JOHNSON CONTROLS INC
Form 8-K
July 05, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): June 30, 2006

JOHNSON CONTROLS, INC.

(Exact name of registrant as specified in its charter)

Wisconsin	1-5097	39-0380010
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin		53201-0591
(Address of principal executive offices)		(Zip Code)

Registrant s telephone number, including area code: 414-524-1200

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry into a Material Definitive Agreement.

On June 30, 2006, Johnson Controls, Inc. (the "Company") and Giovanni Fiori, Executive Vice President, International of the Company, mutually agreed upon December 31, 2007 as Mr. Fiori's retirement date in accordance with the terms of the letter agreement between the Company and Mr. Fiori, dated November 29, 2004 (the "Second Letter Agreement"), which related to the letter agreement, dated November 21, 2002, between the Company and Mr. Fiori (the "First Letter Agreement"), and Mr. Fiori's executive employment agreement with the Company.

The First Letter Agreement and the Second Letter Agreement were filed as Exhibit 10.U to the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 2005, and the current form of employment agreement between the Company and all elected officers and certain key employees, including Mr. Fiori, was filed as Exhibit 10.K to the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 2005.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

JOHNSON CONTROLS, INC.

July 5, 2006 *By: R. Bruce McDonald*

Name: R. Bruce McDonald
Title: Vice President and Chief Financial Officer

and reviews of Sabine s financial statements, Sabine s independent registered public accounting firm identified and reported misstatements to management. Certain of such misstatements were deemed to be the result of internal control deficiencies that constituted material weaknesses in Sabine s internal control over financial reporting. If one or more material weaknesses recur or if Sabine fails to establish and maintain effective control over financial reporting, Sabine s ability to accurately report its financial results could be adversely affected.

Sabine restated its financial statements for the years ended December 31, 2012 and 2011 with respect to the accounting and disclosures for certain derivative financial transactions in both the 2012 and 2011 periods and with respect to reversing a bargain purchase gain recognized for the acquisition of certain oil and natural gas properties in 2012. Sabine concluded that these restatements constituted material weaknesses in internal control over financial reporting. A material weakness is a control deficiency, or a combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of Sabine s annual or interim financial statements will not be prevented or detected on a timely basis.

Sabine s efforts to develop and maintain internal controls may not be successful, and Sabine may be unable to maintain effective controls over its financial processes and reporting in the future. Further, Sabine s remediation efforts may not enable it to remedy or avoid material weaknesses or significant deficiencies in the future. Any failure to remediate deficiencies and to develop or maintain effective controls, or any difficulties encountered in Sabine s implementation or improvement of their internal controls over financial reporting could result in material misstatements that are not prevented or detected on a timely basis.

Sabine cannot assure you that the Company will complete the Transactions or, if completed, that such transaction will be beneficial to the Company.

Sabine cannot assure you that the Company will complete the Transactions or, if completed, that such transaction would achieve the desired benefits. The success of the Transactions will depend, in part, on the ability

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of the combined company to realize the anticipated benefits from combining the Company s business with that of Forest Oil. Realizing the benefits of the mergers will depend in part on the integration of assets, operations and personnel while maintaining adequate focus on the core businesses of the combined company. Sabine cannot assure you that any cost savings, greater economies of scale and other operational efficiencies, as well as revenue enhancement opportunities anticipated from the combination of the two businesses will occur. If management of the combined company is unable to minimize the potential disruption of the combined company s ongoing business and distraction of the management during the integration process, the anticipated benefits of the mergers may not be realized. These integration matters could have an adverse effect on the Company.

If Sabine consummates the Transactions and if any of these risks or unanticipated liabilities or costs were to materialize, any desired benefits of the Transactions may not be fully realized, if at all, and the Company s future financial performance and results of operations could be negatively impacted. Further, the failure to complete the Transactions could negatively impact the market price of the Company s shares of common stock and future business and financial results, and the Company may experience negative reactions from the financial markets and from customers and employees.

Sabine will incur substantial transaction-related costs in connection with the Transactions.

Sabine expects to incur a number of non-recurring transaction-related costs associated with completing the Transactions, combining the operations of Forest Oil with the Company s business and achieving desired synergies. These fees and costs will be substantial. There can be no assurance that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the two businesses, will offset the incremental transaction-related costs over time. Thus, any net benefit may not be achieved in the near term, or at all.

Pending the completion of the Transactions, Sabine s business and operations could be materially adversely affected.

Under the terms of the Merger Agreement, Sabine is subject to certain restrictions on the conduct of the Company s business prior to completing the transactions which may adversely affect the Company s ability to execute certain business strategies, including the Company s ability in certain cases to enter into contracts or incur capital expenditures to grow the business. Such limitations could negatively affect Sabine s business and operations prior to the completion of the Transactions. Additionally, uncertainty about the effect of the mergers on employees, customers and suppliers may have an adverse effect on the Company s business. These uncertainties may impair Sabine s ability to attract, retain and motivate key personnel until the mergers are consummated and for a period of time thereafter, and could cause the Company s customers, suppliers and others who deal with the Company to seek to change their existing business relationships, which could negatively impact revenues, earnings and cash flows of the Company s business, as well as the market prices of the Company s common stock, regardless of whether the mergers are completed. Furthermore, matters relating to the Transactions may require substantial commitments of time and resources by management, which could otherwise have been devoted to other opportunities that may have been beneficial to Sabine.

The closing of the Transactions will trigger change of control provisions under the indentures governing Forest Oil s notes and Forest Oil s revolving credit facility.

The closing of the Transactions will trigger change-of-control provisions in the indentures governing Forest Oil s existing 7.25% senior notes due 2019 and existing 7.5% senior notes due 2020 (the Forest Oil Notes), which have an aggregate principal amount of $800 million. These change-of-control provisions entitle holders of the Forest Oil Notes to be offered 101 percent of the principal amount of the notes plus accrued interest with respect to each series of notes.

In addition, the closing of the Transactions will trigger change of control provisions in Forest Oil s senior secured revolving credit facility (the Forest Oil Credit Facility). As of June 30, 2014, there were no outstanding borrowings under the Forest Oil Credit Facility.

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If the combined company is unable to fund a repurchase of the Forest Oil Notes or is unable to repay or refinance amounts outstanding under the Forest Oil Credit Facility, with a new combined credit facility for the Company and Forest, it could result in defaults under the combined company s debt agreements. Even if the combined company is able to repurchase the notes or repay or refinance such amounts under a new combined credit facility, based on current expectations of the results of the combined company, by the end of the first quarter of 2015 the leverage of the combined company may exceed the maximum amount anticipated to be permitted under the new combined credit facility unless certain mitigating actions are taken. Further, during the pendency of the proposed transactions, a decrease in Forest Oil s perceived creditworthiness may have an adverse effect on the Company s perceived creditworthiness, which may result in a downgrade of Sabine s credit ratings or constrain Sabine s financial flexibility.

These and other risks related to the Transactions have been discussed in more detail in the Proxy Statement filed by Forest Oil with the SEC on July 16, 2014 in connection with the Transactions.

Legal Proceedings

Sabine is a defendant in lawsuits arising in the ordinary course of business. Sabine cannot predict the outcome of any such lawsuits with certainty, but its management team does not expect the outcome of pending or threatened legal matters to have a material adverse impact on Sabine s financial condition.

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SABINE OIL & GAS LLC

Estimated

Future Reserves and Income

Attributable to Certain

Leasehold and Royalty Interests

SEC Parameters

As of

December 31, 2013

\s\ Jennifer Fitzgerald
Jennifer A. Fitzgerald, P.E.
TBPE License No. 100572
Senior Vice President

[SEAL]

RYDER SCOTT COMPANY, L.P.

TBPE Firm Registration No. F-1580

RYDER SCOTT COMPANY PETROLEUM CONSULTANTS

A-150

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TBPE REGISTERED ENGINEERING FIRM F-1580 FAX (713) 651-0849
1100 LOUISIANA STREET SUITE 4600 HOUSTON, TELEPHONE (713) 651-9191

TEXAS 77002-5294

January 24, 2014

Sabine Oil & Gas LLC

1415 Louisiana, Suite 1600

Houston, Texas 77002

Gentlemen:

At your request, Ryder Scott Company, L.P. (Ryder Scott) has prepared an estimate of the proved reserves, future production, and income attributable to certain leasehold and royalty interests of Sabine Oil & Gas LLC (Sabine) as of December 31, 2013. The subject properties are located in the state of Texas. The reserves and income data were estimated based on the definitions and disclosure guidelines of the United States Securities and Exchange Commission (SEC) contained in Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register (SEC regulations). Our third party study, completed on January 20, 2014 and presented herein, was prepared in accordance with the disclosure requirements set forth in the SEC regulations. The properties evaluated by Ryder Scott represent 100 percent of the total net proved liquid hydrocarbon reserves and 100 percent of the total net proved gas reserves of Sabine as of December 31, 2013.

The estimated reserves and future net income amounts presented in this report, as of December 31, 2013, are related to hydrocarbon prices. The hydrocarbon prices used in the preparation of this report are based on the average prices during the 12-month period prior to the ending date of the period covered in this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements, as required by the SEC regulations. Actual future prices may vary significantly from the prices required by SEC regulations; therefore, volumes of reserves actually recovered and the amounts of income actually received may differ significantly from the estimated quantities presented in this report. The results of this study are summarized below.

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SEC PARAMETERS

Estimated Net Reserves and Income Data

Certain Leasehold and Royalty Interests of

Sabine Oil & Gas LLC

As of December 31, 2013

	Proved			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Proved
Net Remaining Reserves				
Oil/Condensate Barrels	5,545,661	447,267	10,917,769	16,910,697
Plant Products Barrels	11,017,554	565,277	13,365,993	24,948,824
Gas MMCF	348,332	12,312	227,469	588,113
Income Data (M$)				
Future Gross Revenue	$ 2,092,260	$ 101,698	$ 2,245,408	$ 4,439,366
Deductions	631,305	35,923	914,912	1,582,140
Future Net Income (FNI)	$ 1,460,955	$ 65,775	$ 1,330,496	$ 2,857,226
Discounted FNI @ 10%	$ 770,969	$ 34,705	$ 545,198	$ 1,350,872

Sabine Oil & Gas LLC

January 24, 2014

SUITE 600, 1015 4TH STREET, S.W. CALGARY, ALBERTA TEL (403) 262-2799 FAX (403) 262-2790 T2R 1J4
621 17TH STREET, SUITE 1550 DENVER, COLORADO TEL (303) 623-9147 FAX (303) 623-4258 80293-1501

Liquid hydrocarbons are expressed in standard 42 gallon barrels. All gas volumes are reported on an as sold basis expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. In this report, the revenues, deductions, and income data are expressed as thousands of U.S. dollars (M$).

The estimates of the reserves, future production, and income attributable to properties in this report were prepared using the economic software package Aries System Petroleum Economic Evaluation Software, a copyrighted program of Halliburton. The program was used at the request of Sabine. Ryder Scott has found this program to be generally acceptable, but notes that certain summaries and calculations may vary due to rounding and may not exactly match the sum of the properties being summarized. Furthermore, one line economic summaries may vary slightly from the more detailed cash flow projections of the same properties, also due to rounding. The rounding differences are not material.

