

FOREST OIL CORP  
Form S-4/A  
April 30, 2007

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As filed with the Securities and Exchange Commission on April 30, 2007

Registration No. 333-140532

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**AMENDMENT NO. 3 TO  
FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

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**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 17<sup>th</sup> 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)

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

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

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**Alan P. Baden**  
**Shelley A. Barber**  
**Scott N. Wulfe**  
**Vinson & Elkins L.L.P.**  
**666 Fifth Avenue, 26<sup>th</sup> 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, 44<sup>th</sup> 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.

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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. o

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. o

**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.**

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**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 APRIL 30, 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 23.8 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 April 26, 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 the ten day 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 98 to 102 of this joint proxy statement/prospectus. The tables on pages 4 and 101 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 April 26, 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 April 30, 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 April 26, 2007, a total of 720,019 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 28.**

**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.

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

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 April 30, 2007, and is first being mailed to Forest shareholders and Houston Exploration stockholders on or about May 4, 2007.

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Forest Oil Corporation  
707 17<sup>th</sup> Street, Suite 3600  
Denver, Colorado 80202

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 5, 2007**

To the Shareholders of Forest Oil Corporation:

We will hold a special meeting of shareholders of Forest Oil Corporation on June 5, 2007 at 10:00 a.m., Denver time, at Denver Marriott City Center, 1701 California Street, Denver, Colorado 80202, 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 April 30, 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,

Cyrus D. Marter IV  
Vice President General Counsel and Secretary  
Denver, Colorado, April 30, 2007

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

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 5, 2007**

To the Stockholders of The Houston Exploration Company:

We will hold a special meeting of stockholders of Houston Exploration on June 5, 2007 at 11:00 a.m., Houston time, at The Four Seasons Hotel, 1300 Lamar, Houston, Texas 77010, 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 April 30, 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,

Carolyn M. Campbell  
Senior Vice President and General Counsel  
Houston, Texas, April 30, 2007

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### 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 156.

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 17<sup>th</sup> Street, Suite 3600  
Denver, Colorado 80202  
Attention: Investor Relations  
Telephone number: (303) 812-1400  
[www.forestoil.com](http://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](http://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 May 25, 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. 333-140532), 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.

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**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 159.*

**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

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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 April 26, 2007, Forest will issue approximately 23.8 million shares of Forest common stock in the merger, representing approximately 38% 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 average of the per share closing prices of shares of Forest common stock on the NYSE, as reported by *The Wall Street Journal*, during the ten 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 prior to 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 101 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 June 5, 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 June 5, 2007 with respect to the shares of Houston Exploration common stock issued upon exercise.

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In order to facilitate the cash/stock election mechanics, Houston Exploration's board has authorized the lapse of restrictions on each restricted share of its common stock granted and then outstanding under the Houston Exploration stock plans as of a date not more than six business days prior to the date of the Houston Exploration special meeting. As a result, upon notice to the holders, each such share of Houston Exploration restricted stock would be fully vested (which vesting could not be reversed in the event the merger is not consummated) in each holder thereof prior to the effective time of the merger and would 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 (but subject to applicable tax withholding, which the holder may satisfy by returning a number of shares of Houston Exploration common stock equal in value to such obligation).

In order to facilitate the cash/stock election mechanics, Houston Exploration's board also has authorized that, upon notice to the holders, as of a date not more than six business days prior to the date of the Houston Exploration special meeting, each restricted stock unit award granted and then outstanding under the Houston Exploration stock plans would be fully vested (which vesting could not be reversed in the event the merger is not consummated) in each holder thereof and the underlying shares of Houston Exploration common stock would be issued prior to the effective time of the merger (subject to applicable tax withholding, which the holder may satisfy by returning a number of shares of Houston Exploration common stock equal in value to such obligation) and would 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.

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 111.

**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 28.

**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 91 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 consideration and the refinancing of Houston Exploration's debt?**

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, as amended, which is subject to customary conditions, 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. Initially, Forest anticipates the commitments for the U.S. and Canadian credit facilities will consist of a U.S. facility of up to \$1.25 billion and a Canadian facility of up to \$150 million, 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 April 26, 2007), through borrowings under the credit facilities. Forest expects also to use the credit facilities to pay for estimated direct merger costs and change in control payments of approximately \$38 million and an estimated payment of approximately \$15 million related to the cash settlement of Houston Exploration stock options. Forest intends to use the credit facilities, immediately after the merger occurs, to refinance borrowings incurred by Houston Exploration immediately prior to the merger under its credit facility to fund the repurchase by Houston Exploration immediately prior to the merger of up to \$175 million of its outstanding senior subordinated notes through a tender offer and consent solicitation. Houston Exploration has agreed to offer to repurchase these notes at the request of Forest and, in the event the merger is not consummated, Forest has agreed to reimburse Houston Exploration for all expenses associated with the repurchase. Forest may access the debt capital markets to finance a portion of the cash component of the merger consideration and the related transactions or to refinance borrowings under the credit facilities. See "Financing of the Merger" beginning on page 138.

**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 111.



**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 133.

**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 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 61.

**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 144.

**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 64.

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

**A:** The Forest special meeting will take place on June 5, 2007 at 10:00 a.m., Denver time, at Denver Marriott City Center, 1701 California Street, Denver, Colorado 80202.

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

**A:** The Houston Exploration special meeting will be held on June 5, 2007 at 11:00 a.m., Houston time, at The Four Seasons Hotel, 1300 Lamar, Houston, Texas 77010.

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

A: All Forest shareholders of record as of the close of business on April 30, 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 April 30, 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 April 26, 2007, a total of 720,019 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 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

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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 June 5, 2007, you will need to send your Houston Exploration common stock certificates to the exchange agent, together with your completed, signed election form. The election form for your Houston Exploration shares and instructions will be delivered to you in a separate mailing. 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;

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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 the information agent:

**Georgeson Inc.**  
17 State Street 10<sup>th</sup> 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 156.*

**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.

Following the completion of its merger with Houston Exploration, Forest plans to restructure its Southern business unit and create a new Eastern business unit. The new Southern business unit will consist primarily of Houston Exploration's South Texas properties, but will also contain Forest's lower Gulf Coast properties. The new Eastern business unit will contain Forest's remaining Gulf Coast and Central Texas properties, Forest's and Houston Exploration's East Texas properties, and Houston Exploration's Arkoma Basin properties.

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 17<sup>th</sup> 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

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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 17<sup>th</sup> Street, Denver, Colorado 80202, and its telephone number is (303) 812-1400.

### **The Merger (see page 43)**

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 98)**

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 98 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). Based on the number of outstanding shares of Houston Exploration common stock on April 26, 2007, Forest will issue approximately 23.8 million shares of Forest common stock in the merger, representing approximately 38% 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. 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 per share 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 \$35.84, which was the per share closing price of shares of Forest common stock on April 27, 2007, the last business day prior to the date of this joint proxy statement/prospectus, the merger consideration would have a value of approximately \$56.36 per share of Houston Exploration common stock. Assuming a hypothetical average Forest common stock value of \$35.69 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 April 27, 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 \$56.23 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.

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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			