and Trust, so its balances also will fully vest upon the merger. Houston Exploration also amended its Supplemental Executive Retirement Plan and Change of Control Plan. The Supplemental Executive Retirement Plan was amended to eliminate provisions relating to the appointment of an independent plan administrator. Houston Exploration's Change of Control Plan was amended to clarify the scope of outplacement services and to provide that such plan will be administered by Houston Exploration or by one or more individuals designated from time to time by Houston Exploration (rather than the individual officer currently designated in such plan).

In addition to the cash-out or cancellation of certain Houston Exploration stock options as described above under "Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration; Proration Treatment of Stock Options," Forest will, on the date of grant (as defined below), grant a stock option under the Forest stock incentive plan (or a comparable new incentive plan) to each Houston Exploration employee who (1) has remained continuously employed by Forest and its subsidiaries from the effective time of the merger to the date of grant and (2) held immediately prior to the effective time of the merger an unexercised Houston Exploration stock option that had an exercise price per share at such time equal to or greater than \$54.18 (which Houston Exploration stock options previously have been disclosed to Forest). The stock option granted to each such Houston Exploration employee will (a) cover a number of shares of Forest common stock equal to the number of shares of Houston Exploration common stock subject to the Houston Exploration stock option described in clause (2) of the immediately preceding sentence and with respect to which such Houston Exploration stock option was not exercised prior to the effective time of the merger (subject to adjustment as provided in the Forest stock incentive plan), (b) have an exercise price per share of Forest common stock equal to the fair market value (as such term is defined in the Forest stock incent