The future gross revenue is after the deduction of production taxes. The deductions incorporate the normal direct costs of operating the wells, ad valorem taxes, recompletion costs, development costs, and certain abandonment costs net of salvage. The future net income is before the deduction of state and federal income taxes and general administrative overhead, and has not been adjusted for outstanding loans that may exist, nor does it include any adjustment for cash on hand or undistributed income. Liquid hydrocarbon reserves account for approximately 54 percent and gas reserves account for the remaining 46 percent of total future gross revenue from proved reserves.

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The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded monthly. Future net income was discounted at four other discount rates which were also compounded monthly. These results are shown in summary form as follows.

	Discounted Future Net Income (M$) As of December 31, 2013 Total
Discount Rate Percent	Proved
5	$ 1,834,009
8	$ 1,509,697
9	$ 1,425,850
12	$ 1,222,332

The results shown above are presented for your information and should not be construed as Sabine s estimate of fair market value.

Reserves Included in This Report

The proved reserves included herein conform to the definition as set forth in the Securities and Exchange Commission s Regulations Part 210.4-10(a). An abridged version of the SEC reserves definitions from 210.4-10(a) entitled Petroleum Reserves Definitions is included as an attachment to this report.

The various proved reserve status categories are defined under the attachment entitled Petroleum Reserves Status Definitions and Guidelines in this report. The proved developed non-producing reserves included herein consist of the behind pipe category.

No attempt was made to quantify or otherwise account for any accumulated gas production imbalances that may exist. The proved gas volumes presented herein do not include volumes of gas consumed in operations as reserves.

Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves, and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. At Sabine s request, this report addresses only the proved reserves attributable to the properties evaluated herein.

Proved oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward . The proved reserves included herein were estimated using deterministic methods. The SEC has defined reasonable certainty for proved reserves, when based on deterministic methods, as a high degree of confidence that the quantities will be recovered.

Proved reserve estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change. For proved reserves, the SEC states that as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to the estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease. Moreover, estimates of proved reserves may be revised as a result

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of future operations, effects of regulation by governmental agencies or geopolitical or economic risks. Therefore, the proved reserves included in this report are estimates only and should not be construed as being exact quantities, and if recovered, the revenues therefrom, and the actual costs related thereto, could be more or less than the estimated amounts.

Sabine s operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include, but may not be limited to, matters relating to land tenure and leasing, the legal rights to produce hydrocarbons, drilling and production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax and are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of proved reserves actually recovered and amounts of proved income actually received to differ significantly from the estimated quantities.

The estimates of proved reserves presented herein were based upon a detailed study of the properties in which Sabine owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liabilities to restore and clean up damages, if any, caused by past operating practices.

Estimates of Reserves

The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions set forth by the Securities and Exchange Commission s Regulations Part 210.4-10(a). The process of estimating the quantities of recoverable oil and gas reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods; (2) volumetric-based methods; and (3) analogy. These methods may be used singularly or in combination by the reserve evaluator in the process of estimating the quantities of reserves. Reserve evaluators must select the method or combination of methods which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated, and the stage of development or producing maturity of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of reserves is identified, the evaluator must determine the uncertainty associated with the incremental quantities of the reserves. If the reserve quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity of the reserves is addressed by the reserve category assigned by the evaluator. Therefore, it is the categorization of reserve quantities as proved, probable and/or possible that addresses the inherent uncertainty in the estimated quantities reported. For proved reserves, uncertainty is defined by the SEC as reasonable certainty wherein the quantities actually recovered are much more likely than not to be achieved. The SEC states that probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. The SEC states that possible reserves are those additional reserves that are less certain to be recovered than probable reserves and the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. All quantities of reserves within the same reserve category must meet the SEC definitions as noted above.

Estimates of reserves quantities and their associated reserve categories may be revised in the future as additional geoscience or engineering data become available. Furthermore, estimates of reserves quantities and their associated reserve categories may also be revised due to other factors such as changes in economic conditions, results of future

operations, effects of regulation by governmental agencies or geopolitical or economic risks as previously noted herein.

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The proved reserves for the properties included herein were estimated by performance methods, the volumetric method, analogy, or a combination of methods. Approximately 90 percent of the proved producing reserves attributable to producing wells and/or reservoirs were estimated by performance methods or a combination of methods. These performance methods include, but may not be limited to, decline curve analysis, which utilized extrapolations of historical production and pressure data available through December 2013 in those cases where such data were considered to be definitive. The data utilized in this analysis were furnished to Ryder Scott by Sabine or obtained from public data sources and were considered sufficient for the purpose thereof. The remaining 10 percent of the proved producing reserves were estimated by the volumetric method, analogy, or a combination of methods. These methods were used where there were inadequate historical performance data to establish a definitive trend and where the use of production performance data as a basis for the reserve estimates was considered to be inappropriate.

Approximately 100 percent of the proved developed non-producing and undeveloped reserves included herein were estimated by the volumetric method, analogy, or a combination of methods. The volumetric analysis utilized pertinent well and seismic data furnished to Ryder Scott by Sabine or which we have obtained from public data sources that were available through December 2013. The data utilized from the analogues as well as well and seismic data incorporated into our volumetric analysis were considered sufficient for the purpose thereof.

To estimate economically recoverable proved oil and gas reserves and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data that cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be anticipated to be economically producible from a given date forward based on existing economic conditions including the prices and costs at which economic producibility from a reservoir is to be determined. While it may reasonably be anticipated that the future prices received for the sale of production and the operating costs and other costs relating to such production may increase or decrease from those under existing economic conditions, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Sabine has informed us that they have furnished us all of the material accounts, records, geological and engineering data, and reports and other data required for this investigation. In preparing our forecast of future proved production and income, we have relied upon data furnished by Sabine with respect to property interests owned, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and/or processing fees, ad valorem and production taxes, recompletion and development costs, abandonment costs after salvage, product prices based on the SEC regulations, adjustments or differentials to product prices, geological structural and isochore maps, well logs, core analyses, and pressure measurements. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data furnished by Sabine. We consider the factual data used in this report appropriate and sufficient for the purpose of preparing the estimates of reserves and future net revenues herein.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purpose hereof, and we have used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves herein. The proved reserves included herein were determined in conformance with the United States Securities and Exchange Commission (SEC) Modernization of Oil and Gas Reporting; Final Rule, including all references to Regulation S-X and Regulation S-K, referred to herein collectively as the SEC Regulations. In our opinion, the proved reserves presented in this report comply with the definitions, guidelines and disclosure requirements as required by the SEC regulations.

Future Production Rates

For wells currently on production, our forecasts of future production rates are based on historical performance data. If no production decline trend has been established, future production rates were held constant,

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or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied to depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

Test data and other related information were used to estimate the anticipated initial production rates for those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by Sabine. Wells or locations that are not currently producing may start producing earlier or later than anticipated in our estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, completing and/or recompleting wells and/or constraints set by regulatory bodies.

The future production rates from wells currently on production or wells or locations that are not currently producing may be more or less than estimated because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.

Hydrocarbon Prices

The hydrocarbon prices used herein are based on SEC price parameters using the average prices during the 12-month period prior to the ending date of the period covered in this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements. For hydrocarbon products sold under contract, the contract prices, including fixed and determinable escalations, exclusive of inflation adjustments, were used until expiration of the contract. Upon contract expiration, the prices were adjusted to the 12-month unweighted arithmetic average as previously described.

Sabine furnished us with the above mentioned average prices in effect on December 31, 2013. These initial SEC hydrocarbon prices were determined using the 12-month average first-day-of-the-month benchmark prices appropriate to the geographic area where the hydrocarbons are sold. These benchmark prices are prior to the adjustments for differentials as described herein. The table below summarizes the benchmark prices and price reference used for the geographic area included in the report. In certain geographic areas, the price reference and benchmark prices may be defined by contractual arrangements.

The product prices that were actually used to determine the future gross revenue for each property reflect adjustments to the benchmark prices for gravity, quality, local conditions, and/or distance from market, referred to herein as differentials. The differentials used in the preparation of this report were estimated by us based on information furnished by Sabine.

In addition, the table below summarizes the net volume weighted benchmark prices adjusted for differentials and referred to herein as the average realized prices. The average realized prices shown in the table below were determined from the total future gross revenue before production taxes and the total net reserves for the geographic area and presented in accordance with SEC disclosure requirements for each of the geographic areas included in the report.

Geographic Area	Product	Price Reference	Average Benchmark Prices	Average Realized Prices

North America United States	Oil/Condensate	WTI Cushing	$ 96.78/Bbl	$ 97.78/Bbl
	NGLs	Mont Belvieu Propane	$ 41.23/Bbl	$ 34.32/Bbl
	Gas	Henry Hub	$ 3.67/MMBTU	$ 3.67/MCF

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The effects of derivative instruments designated as price hedges of oil and gas quantities are not reflected in our individual property evaluations.

Costs

Operating costs for the leases and wells in this report were furnished by Sabine and are based on the operating expense reports of Sabine and include only those costs directly applicable to the leases or wells. The operating costs include a portion of general and administrative costs allocated directly to the leases and wells. The operating costs furnished by Sabine were reviewed by us for their reasonableness using information furnished by Sabine for this purpose. No deduction was made for loan repayments, interest expenses, or exploration and development prepayments that were not charged directly to the leases or wells.

Development costs were furnished to us by Sabine and are based on authorizations for expenditure for the proposed work or actual costs for similar projects. The development costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of these costs. The estimated net cost of abandonment after salvage was included for properties where abandonment costs net of salvage were significant. The estimates of the net abandonment costs furnished by Sabine were accepted without independent verification.

The proved developed non-producing and undeveloped reserves in this report have been incorporated herein in accordance with Sabine s plans to develop these reserves as of December 31, 2013. The implementation of Sabine s development plans as presented to us and incorporated herein is subject to the approval process adopted by Sabine s management. As the result of our inquiries during the course of preparing this report, Sabine has informed us that the development activities included herein have been subjected to and received the internal approvals required by Sabine s management at the appropriate local, regional and/or corporate level. In addition to the internal approvals as noted, certain development activities may still be subject to specific partner AFE processes, Joint Operating Agreement (JOA) requirements or other administrative approvals external to Sabine. Additionally, Sabine has informed us that they are not aware of any legal, regulatory, political or economic obstacles that would significantly alter their plans.

Current costs used by Sabine were held constant throughout the life of the properties.

Standards of Independence and Professional Qualification

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over seventy-five years. Ryder Scott is employee-owned and maintains offices in Houston, Texas; Denver, Colorado; and Calgary, Alberta, Canada. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients for which we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any privately-owned or publicly-traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry-related professional societies and organizes an annual public forum focused on the subject of reserves evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reserves related topics. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional accreditation in the form of a registered or certified professional engineer s license or a registered or certified professional geoscientist s license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

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We are independent petroleum engineers with respect to Sabine**.** Neither we nor any of our employees have any interest in the subject properties and neither the employment to do this work nor the compensation is contingent on our estimates of reserves for the properties which were reviewed.

The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of the undersigned, the technical person primarily responsible for overseeing the evaluation of the reserves information discussed in this report, are included as an attachment to this letter.

Terms of Usage

The results of our third party study, presented in report form herein, were prepared in accordance with the disclosure requirements set forth in the SEC regulations.

We have provided Sabine with a digital version of the original signed copy of this report letter. In the event there are any differences between the digital version included in presentations made by Sabine and the original signed report letter, the original signed report letter shall control and supersede the digital version.

The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

\s\ Jennifer Fitzgerald

Jennifer A. Fitzgerald, P.E.
TBPE License No. 100572
Senior Vice President

JAF (FWZ)/pl **[SEAL]**

Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. Jennifer A. Fitzgerald was the primary technical person responsible for overseeing the estimate of the reserves, future production and income prepared by Ryder Scott presented herein.

Mrs. Fitzgerald, an employee of Ryder Scott Company L.P. (Ryder Scott) since 2006, is a Senior Vice President responsible for coordinating and supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mrs. Fitzgerald served in a number of engineering positions with ExxonMobil. For more information regarding Mrs. Fitzgerald s geographic and job specific experience, please refer to the Ryder Scott Company website at www.ryderscott.com/Experience/Employees.

Mrs. Fitzgerald earned a Bachelor of Science degree in Chemical Engineering from University of Illinois Urbana-Champaign in 2001 and is a registered Professional Engineer in the State of Texas. She is also a member of the Society of Petroleum Evaluation Engineers and Society of Petroleum Engineers. She currently serves on the Board of Directors for the Society of Petroleum Evaluation Engineers.

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In addition to gaining experience and competency through prior work experience, the Texas Board of Professional Engineers requires a minimum of fifteen hours of continuing education annually, including at least one hour in the area of professional ethics, which Mrs. Fitzgerald fulfills. As part of her 2013 continuing education hours, Mrs. Fitzgerald attended 8 hours of formalized training including the 2013 RSC Reserves Conference and various professional society presentations specifically relating to the definitions and disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register. Mrs. Fitzgerald attended an additional 8 hours of formalized external training during 2013 covering such topics as reservoir engineering, geoscience and petroleum economics evaluation methods, procedures and software and ethics for consultants. She also presented presentations at the 2013 RSC Reserves Conference and the 2013 National Oil and Gas Reserves Conference held by AICPA/PDI relating to the definitions and disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register. Mrs. Fitzgerald also previously attended the one and two day short courses presented by Dr. John Lee specific to the new SEC regulations.

Based on her educational background, professional training and more than 12 years of practical experience in the estimation and evaluation of petroleum reserves, Mrs. Fitzgerald has attained the professional qualifications as a Reserves Estimator and Reserves Auditor set forth in Article III of the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers as of February 19, 2007.

PETROLEUM RESERVES DEFINITIONS

As Adapted From:

RULE 4-10(a) of REGULATION S-X PART 210

UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

PREAMBLE

On January 14, 2009, the United States Securities and Exchange Commission (SEC) published the Modernization of Oil and Gas Reporting; Final Rule in the Federal Register of National Archives and Records Administration (NARA). The Modernization of Oil and Gas Reporting; Final Rule includes revisions and additions to the definition section in Rule 4-10 of Regulation S-X, revisions and additions to the oil and gas reporting requirements in Regulation S-K, and amends and codifies Industry Guide 2 in Regulation S-K. The Modernization of Oil and Gas Reporting; Final Rule , including all references to Regulation S-X and Regulation S-K, shall be referred to herein collectively as the SEC regulations . The SEC regulations take effect for all filings made with the United States Securities and Exchange Commission as of December 31, 2009, or after January 1, 2010. Reference should be made to the full text under Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) for the complete definitions (direct passages excerpted in part or wholly from the aforementioned SEC document are denoted in italics herein).

Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two

principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. Under the SEC regulations as of December 31, 2009, or after January 1, 2010, a company may optionally disclose estimated quantities of probable or possible oil and gas

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reserves in documents publicly filed with the SEC. The SEC regulations continue to prohibit disclosure of estimates of oil and gas resources other than reserves and any estimated values of such resources in any document publicly filed with the SEC unless such information is required to be disclosed in the document by foreign or state law as noted in §229.1202 Instruction to Item 1202.

Reserves estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, natural gas cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves may be attributed to either conventional or unconventional petroleum accumulations. Petroleum accumulations are considered as either conventional or unconventional based on the nature of their in-place characteristics, extraction method applied, or degree of processing prior to sale.

Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale.

Reserves do not include quantities of petroleum being held in inventory.

Because of the differences in uncertainty, caution should be exercised when aggregating quantities of petroleum from different reserves categories.

RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(26) defines reserves as follows:

Reserves. *Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.*

Note to paragraph (a)(26): Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

PROVED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(22) defines proved oil and gas reserves as follows:

Proved oil and gas reserves. *Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless*

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evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and

(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

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PETROLEUM RESERVES STATUS DEFINITIONS AND GUIDELINES

As Adapted From:

RULE 4-10(a) of REGULATION S-X PART 210

UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

and

PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)

Sponsored and Approved by:

SOCIETY OF PETROLEUM ENGINEERS (SPE)

WORLD PETROLEUM COUNCIL (WPC)

AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)

SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

Reserves status categories define the development and producing status of wells and reservoirs. Reference should be made to Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) and the SPE-PRMS as the following reserves status definitions are based on excerpts from the original documents (direct passages excerpted from the aforementioned SEC and SPE-PRMS documents are denoted in italics herein).

DEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(6) defines developed oil and gas reserves as follows:

Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Developed Producing (SPE-PRMS Definitions)

While not a requirement for disclosure under the SEC regulations, developed oil and gas reserves may be further sub-classified according to the guidance contained in the SPE-PRMS as Producing or Non-Producing.

Developed Producing Reserves

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing

Developed Non-Producing Reserves include shut-in and behind-pipe reserves.

Shut-In

Shut-in Reserves are expected to be recovered from:

(1) completion intervals which are open at the time of the estimate, but which have not started producing;

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(2) wells which were shut-in for market conditions or pipeline connections; or

(3) wells not capable of production for mechanical reasons.

Behind-Pipe

Behind-pipe Reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future re-completion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

UNDEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(31) defines undeveloped oil and gas reserves as follows:

Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

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Annex B

INFORMATION CONCERNING FOREST OIL CORPORATION

In this Annex B, references to Forest , the Company, we, our, and us refer to Forest Oil Corporation and its subsidiaries.

Overview

Forest is an independent oil and gas company engaged in the acquisition, exploration, development, and production of oil, natural gas, and natural gas liquids (sometimes referred to as NGLs) 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 s total estimated proved oil and gas reserves as of December 31, 2013 were approximately 625 Bcfe, all of which are located in the United States.

Strategy

Forest s long-term operating strategy seeks to build shareholder value by pursuing the development of oil and natural gas assets within our operational areas located in the Ark-La-Tex in East Texas, Louisiana, and Arkansas, the Eagle Ford in South Texas and the Permian Basin in West Texas. We strive to maintain a large number of commodity-diverse drilling locations that provide us with the flexibility to allocate capital to projects that generate the highest margins depending on the current commodity price environment, which currently include oil or natural gas liquids drilling projects. We devoted the majority of our capital expenditures to oil and natural gas liquids projects in 2013 and we plan to continue to do so in 2014. Our asset base and development efforts are focused in areas where we have concentrated land positions, a large drilling inventory, and operational control. Our growth strategy may also be supplemented from time to time through opportunistic acquisitions that complement our existing asset base to increase the size and scale of our development and resource opportunities. We may also sell properties when the opportunity arises or business conditions warrant, as demonstrated by the sale of our natural gas assets in South Texas and our Texas Panhandle properties in 2013.

Core Operational Areas

Our core operational areas consist of drilling projects that have exposure to oil, natural gas, and natural gas liquids. Our primary areas of focus in 2014 will be in the Ark-La-Tex in East Texas and the Eagle Ford in South Texas.

Ark-La-Tex

We currently hold an acreage position of 234,000 gross (162,000 net) acres in the greater Ark-La-Tex. Approximately 78% of the acreage is held by production, of which 85% is operated by Forest. We believe that this asset base provides repeatable and predictable drilling and recompletion opportunities within multiple stacked-pay intervals, including the Cotton Valley, Haynesville, and other formations. Recent drilling activity has focused on the liquids-rich Cotton Valley and other formations in East Texas. During 2012, we changed our focus to target primarily liquids-rich drilling projects to take advantage of these higher-margin opportunities as a result of a decrease in natural gas prices. In 2013, we continued to primarily target the Cotton Valley formation and experienced relatively consistent and predictable results. We drilled a total of six wells in 2013 that had a 30-day average gross production rate of 8.7 MMcfe/d (40% liquids). In 2014, we plan to continue targeting the Cotton Valley and our efforts will focus on transitioning to multi-well pad drilling in certain areas to improve efficiency as we seek to reduce well costs. We plan to operate a three-rig drilling program in Ark-La-Tex during the second half of 2014.

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Eagle Ford

We currently hold an acreage position of 48,000 gross (24,000 net) acres in the Eagle Ford. In April 2013, we announced a joint development agreement with an industry partner that allowed us to increase our pace of drilling activity during 2013 and implement technological refinements and enhancements. These enhancements involve ongoing micro-seismic and subsurface data analysis and reservoir studies that are being used to optimize well placement, lateral length, and fracture stimulation techniques and design. We are attempting to operate more efficiently through a combination of decreased drilling and completion time, the utilization of a more targeted completion design, and capitalizing on operational synergies associated with pad drilling. Drilling and completion costs for the wells drilled in 2014 have averaged approximately $4.5 million per gross well as compared to $6 million for the wells drilled in 2013.

Acquisition and Divestiture Activities

On October 1, 2014, we entered into an agreement to purchase approximately 5,800 net acres of undeveloped properties and approximately 2,000 net acres of producing properties, including three horizontal Cotton Valley wells, located in Rusk County in East Texas, for a purchase price of $20,000,000.00.

On May 5, 2014, we entered into an Agreement and Plan of Merger with Sabine Oil & Gas LLC (Sabine), under which Forest and Sabine will combine their businesses in an all-stock transaction. This agreement was amended on July 9, 2014 primarily to change the structure of the transaction, in which Forest now will be the surviving entity. The revised transaction structure does not change the economic terms of the transaction. Under the terms of the amended merger agreement, the owners of Sabine will contribute their interests in Sabine to Forest, in exchange for Forest common and preferred stock. Upon closing of the combination transaction, Forest s shareholders will own common shares that represent an approximate 26.5% economic interest in the combined company and approximately 20% of the total voting power, and Sabine s equity holders will own common shares and preferred shares that represent an approximate 73.5% economic interest and approximately 80% of the total voting power in the combined company. Consummation of the transaction is subject to approval by Forest shareholders, regulatory approvals, and other customary closing conditions. The combined entity will change its name to Sabine Oil & Gas Corporation and be headquartered in Houston.

In October 2013, we entered into an agreement to sell all of our oil and natural gas properties located in the Texas Panhandle for $1 billion in cash. This transaction closed in November 2013 and we have received proceeds of $985 million through June 2014, including $20 million received in May 2014, after customary purchase price adjustments and escrow account settlements. In January 2013, we entered into an agreement to sell all of our oil and natural gas properties located in South Texas, excluding our Eagle Ford oil properties, for $325 million in cash. This transaction closed in February 2013 and we received proceeds of $321 million, after customary purchase price adjustments. We used the proceeds from these property divestitures to reduce our debt. These property divestitures affect the comparability of the results of our operations between the three and six months ended June 30, 2014 and the three and six months ended June 30, 2013 presented herein.

In August 2013, we entered into an agreement to sell a portion of our largely undeveloped acreage position located in Crockett County in the Permian Basin of West Texas. This transaction closed on September 10, 2013 and we received net cash proceeds of $31 million.

In January 2013, we entered into an agreement to sell all of our oil and natural gas properties located in South Texas, excluding our Eagle Ford oil properties. This transaction closed on February 15, 2013 and we received net cash proceeds of $321 million. We estimated the proved reserves associated with these properties were 223 Bcfe at the time

of sale.

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In November 2012, we sold all of our oil and natural gas properties located in South Louisiana for net cash proceeds of $211 million. We estimated the proved reserves associated with these properties were 39 Bcfe at the time of sale. In October 2012, we sold the majority of our East Texas natural gas gathering assets for net cash proceeds of $29 million.

In June 2011, we completed an initial public offering of approximately 18% of the common stock of our then wholly-owned subsidiary, Lone Pine Resources Inc. (Lone Pine), which held our ownership interests in our Canadian operations. On September 30, 2011, we distributed, or spun-off, our remaining 82% ownership in Lone Pine to our shareholders, by means of a special stock dividend of Lone Pine common shares. We estimated the proved reserves associated with these properties were 510 Bcfe at the time of spin-off.

In 2009, we sold oil and natural gas properties located in the Permian Basin in West Texas and New Mexico in three separate transactions for net proceeds of $908 million in cash. We estimated the proved reserves associated with these properties were 541 Bcfe at the time of sale.

Reserves

The following table summarizes our estimated quantities of proved reserves as of December 31, 2013, all of which are located in the United States, based on the NYMEX Henry Hub (HH) price of $3.67 per MMBtu for natural gas and the NYMEX West Texas Intermediate (WTI) price of $97.33 per barrel for oil, each of which represents the unweighted arithmetic average of the first-day-of-the-month prices during the twelve-month period prior to December 31, 2013. See *Preparation of Reserves Estimates* below and Note 14 to the Consolidated Financial Statements for additional information regarding our estimated proved reserves.

	Estimated Proved Reserves			
	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas Liquids (MBbls)	Total (MMcfe)[1]
Developed	336,342	6,151	6,855	414,378
Undeveloped	118,249	10,523	4,856	210,523
Total estimated proved reserves	454,591	16,674	11,711	624,901

(1) Oil and natural gas liquids are converted to gas-equivalents using a conversion of six Mcf equivalent per barrel of oil or natural gas liquids. This conversion is based on energy equivalence and not price equivalence. For 2013, the average of the first-day-of-the-month natural gas price was $3.67 per Mcf, and the average of the first-day-of-the-month oil price was $97.33 per barrel. If a price-equivalent conversion based on these twelve-month average prices was used, the conversion factor would be approximately 27 Mcf per barrel of oil and approximately 10 Mcf per barrel of NGLs (based on the average of the first-day-of-the-month Mt. Belvieu pricing for NGLs in 2013).

As of December 31, 2013, we had estimated proved reserves of 625 Bcfe, a decrease of 54% compared to 1,363 Bcfe of estimated proved reserves at December 31, 2012. During 2013, we added 148 Bcfe of estimated proved reserves through extensions and discoveries primarily driven by our 2013 drilling activity in the Eagle Ford in South Texas and Cotton Valley in East Texas. These reserve additions were offset by property sales of 800 Bcfe and net negative revisions of 10 Bcfe. The net negative revisions of 10 Bcfe were comprised of (i) the reclassification of 41 Bcfe of

proved undeveloped reserves (PUDs) to probable undeveloped reserves for PUDs that are not expected to be developed five years from the time the reserves were initially disclosed, (ii) negative performance revisions of 9 Bcfe, and (iii) positive pricing revisions of 40 Bcfe.

As of December 31, 2013, we had estimated proved undeveloped reserves of 211 Bcfe, or 34% of estimated proved reserves, compared to 425 Bcfe, or 31% of estimated proved reserves as of December 31, 2012. The net decrease of 215 Bcfe was primarily due to property sales including 286 Bcfe of proved undeveloped reserves. During 2013, we invested $75 million to convert 22 Bcfe of our December 31, 2012 PUDs to proved developed

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reserves. The rate at which we convert PUDs to proved developed reserves has been negatively impacted in the last several years due to our transition away from developing natural gas reserves, many of which were reclassified to probable reserves in the last several years, and towards the development of oil reserves. In connection with this transition, we drilled a high percentage of non-proved locations in an effort to hold leases that would otherwise be lost if instead we were to drill proved undeveloped locations that are on leases already held by producing wells. This trend continued throughout 2013, however, we expect to increase our PUD conversion rate in 2014. As of December 31, 2013, we have no PUDs that have remained undeveloped for five years or more after they were initially disclosed as PUDs.

Preparation of Reserves Estimates

Reserves estimates included in this proxy statement are prepared by Forest s internal staff of engineers with significant consultation with internal geologists and geophysicists. The reserves estimates are based on production performance and data acquired remotely or in wells, and are guided by petrophysical, geologic, geophysical, and reservoir engineering models. Access to the database housing reserves information is restricted to select individuals from our engineering department. Moreover, new reserves estimates and significant changes to existing reserves are reviewed and approved by various levels of management, depending on their magnitude. Proved reserves estimates are reviewed and approved by the Senior Vice President, Corporate Engineering and Technology, and at least 80% of our proved reserves, based on net present value, are audited by independent reserve engineers (see Independent Audit of Reserves below) prior to review by the Audit Committee. In connection with its review, the Audit Committee meets privately with personnel from DeGolyer and MacNaughton, the independent petroleum engineering firm that audits our reserves, to confirm that DeGolyer and MacNaughton has not identified any concerns or issues relating to the audit and maintains independence. In addition, Forest s internal audit department randomly selects a sample of new reserves estimates or changes made to existing reserves and tests to ensure that they were properly documented and approved.

Forest s Senior Vice President, Corporate Engineering and Technology, who has held this position since January 2013, has 36 years of experience in oil and gas exploration and production and received a Bachelor of Science degree in Petroleum Engineering from the Colorado School of Mines. Prior to January 2013, he held positions of increasing responsibility at Forest since joining the company in 2001, including most recently Vice President, Corporate Engineering, a position in which he was also primarily responsible for overseeing the preparation of reserves estimates. Prior to joining Forest, he held various positions in reservoir engineering and corporate planning with Phillips Petroleum, Midcon Exploration, and Apache Corporation.

Uncertainties are inherent in estimating quantities of proved reserves, including many factors beyond our control. Reserve engineering is a subjective process of estimating subsurface accumulations of oil, natural gas liquids, and natural gas that cannot be measured in an exact manner, and the accuracy of any reserves estimate is a function of the quality of available data and its interpretation. As a result, estimates by different engineers often vary, sometimes significantly. In addition, physical factors such as the results of drilling, testing, and production subsequent to the date of an estimate, as well as economic factors such as changes in product prices or development and production expenses, may require revision of such estimates. Accordingly, oil, natural gas liquids, and natural gas quantities ultimately recovered will vary from reserves estimates. See Risk Factors below for a description of some of the risks and uncertainties associated with our business and reserves.

Independent Audit of Reserves

We engage independent reserve engineers to audit a substantial portion of our reserves. Our audit procedures require the independent engineers to prepare their own estimates of proved reserves for fields comprising at least 80% of the

aggregate net present value, discounted at 10% per annum (NPV), of our year-end proved reserves. The fields selected for audit also must comprise at least 80% of Forest s fields based on the NPV of such fields and a minimum of 80% of the NPV added during the year through discoveries, extensions, and acquisitions. The procedures prohibit exclusions of any fields, or any part of a field, that comprise part of the

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top 80%. The independent reserve engineers compare their own estimates to those prepared by Forest. Our audit guidelines require Forest s internal estimates, which are used for financial reporting and disclosure purposes, to be within 5% of the independent reserve engineers quantity estimates. The independent reserve audit is conducted based on reserve definition and cost and price parameters specified by the Securities and Exchange Commission (SEC).

For the years ended December 31, 2013, 2012, and 2011, we engaged DeGolyer and MacNaughton, an independent petroleum engineering firm, to perform reserve audit services. For the year ended December 31, 2013, DeGolyer and MacNaughton independently audited estimates relating to properties constituting over 87% of our reserves by NPV as of December 31, 2013. When compared on a field-by-field basis, some of Forest s estimates of proved reserves were greater and some were less than the estimates prepared by DeGolyer and MacNaughton. However, in the aggregate, Forest s estimates of total proved reserves were within 3% of DeGolyer and MacNaughton s aggregate estimate of proved reserves quantities for the fields audited. The lead technical person at DeGolyer and MacNaughton primarily responsible for overseeing the audit of our reserves received a Bachelor of Science degree in Petroleum Engineering from Texas A&M University, is a Registered Professional Engineer in the State of Texas, is a member of the International Society of Petroleum Engineers and the American Association of Petroleum Geologists, and has 39 years of experience in oil and gas reservoir studies and reserves evaluations.

Drilling Activities

The following table summarizes the number of wells drilled during 2013, 2012, and 2011, all of which are located in the United States, excluding any wells drilled under farmout agreements, royalty interest ownership, or any other wells in which we do not have a working interest. As of December 31, 2013, we had 9 gross (5 net) wells in progress, all of which are located in the United States. During 2013, we drilled a total of 93 gross (45 net) wells, of which 41 were classified as exploratory and 52 were classified as development.

	Year Ended December 31,					
	2013		2012		2011	
	Gross	Net	Gross	Net	Gross	Net
Development wells:						
Productive[1]	52	23	106	49	101	44
Non-productive[2]			3	1		
Total development wells	52	23	109	50	101	44
Exploratory wells:						
Productive[1]	40	21	27	24	22	21
Non-productive[2]	1	1	3	3	4	3
Total exploratory wells	41	22	30	27	26	24

(1) A well classified as productive does not always provide economic levels of production.
(2) A non-productive well is a well found to be incapable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or natural gas well; also known as a dry well (or dry hole).

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Oil and Natural Gas Wells and Acreage

Productive Wells

The following table summarizes our productive wells as of December 31, 2013, all of which are located in the United States. Productive wells consist of producing wells and wells capable of production, including shut-in wells. A well bore with multiple completions is counted as only one well. As of December 31, 2013, we owned interests in 40 gross wells containing multiple completions.

	Gross	Net
Natural Gas	1,432	1,001
Oil	93	68
Total	1,525	1,069

Acreage

The following table summarizes developed and undeveloped acreage in which we owned a working interest or held an exploration license as of December 31, 2013. A substantial majority of our developed acreage is subject to mortgage liens securing our bank credit facility. Acreage related to royalty, overriding royalty, and other similar interests is excluded from this summary, as well as acreage related to any options held by us to acquire additional leasehold interests. At December 31, 2013, approximately 36%, 30%, and 16% of our net undeveloped acreage in the United States was held under leases that will expire in 2014, 2015, and 2016, respectively, if not extended by exploration or production activities.

	Developed Acreage		Undeveloped Acreage	
Location	Gross	Net	Gross	Net
United States[1]	239,089	159,927	189,999	121,008
South Africa[2]			1,235,500	657,286
Italy			107,043	86,507
Total	239,089	159,927	1,532,542	864,801

(1) Concentrations of net acres in the United States as of December 31, 2013 include: 162,000 net acres in Ark-La-Tex in East Texas, Louisiana, and Arkansas; 24,500 net acres in Eagle Ford; and 63,500 net acres in Permian Basin in West Texas.

(2) In December 2012, we entered into agreements to dispose of our interests in the Block 2A Production Right and the Block 2C Exploration Right in South Africa. The abandonment of the Block 2C Exploration Right was completed in December 2013, with Forest receiving $9 million. The disposal of our interest in the Block 2A Production Right is contingent upon the approval of the government of South Africa, which has not yet occurred. Upon the completion of this transaction, if it occurs, we will no longer hold any acreage in South Africa.

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Production, Average Sales Prices, and Production Costs

The following table reflects production, average sales price, and production cost information for the years ended December 31, 2013, 2012, and 2011 for continuing operations. All of our production occurred in the United States for the years presented and we do not have any fields that individually contain 15% or more of our total estimated proved reserves.

	Year Ended December 31,		
	2013	**2012**	**2011**
Liquids:			
Oil and condensate:			
Production volumes (MBbls)	2,271	3,146	2,491
Average sales price (per Bbl)	$ 96.30	$ 96.14	$ 96.22
Natural gas liquids:			
Production volumes (MBbls)	2,521	3,489	3,154
Average sales price (per Bbl)	$ 29.79	$ 31.77	$ 42.91
Total liquids:			
Production volumes (MBbls)	4,792	6,635	5,645
Average sales price (per Bbl)	$ 61.31	$ 62.29	$ 66.43
Natural Gas:			
Production volumes (MMcf)	46,676	81,008	88,497
Average sales price (per Mcf)	$ 3.16	$ 2.37	$ 3.71
Total production volumes (MMcfe)[1]	**75,428**	**120,818**	**122,367**
Average sales price (per Mcfe)	**$ 5.85**	**$ 5.01**	**$ 5.75**
Production costs (per Mcfe):			
Lease operating expenses	$ 1.02	$ .89	$ .81
Transportation and processing costs	.16	.12	.11
Production costs excluding production and property taxes (per Mcfe)	1.17	1.02	.92
Production and property taxes	.20	.28	.33
Total production costs (per Mcfe)	**$ 1.37**	**$ 1.30**	**$ 1.25**

(1) Oil and natural gas liquids are converted to gas-equivalents using a conversion of six Mcf equivalent per barrel of oil or natural gas liquids. This conversion is based on energy equivalence and not price equivalence. For 2013, the average of the first-day-of-the-month natural gas price was $3.67 per Mcf, and the average of the first-day-of-the-month oil price was $97.33 per barrel. If a price-equivalent conversion based on these twelve-month average prices was used, the conversion factor would be approximately 27 Mcf per barrel of oil and approximately 10 Mcf per barrel of NGLs (based on the average of the first-day-of-the-month Mt. Belvieu pricing for NGLs in 2013).

Marketing and Delivery Commitments

Our natural gas production is generally sold on a month-to-month basis in the spot market, priced in reference to published indices. Our oil production is generally sold under short-term contracts at prices based upon refinery postings or NYMEX WTI monthly averages and is typically sold at the wellhead. Our natural gas liquids production is typically sold under term agreements at prices based on postings at large fractionation facilities. We believe that the loss of one or more of our current oil, natural gas, or natural gas liquids purchasers would not have a material adverse effect on our ability to sell our production, because any individual purchaser could be readily replaced by another purchaser, absent a broad market disruption. We had no material delivery commitments as of February 19, 2014.

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Competition

We encounter intense competition in all aspects of our business, including acquisition of properties and oil and natural gas leases, marketing oil and natural gas, obtaining services, and securing drilling rigs and other equipment necessary for drilling and completing wells. In addition, we compete for people, including experienced geologists, geophysicists, engineers, and other professionals. Our ability to increase production and reserves in the future will depend on our ability to generate successful prospects on our existing properties, execute on major development drilling programs, and acquire additional leases and prospects for future development and exploration. A large number of the companies that we compete with have greater and more productive assets, substantially larger staffs, and greater financial and operational resources than we have. Many of our competitors not only engage in the acquisition, exploration, development, and production of oil and natural gas reserves, but also may have integrated operations that include refining and processing of oil and natural gas products as well as the distribution and marketing of such products. Because of our relatively small size and capital constraints, we may find it increasingly difficult to effectively compete in our markets.

Industry Regulation

Our oil and gas operations are subject to various national, state, and local laws and regulations in the jurisdictions in which we operate. These laws and regulations may be changed in response to economic or political conditions. As a result, our regulatory burden may increase in the future. Laws and regulations have the potential of increasing our cost of doing business and, consequently, could affect our profitability. However, we do not believe that we are affected to a materially greater or lesser extent than others in our industry.

Matters subject to current governmental regulation or pending legislative or regulatory changes include the production, handling, storage, transportation, and disposal of oil and natural gas, by-products from oil and natural gas, and other substances produced or used in connection with oil and natural gas operations. Jurisdictions in which we operate have adopted laws and regulations governing bonding or other financial responsibility requirements to cover drilling contingencies and well plugging and abandonment costs, reports concerning our operations, the spacing of wells, unitization and pooling of properties, taxation, and the use of derivative hedging instruments. Our operations are also subject to permit requirements for the drilling of wells and regulations relating to the location of wells, the method of drilling and the casing of wells, surface use and restoration of properties on which wells are located, and the plugging and abandonment of wells. Failure to comply with the laws and regulations in effect from time to time may result in the assessment of administrative, civil, and criminal penalties, the imposition of remedial obligations, and the issuance of injunctions that could delay, limit, or prohibit certain of our operations. At various times, regulatory agencies have imposed price controls and limitations on oil and natural gas production. In order to conserve supplies of oil and natural gas, these agencies may restrict the rates of flow of oil and natural gas wells below actual production capacity. Further, a significant spill from one of our facilities could have a material adverse effect on our results of operations, competitive position, or financial condition. We cannot predict the ultimate cost of compliance with these requirements or their effect on our operations.

Our operations are also subject to various conservation laws and regulations. These include the regulation of the size of drilling and spacing units or proration units and the unitization or pooling of crude oil and natural gas properties. In addition, state conservation laws generally prohibit the venting or flaring of natural gas, and impose certain requirements regarding the ratability or fair apportionment of production from fields and individual wells. Certain of our operations are conducted on federal land pursuant to oil and natural gas leases administered by the Bureau of Land Management (BLM). These leases contain relatively standardized terms and require compliance with detailed BLM regulations and orders (which are subject to change by the BLM). In addition to permits required from other agencies, lessees must obtain a permit from the BLM prior to the commencement of drilling and comply with regulations

governing, among other things, engineering and construction specifications for production facilities, safety procedures, the valuation of production, and the removal of facilities. Under certain circumstances, the BLM may require our operations on federal leases to be suspended or terminated. Any such suspension or termination could materially and adversely affect our financial condition and operations.

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The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) imposes reporting and other requirements on our business and operations, including with respect to payments made to U.S. and foreign governments related to our oil and gas exploration and development activities. The legislation also imposes requirements and oversight on our derivatives transactions, including clearing, margin, and position limits requirements. Significant regulations have been promulgated by the SEC, the Commodity Futures Trading Commission, and other regulatory agencies to implement these requirements and provide certain exemptions for qualified end-users. This legislation could have a substantial impact on our counterparties and may increase the cost of our derivative arrangements in the future. The imposition of these types of requirements or limitations could have an adverse effect on our ability to hedge risks associated with our business or on the cost of our hedging activities.

Additional proposals and proceedings that might affect the oil and natural gas industry are regularly considered by Congress, the states, local governments, the Federal Energy Regulatory Commission, and the courts. We cannot predict when or whether any such proposal, or any additional new legislative or regulatory proposal, may become effective. No material portion of Forest s business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the federal government.

Environmental and Climate Change Regulation

We are subject to stringent national, state, and local laws and regulations in the jurisdictions where we operate relating to environmental protection, including the manner in which various substances such as wastes generated in connection with oil and natural gas exploration, production, and transportation operations are managed. Compliance with these laws and regulations can affect the location or size of wells and facilities, prohibit or limit the extent to which exploration and development may be allowed, and require proper closure of wells and restoration of properties when production ceases. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, or criminal penalties, imposition of remedial obligations, incurrence of additional compliance costs, and even injunctions that limit or prohibit exploration and production activities or that constrain the disposal of substances generated by oil field operations.

We currently operate or lease, and have in the past operated or leased, a number of properties that for many years have been used for the exploration and production of oil and natural gas. Although we believe we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties operated or leased by us or on or under other locations where such wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment, disposal, or release of hydrocarbons or other wastes was not under our control. These properties and the wastes disposed thereon may be subject to laws and regulations imposing joint and several or strict liability without regard to fault or the legality of the original conduct and that could require us to remove previously disposed wastes or remediate property contamination, or to perform well pluggings or pit closures or other actions of a remedial or injunctive nature to prevent future contamination.

Our operations produce wastewater that is disposed via injection in underground wells. These wells are regulated under the Safe Drinking Water Act (the SDWA) and similar state and local laws. The underground injection well program under the SDWA requires permits from the United States Environmental Protection Agency (EPA) or analogous state agencies for our disposal wells, establishes minimum standards for injection well operations, and restricts the types and quantities of fluids that may be injected. We believe that our disposal well operations comply with all applicable requirements under the SDWA and similar state and local laws. However, a change in the regulations or the inability to obtain permits for new injection wells in the future may affect the Company s ability to dispose of produced waters and ultimately increase the cost of the Company s operations.

Hydraulic fracturing is an important process used in the completion of our oil and natural gas wells. The process involves the injection of water, sand, and chemicals under pressure into low-permeability formations to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and gas

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commissions. Various state and local governments have implemented, or are considering, increased regulatory oversight of hydraulic fracturing through additional permit requirements, operational restrictions, control requirements, requirements for disclosure of chemical constituents, and temporary or permanent bans on hydraulic fracturing in certain environmentally sensitive areas such as watersheds and in some municipalities. For instance, Texas, Colorado, and Louisiana have adopted far-reaching rules that require the public disclosure of chemicals used in the hydraulic fracturing process, with the Texas rules applicable to fracturing treatments on wells with initial drilling permits issued on or after February 1, 2012, and the Colorado rules applicable to fracturing treatments performed on or after April 1, 2012. The Louisiana regulations require operators to disclose all additives used in hydraulic fracturing fluids and the names and concentrations of chemicals subject to Occupational Safety and Health Administration Hazard Communication requirements that are not deemed a trade secret. The Louisiana requirements are effective for wells with drilling permits issued on or after October 20, 2011. The availability of this information could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. Several federal entities, including the EPA, also have asserted potential regulatory authority over hydraulic fracturing, and the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, with the results of the study anticipated to be available for review in 2014. In addition, Congress has considered legislation that would amend the SDWA to encompass all hydraulic fracturing activities. Such a provision would have required hydraulic fracturing operations to meet permitting and financial assurance requirements, adhere to certain construction specifications, fulfill monitoring, reporting, and record keeping obligations, including disclosure of chemicals used in the fracturing process, and meet plugging and abandonment requirements. If such legislation is adopted in the future, it would establish an additional level of regulation and impose additional costs on our operations. See Risk Factors We may incur significant costs related to environmental and other governmental laws and regulations, including those related to hydraulic fracturing, that may materially affect our operations and Recently proposed or finalized rules and guidance imposing more stringent requirements on the oil and gas exploration and production industry could cause us to incur increased capital expenditures and operating costs as well as decrease our levels of production below.

Nearly half of the states in the U.S., either individually or through multi-state initiatives, have begun implementing legal measures to reduce emissions of greenhouse gases (GHGs). Also, the Supreme Court held in *Massachusetts, et al. v. EPA* (2007) that carbon dioxide may be regulated as an air pollutant under the federal Clean Air Act, and subsequently in December 2009, the EPA determined that GHG emissions present an endangerment to public health and the environment because such emissions, according to the EPA, are contributing to warming of the earth s atmosphere and other climate changes. These findings allow the EPA to implement regulations that would restrict GHG emissions under existing provisions of the Clean Air Act. The scope of the EPA s authority to regulate GHG emissions, however, is currently being reviewed by the U.S. Supreme Court, with a decision expected in spring or summer of 2014. On November 8, 2010, the EPA finalized GHG reporting requirements for the petroleum and natural gas industries. Under this final rule, owners or operators of facilities that contain petroleum and natural gas systems, as defined by the rule, and emit 25,000 metric tons or more of GHGs per year per basin (expressed as carbon dioxide equivalents) are to report emissions from all source categories located at the facility for which emission calculation methods are defined in the rule. These rules have increased compliance costs on our operations.

We believe that the trend in environmental legislation and regulation will continue toward stricter standards. While we believe that we are in substantial compliance with applicable environmental laws and regulations in effect at the present time and that continued compliance with existing requirements will not have a material adverse impact on us, we cannot give any assurance that we will not be adversely affected in the future. We have established internal guidelines to be followed in order to comply with environmental laws and regulations in the United States and other relevant international jurisdictions. We employ an environmental, health, and safety department whose responsibilities include providing assurance that our operations are carried out in accordance with applicable environmental guidelines and safety precautions. Although we maintain pollution insurance against the costs of cleanup operations, public

liability, and physical damage, there is no assurance that such insurance will be adequate to cover all such costs or that such insurance will continue to be available in the future. In addition, some pollution-related risks may not be insurable.

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Employees

As of December 31, 2013, we had 363 employees. As of September 30, 2014, we had 185 employees. None of our employees is currently represented by a union for collective bargaining purposes.

Geographical Data

Forest operates in one industry segment, oil and gas exploration and production, and has one reportable geographical business segment, the United States.

Offices

Our corporate office is located in leased space at 707 17th Street, Denver, Colorado. We maintain an office in Houston, Texas, and also lease or own field offices in the areas in which we conduct operations.

Title to Properties

Title to our oil and gas properties is subject to royalty, overriding royalty, carried, net profits, working, and similar interests customary in the oil and gas industry. Under the terms of our bank credit facility, we have granted the lenders a lien on the substantial majority of our properties. In addition, our properties may also be subject to liens incident to operating agreements, as well as other customary encumbrances, easements, and restrictions, and for current taxes not yet due. Forest s general practice is to conduct a title examination on material property acquisitions. Prior to the commencement of drilling operations, a title examination and, if necessary, curative work is performed. The methods of title examination that we have adopted are reasonable in the opinion of management and are designed to ensure that production from our properties, if obtained, will be salable by Forest.

Legal Proceedings

On March 26, 2014, the judge overseeing the lawsuit styled *Augenbaum v. Lone Pine Resources Inc. et al.*, granted defendants motion to dismiss, with prejudice, for failure to state a claim upon which relief may be granted. The original claim was brought on May 25, 2012, as a purported class action in the Supreme Court of the State of New York, New York County against Forest, Lone Pine, certain of Lone Pine s current and former directors and officers (the Individual Defendants), and certain underwriters (the Underwriter Defendants) of Lone Pine s initial public offering (the IPO), which was completed on June 1, 2011. The class action was subsequently removed to the United States District Court for the Southern District of New York. The complaint alleged that Lone Pine s registration statement and prospectus issued in connection with the IPO contained untrue statements of material fact or omitted to state material facts relating to forest fires that occurred in Northern Alberta in May 2011, the rupture of a third-party oil sales pipeline in Northern Alberta in April 2011, and the impact of those events on Lone Pine, that the alleged misstatements or omissions violated Section 11 of the Securities Act of 1933 (the Securities Act), and that Lone Pine, the Individual Defendants, and the Underwriter Defendants are liable for such violations. (The complaint was subsequently amended to drop the allegation regarding the forest fires.) The complaint further alleged that the Underwriter Defendants offered and sold Lone Pine s securities in violation of Section 12(a)(2) of the Securities Act, and the putative class members sought rescission of the securities purchased in the IPO that they continued to own and rescissionary damages for securities that they had sold. Finally, the complaint asserted a claim against Forest under Section 15 of the Securities Act, alleging that Forest was a control person of Lone Pine at the time of the IPO. The complaint alleged that the putative class, which purchased shares of Lone Pine s common stock pursuant and/or traceable to Lone Pine s registration statement and prospectus, was damaged when the value of the stock declined in August 2011. Lone Pine s obligation to indemnify Forest, the Individual Defendants, and the Underwriter Defendants,

was extinguished in Lone Pine s bankruptcy proceedings. Plaintiffs appealed the decision on April 28, 2014, and briefing was completed on August 5, 2014, and appellate briefs have been submitted. A date for oral arguments has not yet been set.

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On February 29, 2012, two members of a three-member arbitration panel reached a decision adverse to Forest in the proceeding styled *Forest Oil Corp., et al. v. El Rucio Land & Cattle Co., et al.*, which occurred in Harris County, Texas. The third member of the arbitration panel dissented. The proceeding was initiated in January 2005 and involves claims asserted by the landowner-claimant based on the diminution in value of its land and related damages allegedly resulting from operational and reclamation practices employed by Forest in the 1970s, 1980s, and early 1990s. The arbitration decision awarded the claimant $23 million in damages and attorneys fees and additional injunctive relief regarding future surface-use issues. On October 9, 2012, after vacating a portion of the decision imposing a future bonding requirement on Forest, the trial court for the 55th Judicial District, in the District Court in Harris County, Texas, reduced the arbitration decision to a judgment. Forest appealed the judgment to the Court of Appeals for the First District of the State of Texas. The judgment was affirmed on July 24, 2014. Forest is now seeking a rehearing before the Court of Appeals and, failing that, will seek to have the judgment reversed at the Supreme Court for the State of Texas.

We are a party to various other lawsuits, claims, and proceedings in the ordinary course of business. These proceedings are subject to uncertainties inherent in any litigation, and the outcome of these matters is inherently difficult to predict with any certainty. We believe that the amount of any potential loss associated with these proceedings would not be material to our consolidated financial position; however, in the event of an unfavorable outcome, the potential loss could have an adverse effect on our results of operations and cash flow.

Market for Forest s Common Equity

Common Stock

Forest has one class of common shares outstanding, its common stock, par value $.10 per share (Common Stock). Forest s Common Stock is traded on the New York Stock Exchange under the symbol FST. On September 30, 2014, our Common Stock was held by 545 holders of record. The number of holders does not include the shareholders for whom shares are held in a nominee or street name.

The table below reflects the high and low intraday sales prices per share of the Common Stock on the New York Stock Exchange composite tape. There were no cash dividends declared on the Common Stock in 2012, 2013 or 2014. On October 1, 2014, the closing price of Forest Common Stock was $1.11.

	Common Stock	
	High	**Low**
2012		
First Quarter	$ 15.15	$ 11.61
Second Quarter	13.69	6.22
Third Quarter	9.32	5.68
Fourth Quarter	9.12	6.06
2013		
First Quarter	$ 7.44	$ 5.18
Second Quarter	5.43	3.77
Third Quarter	6.67	4.02
Fourth Quarter	6.52	3.43
2014		
First Quarter	$ 3.73	$ 1.68

Second Quarter	2.59	1.75
Third Quarter	2.43	1.16
Fourth Quarter (to October 1, 2014)	1.20	1.10

Dividend Restrictions

Forest s present or future ability to pay dividends is governed by (i) the provisions of the New York Business Corporation Law, (ii) Forest s Restated Certificate of Incorporation and Bylaws, (iii) the indentures governing Forest s 7 ¼% senior notes due 2019 and 7 ½% senior notes due 2020 and (iv) Forest s bank credit

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facility dated as of June 30, 2011, as amended. The provisions in the indentures pertaining to these senior notes and in the bank credit facility limit our ability to make restricted payments, which include dividend payments. On September 30, 2011, Forest distributed a special stock dividend in connection with the spin-off of Lone Pine; however, Forest has not paid cash dividends on its Common Stock during the past five years. The future payment of cash dividends, if any, on the Common Stock is within the discretion of the Board of Directors and will depend on Forest s earnings, capital requirements, financial condition, and other relevant factors. There is no assurance that Forest will pay any cash dividends. For further information regarding our equity securities, our ability to pay dividends on our Common Stock, and the spin-off of Lone Pine, see Notes 3 and 5 to the Consolidated Financial Statements.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All expectations, forecasts, assumptions, and beliefs about our future financial results, condition, operations, strategic plans, and performance are forward-looking statements. See Cautionary Statement Regarding Forward-Looking Statements in this proxy statement. Our actual results may differ materially because of a number of risks and uncertainties. Some of these risks and uncertainties are detailed in Risk Factors. The following discussion and analysis should be read in conjunction with Forest s consolidated financial statements and the notes thereto appearing elsewhere in this Annex B. Unless the context indicates otherwise, all references in this Annex B to Forest, the Company, we, our, ours, and us refer to Forest Oil Corporation and its consolidated subsidiaries.

Overview

Forest is an independent oil and gas company engaged in the acquisition, exploration, development, and production of oil, natural gas, and natural gas 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. We currently conduct our operations in one reportable geographical segment - the United States. Our core operational areas are in the Eagle Ford in South Texas and the Ark-La-Tex region in Texas, Louisiana, and Arkansas.

Results of Operations

For the three and six months ended June 30, 2014, we recognized net losses of $83 million and $104 million, respectively, compared to net earnings of $33 million and a net loss of $35 million for the three and six months ended June 30, 2013, respectively. Adjusted EBITDA, which is a measure used by management, securities analysts, and investors that consists of net earnings (loss) before interest expense, income taxes, depreciation, depletion, and amortization, as well as other items including ceiling test write-downs and unrealized gains and losses on derivative instruments, was $31 million and $66 million for the three and six months ended June 30, 2014, respectively, compared to $88 million and $182 million for the three and six months ended June 30, 2013, respectively. The decreases in EBITDA in the 2014 periods as compared to the 2013 periods were primarily due to the property divestitures referenced above under Information Concerning Forest Oil Corporation Acquisition and Divestiture Activities. Adjusted EBITDA is a performance measure not calculated in accordance with generally accepted accounting principles (GAAP). See Reconciliation of Non-GAAP Measure for a reconciliation of Adjusted EBITDA to our reported net earnings (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP.

Forest recorded net earnings in 2013 of $74 million as compared to a net loss of $1.3 billion in 2012. Net earnings in 2013 included a $193 million net gain recognized on the sale of our assets in the Texas Panhandle, a $49 million loss on the early extinguishment of debt, $31 million in unrealized losses on derivative instruments, and a $58 million ceiling test write-down. The net loss in 2012 was primarily due to ceiling test write-downs and other non-cash property impairments totaling $1.1 billion as well as a $245 million valuation allowance placed against net deferred tax assets primarily as a result of the ceiling test write-downs and property impairments recognized in 2012. See Critical Accounting Policies and Estimates *Valuation of Deferred Tax Assets* for further discussion of our valuation allowance. The 2012 net loss also included $39 million in unrealized losses on derivative instruments and a $36 million loss on the early extinguishment of debt.

Our Adjusted EBITDA was $333 million in 2013 as compared to $514 million in 2012. The decrease of $181 million was primarily attributable to property divestitures during 2013, which reduced revenues and, to a lesser extent, reduced production expense. See Reconciliation of Non-GAAP Measure for a reconciliation of Adjusted EBITDA to

net earnings (loss) from continuing operations, the most directly comparable financial measure calculated and presented in accordance with GAAP.

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During 2013, we completed two large oil and natural gas property divestitures, as discussed in Information Concerning Forest Oil Corporation Acquisition and Divestiture Activities and Note 2 to the Consolidated Financial Statements.

Oil, Natural Gas, and Natural Gas Liquids Volumes and Revenues

Oil, natural gas, and natural gas liquids sales volumes, revenues, and per unit price realizations for the three and six months ended June 30, 2014 and 2013, and for the years ended December 31, 2013, 2012, and 2011, are set forth in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		
	2014	2013	2014	2013	2013	2012	2011
Sales volumes:							
Oil (MBbls)	292	601	618	1,160	2,271	3,146	2,491
Natural gas (MMcf)	6,216	11,406	12,654	25,738	46,676	81,008	88,497
NGLs (MBbls)	182	694	360	1,392	2,521	3,489	3,154
Totals (MMcfe)	9,060	19,176	18,522	41,050	75,428	120,818	122,367
Revenues (in thousands):							
Oil	$ 28,107	$ 56,316	$ 58,439	$ 110,278	$ 218,704	$ 302,445	$ 239,695
Natural gas	26,545	41,161	54,716	83,819	147,530	192,220	328,510
NGLs	5,454	19,309	11,408	40,731	75,107	110,858	135,326
Totals	$ 60,106	$ 116,786	$ 124,563	$ 234,828	$ 441,341	$ 605,523	$ 703,531
Per unit price realizations:							
Oil ($/Bbl)	$ 96.26	$ 93.70	$ 94.56	$ 95.07	$ 96.30	$ 96.14	$ 96.22
Natural gas ($/Mcf)	4.27	3.61	4.32	3.26	3.16	2.37	3.71
NGLs ($/Bbl)	29.97	27.82	31.69	29.26	29.79	31.77	42.91
Totals ($/Mcfe)	$ 6.63	$ 6.09	$ 6.73	$ 5.72	$ 5.85	$ 5.01	$ 5.75

We have divested a substantial amount of oil and natural gas properties in recent years, causing significant changes from period to period in our oil, natural gas, and NGL revenues and sales volumes and causing historical amounts reported to be not necessarily indicative of future results. Accordingly, the tables below distinguish oil, natural gas, and NGL sales revenues and volumes, as well as per unit price realizations, between those oil and natural gas properties that we have recently divested, i.e., South Texas and Texas Panhandle properties (the Divested properties) and those oil and natural gas properties that we continued to own as of June 30, 2014 (the Retained properties).

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Three Months Ended June 30, 2014 and 2013

	Oil, Natural Gas, and NGL Revenues			Oil, Natural Gas, and NGL Sales Volumes			Per Unit Price Realizations			Change In Revenues Attributa to Change In:		
	Three Months Ended June 30,		$	Three Months Ended June 30,		Volume	Three Months Ended June 30,		$			
	2014	2013	Change	2014	2013	Change	2014	2013	Change[1]	Volumes[2]	Prices[3]	Total
	(In Thousands)									(In Thousands)		
				MBbls			$/Bbl					
ained perties	$ 28,107	$ 28,545	$ (438)	292	285	7	$ 96.26	$ 100.16	$ (3.90)	$ 701	$ (1,139)	$ (4
ested perties		27,771	(27,771)		316	(316)		87.88	(87.88)	(27,771)		(27,7
	$ 28,107	$ 56,316	$ (28,209)	292	601	(309)	$ 96.26	$ 93.70	$ 2.55	$ (28,954)	$ 745	$ (28,2
ural												
				MMcf			$/Mcf					
ained perties	$ 26,545	$ 26,998	$ (453)	6,216	7,146	(930)	$ 4.27	$ 3.78	$ .49	$ (3,514)	$ 3,061	$ (4
ested perties		14,163	(14,163)		4,260	(4,260)		3.32	(3.32)	(14,163)		(14,1
	$ 26,545	$ 41,161	$ (14,616)	6,216	11,406	(5,190)	$ 4.27	$ 3.61	$ .66	$ (18,729)	$ 4,113	$ (14,6
Ls				MBbls			$/Bbl					
ained perties	$ 5,454	$ 5,066	$ 388	182	180	2	$ 29.97	$ 28.14	$ 1.82	$ 56	$ 332	$ 3
ested perties		14,243	(14,243)		514	(514)		27.71	(27.71)	(14,243)		(14,2
	$ 5,454	$ 19,309	$ (13,855)	182	694	(512)	$ 29.97	$ 27.82	$ 2.14	$ (14,245)	$ 390	$ (13,8
al				MMcfe			$/Mcfe					
ained perties	$ 60,106	$ 60,609	$ (503)	9,060	9,936	(876)	$ 6.63	$ 6.10	$ .53	$ (5,344)	$ 4,841	$ (5
ested perties		56,177	(56,177)		9,240	(9,240)		6.08	(6.08)	(56,177)		(56,1

$ 60,106	$ 116,786	$ (56,680)	9,060	19,176	(10,116)	$ 6.63	$ 6.09	$ .54	$ (61,609)	$ 4,929	$ (56,68

(1) Certain amounts may not recalculate due to rounding.
(2) The change in revenues attributable to the change in volumes is calculated as the product of (i) the per unit price realization for the three months ended June 30, 2013 and (ii) the change in volumes between the three months ended June 30, 2013 and the three months ended June 30, 2014. Certain amounts do not foot due to rounding.
(3) The change in revenues attributable to the change in prices is calculated as the product of (i) the volumes for the three months ended June 30, 2014 and (ii) the change in the per unit price realization between the three months ended June 30, 2013 and the three months ended June 30, 2014. Certain amounts do not foot due to rounding.

Equivalent sales volumes were 9.1 Bcfe for the three months ended June 30, 2014 as compared to 19.2 Bcfe for the three months ended June 30, 2013. The 10.1 Bcfe, or 53%, decrease in equivalent sales volumes for the three months ended June 30, 2014 compared to the three months ended June 30, 2013 was primarily due to the divestitures of producing oil and natural gas properties in the Texas Panhandle, which accounted for 9.2 Bcfe of the decrease. Equivalent sales volumes attributable to properties we continued to own as of June 30, 2014 decreased 9% to 9.1 Bcfe for the three months ended June 30, 2014 from 9.9 Bcfe for the three months ended June 30, 2013. The 9% decrease in these equivalent sales volumes was due to a 13% decrease in natural gas production partially offset by a 2% increase in oil production and a 1% increase in NGL production. The increase in oil production was a result of our development efforts in the Eagle Ford, where we incurred approximately $16 million in direct exploration, development, and leasehold acquisition capital expenditures during the three months ended June 30, 2014 and the increase in NGL production was due to our drilling program in East Texas, where we incurred approximately $34 million in direct exploration, development, and leasehold acquisition capital expenditures during the three months ended June 30, 2014. Natural gas production declined 13% due to the natural decline in production from existing wells that exceeded the incremental natural gas production we added during the three months ended June 30, 2014 from drilling liquids-rich East Texas wells.

Revenues from oil, natural gas, and NGLs were $60 million in the second quarter of 2014 as compared to $117 million in the second quarter of 2013. The $57 million, or 49%, decrease in revenues in the second quarter of 2014 compared to the second quarter of 2013 was primarily due to the divestitures of producing oil and natural gas properties in the Texas Panhandle, which accounted for $56 million of the decrease. Revenues from the properties we continued to own

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as of June 30, 2014 decreased by $1 million primarily due to decreased natural gas production and per unit price realizations for oil, partially offset by increased natural gas and NGL per unit price realizations and oil production between the two periods.

Six Months Ended June 30, 2014 and 2013

	Oil, Natural Gas, and NGL Revenues Six Months Ended June 30,			Oil, Natural Gas, and NGL Sales Volumes Six Months Ended June 30,			Per Unit Price Realizations Six Months Ended June 30,			Change In Revenues Attribu to Change In:		
	2014	2013	$ Change	2014	2013	Volume Change	2014	2013	$ Change[1]	Volumes[2]	Prices[3]	To
	(In Thousands)									(In Thousands)		
				MBbls			$/Bbl					
ed ties	$ 58,439	$ 55,770	$ 2,669	618	547	71	$ 94.56	$ 101.96	$ (7.39)	$ 7,239	$ (4,570)	$ 2
ed ties		54,508	(54,508)		613	(613)		88.92	(88.92)	(54,508)		(54
	$ 58,439	$ 110,278	$ (51,839)	618	1,160	(542)	$ 94.56	$ 95.07	$ (.51)	$ (51,526)	$ (313)	$ (5
al												
				MMcf			$/Mcf					
ed ties	$ 54,716	$ 50,886	$ 3,830	12,654	14,812	(2,158)	$ 4.32	$ 3.44	$ .89	$ (7,414)	$ 11,244	$ 3
ed ties		32,933	(32,933)		10,926	(10,926)		3.01	(3.01)	(32,933)		(32
	$ 54,716	$ 83,819	$ (29,103)	12,654	25,738	(13,084)	$ 4.32	$ 3.26	$ 1.07	$ (42,610)	$ 13,507	$ (29
				MBbls			$/Bbl					
ed ties	$ 11,408	$ 10,665	$ 743	360	354	6	$ 31.69	$ 30.13	$ 1.56	$ 181	$ 562	$
ed ties		30,066	(30,066)		1,038	(1,038)		28.97	(28.97)	(30,066)		(30
	$ 11,408	$ 40,731	$ (29,323)	360	1,392	(1,032)	$ 31.69	$ 29.26	$ 2.43	$ (30,197)	$ 874	$ (29
				MMcfe			$/Mcfe					
ed ties	$ 124,563	$ 117,321	$ 7,242	18,522	20,218	(1,696)	$ 6.73	$ 5.80	$ .92	$ (9,842)	$ 17,084	$ 7
ed ties		117,507	(117,507)		20,832	(20,832)		5.64	(5.64)	(117,507)		(11

$ 124,563	$ 234,828	$ (110,265)	18,522	41,050	(22,528)	$ 6.73	$ 5.72	$ 1.00	$ (128,872)	$ 18,607	$ (110

(1) Certain amounts may not recalculate due to rounding.
(2) The change in revenues attributable to the change in volumes is calculated as the product of (i) the per unit price realization for the six months ended June 30, 2013 and (ii) the change in volumes between the six months ended June 30, 2013 and the six months ended June 30, 2014. Certain amounts do not foot due to rounding.
(3) The change in revenues attributable to the change in prices is calculated as the product of (i) the volumes for the six months ended June 30, 2014 and (ii) the change in the per unit price realization between the six months ended June 30, 2013 and the six months ended June 30, 2014. Certain amounts do not foot due to rounding.

Equivalent sales volumes were 18.5 Bcfe for the six months ended June 30, 2014 compared to 41.1 Bcfe for the six months ended June 30, 2013. The 22.5 Bcfe, or 55%, decrease in equivalent sales volumes for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 was primarily due to the divestitures of producing oil and natural gas properties in South Texas and the Texas Panhandle, which accounted for 20.8 Bcfe of the decrease. Equivalent sales volumes attributable to properties we continued to own as of June 30, 2014 decreased 8% to 18.5 Bcfe for the six months ended June 30, 2014 from 20.2 Bcfe for the six months ended June 30, 2013. The 8% decrease in these equivalent sales volumes was due to a 15% decrease in natural gas production partially offset by a 13% increase in oil production and a 2% increase in NGL production. The increase in oil production was a result of our development efforts in the Eagle Ford, where we incurred approximately $38 million in direct exploration, development, and leasehold acquisition capital expenditures in the six months ended June 30, 2014 and the increase in NGL production was due to our drilling program in East Texas, where we incurred approximately $57 million in direct exploration, development, and leasehold acquisition

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capital expenditures in the six months ended June 30, 2014. Natural gas production declined 15% due to the natural decline in production from existing wells that exceeded the incremental natural gas production we added during the six months ended June 30, 2014 from drilling liquids-rich East Texas wells.

Revenues from oil, natural gas, and NGLs were $125 million in the first six months of 2014 compared to $235 million in the first six months of 2013. The $110 million, or 47%, decrease in the first six months of 2014 compared to the first six months of 2013 was primarily due to the divestitures of producing oil and natural gas properties in South Texas and the Texas Panhandle, which accounted for $118 million of the decrease. Revenues from the properties we continued to own as of June 30, 2014 increased by $7 million, primarily due to increased natural gas and NGL per unit price realizations and oil and NGL production, partially offset by decreased natural gas production and oil per unit price realizations between the two periods.

Years Ended December 31, 2013 and 2012

We have divested a substantial amount of oil and natural gas properties in recent years, causing significant changes from period to period in our oil, natural gas, and NGL revenues and sales volumes and causing historical amounts reported to be not necessarily indicative of future results. Accordingly, the tables below distinguish oil, natural gas, and NGL revenues and sales volumes, as well as per unit price realizations, between the South Louisiana, South Texas, and Texas Panhandle oil and natural gas properties (the Divested properties) we divested in November 2012, February 2013, and November 2013, respectively, and those oil and natural gas properties that we continued to own as of December 31, 2013 (the Retained properties).

	Oil, Natural Gas, and NGL Revenues			Oil, Natural Gas, and NGL Sales Volumes			Per Unit Price Realizations			Change In Revenues Attributa		
	Year Ended December 31,		$	Year Ended December 31,		Volume	Year Ended December 31,		$	Change In:		
	2013	2012	Change	2013	2012	Change	2013	2012	Change[1]	Volumes[2]	Prices[3]	Tot
	(In Thousands)									(In Thousands)		
				MBbls			$/Bbl					
ned rties	$ 123,790	$ 80,160	$ 43,630	1,246	804	442	$ 99.35	$ 99.70	$ (.35)	$ 44,068	$ (438)	$ 43
ted rties	94,914	222,285	(127,371)	1,025	2,342	(1,317)	92.60	94.91	(2.31)	(125,000)	(2,371)	(127
	$ 218,704	$ 302,445	$ (83,741)	2,271	3,146	(875)	$ 96.30	$ 96.14	$ .17	$ (84,119)	$ 378	$ (83
ral												
				MMcf			$/Mcf					
ned rties	$ 96,422	$ 88,421	$ 8,001	28,918	36,128	(7,210)	$ 3.33	$ 2.45	$ .89	$ (17,646)	$ 25,647	$ 8
ted rties	51,108	103,799	(52,691)	17,758	44,880	(27,122)	2.88	2.31	.57	(62,728)	10,037	(52
	$ 147,530	$ 192,220	$ (44,690)	46,676	81,008	(34,332)	$ 3.16	$ 2.37	$ .79	$ (81,465)	$ 36,775	$ (44

					MBbls			$/Bbl				
ed												
ties	$ 23,305	$ 22,323	$ 982	764	621	143	$ 30.50	$ 35.95	$ (5.44)	$ 5,140	$ (4,158)	$
ed												
ties	51,802	88,535	(36,733)	1,757	2,868	(1,111)	29.48	30.87	(1.39)	(34,297)	(2,436)	(36
	$ 75,107	$ 110,858	$ (35,751)	2,521	3,489	(968)	$ 29.79	$ 31.77	$ (1.98)	$ (30,757)	$ (4,994)	$ (35

					MMcfe			$/Mcfe				
ed												
ties	$ 243,517	$ 190,904	$ 52,613	40,978	44,678	(3,700)	$ 5.94	$ 4.27	$ 1.67	$ (15,810)	$ 68,423	$ 52
ed												
ties	197,824	414,619	(216,795)	34,450	76,140	(41,690)	5.74	5.45	.30	(227,022)	10,227	(216
	$ 441,341	$ 605,523	$ (164,182)	75,428	120,818	(45,390)	$ 5.85	$ 5.01	$ .84	$ (227,488)	$ 63,306	$ (164

(1) Certain amounts may not recalculate due to rounding.

(2) The change in revenues attributable to the change in volumes is calculated as the product of (i) the per unit price realization for the year ended December 31, 2012 and (ii) the change in volumes between the year ended December 31, 2012 and the year ended December 31, 2013. Certain amounts do not foot due to rounding.

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(3) The change in revenues attributable to the change in prices is calculated as the product of (i) the volumes for the year ended December 31, 2013 and (ii) the change in the per unit price realization between the year ended December 31, 2012 and the year ended December 31, 2013. Certain amounts do not foot due to rounding.

Equivalent sales volumes were 75.4 Bcfe in 2013 as compared to 120.8 Bcfe in 2012. The 45.4 Bcfe, or 38%, decrease in equivalent sales volumes in 2013 compared to 2012 was primarily due to the divestitures of producing oil and natural gas properties in South Louisiana, South Texas, and the Texas Panhandle, which accounted for 41.7 Bcfe of the decrease. Equivalent sales volumes attributable to properties we continued to own as of December 31, 2013 decreased 8% to 41.0 Bcfe in 2013 from 44.7 Bcfe in 2012. The 8% decrease in these equivalent sales volumes was due to a 20% decrease in natural gas production offset by a 55% increase in oil production and a 23% increase in NGL production. The increase in oil production was a result of our development efforts in the Eagle Ford, where we incurred approximately $108 million in direct exploration, development, and leasehold acquisition capital expenditures in 2013, and the increase in NGL production was due to our drilling program in East Texas, where we incurred approximately $80 million in direct exploration, development, and leasehold acquisition capital expenditures in 2013. Natural gas production declined 20% due to the natural decline in production from existing wells that exceeded the incremental natural gas production we added in 2013 from drilling liquids-rich East Texas wells.

Revenues from oil, natural gas, and NGLs were $441 million in 2013 as compared to $606 million in 2012. The $164 million, or 27%, decrease in revenues in 2013 compared to 2012 was primarily due to the divestitures of producing oil and natural gas properties in South Louisiana, South Texas, and the Texas Panhandle, which accounted for $217 million of the decrease. This decrease was moderated by a 5% increase between the respective periods in the per unit equivalent price realized from these properties while we owned them. Revenues from the properties we continued to own as of December 31, 2013 increased $53 million primarily due to increased liquids production as discussed above and a 39% increase in the equivalent price realized between the two periods.

Years Ended December 31, 2012 and 2011

	Oil, Natural Gas, and NGL Revenues			Oil, Natural Gas, and NGL Sales Volumes			Per Unit Price Realizations			Change In Revenues Attribut		
	Year Ended December 31,		$	Year Ended December 31,		Volume	Year Ended December 31,		$	Change In:		
	2012	2011	Change	2012	2011	Change	2012	2011	Change[1]	Volumes[2]	Prices[3]	To
	(In Thousands)									(In Thousands)		
				MBbls			$/Bbl					
ed ies	$ 80,160	$ 35,878	$ 44,282	804	391	413	$ 99.70	$ 91.76	$ 7.94	$ 37,897	$ 6,385	$ 4
ed ies	222,285	203,817	18,468	2,342	2,100	242	94.91	97.06	(2.14)	23,487	(5,019)	1
	$ 302,445	$ 239,695	$ 62,750	3,146	2,491	655	$ 96.14	$ 96.22	$ (.09)	$ 63,027	$ (277)	$ 6
l												
				MMcf			$/Mcf					
ed ies	$ 88,421	$ 128,492	$ (40,071)	36,128	34,934	1,194	$ 2.45	$ 3.68	$ (1.23)	$ 4,392	$ (44,463)	$ (4
	103,799	200,018	(96,219)	44,880	53,563	(8,683)	2.31	3.73	(1.42)	(32,425)	(63,794)	(9

ed ies												
	$ 192,220	$ 328,510	$ (136,290)	81,008	88,497	(7,489)	$ 2.37	$ 3.71	$ (1.34)	$ (27,800)	$ (108,490)	$ (13
				MBbls			$/Bbl					
ed ies	$ 22,323	$ 18,045	$ 4,278	621	379	242	$ 35.95	$ 47.61	$ (11.67)	$ 11,522	$ (7,244)	$
ed ies	88,535	117,281	(28,746)	2,868	2,775	93	30.87	42.26	(11.39)	3,930	(32,676)	(2
	$ 110,858	$ 135,326	$ (24,468)	3,489	3,154	335	$ 31.77	$ 42.91	$ (11.13)	$ 14,374	$ (38,842)	$ (2
				MMcfe			$/Mcfe					
ed ies	$ 190,904	$ 182,415	$ 8,489	44,678	39,554	5,124	$ 4.27	$ 4.61	$ (.34)	$ 23,631	$ (15,142)	$
ed ies	414,619	521,116	(106,497)	76,140	82,813	(6,673)	5.45	6.29	(.85)	(41,991)	(64,506)	(10
	$ 605,523	$ 703,531	$ (98,008)	120,818	122,367	(1,549)	$ 5.01	$ 5.75	$ (.74)	$ (8,906)	$ (89,102)	$ (9

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(1) Certain amounts may not recalculate due to rounding.
(2) The change in revenues attributable to the change in volumes is calculated as the product of (i) the per unit price realization for the year ended December 31, 2011 and (ii) the change in volumes between the year ended December 31, 2011 and the year ended December 31, 2012. Certain amounts do not foot due to rounding.
(3) The change in revenues attributable to the change in prices is calculated as the product of (i) the volumes for the year ended December 31, 2012 and (ii) the change in the per unit price realization between the year ended December 31, 2011 and the year ended December 31, 2012. Certain amounts do not foot due to rounding.

Equivalent sales volumes were 120.8 Bcfe in 2012 as compared to 122.4 Bcfe in 2011. The 1.5 Bcfe, or 1%, decrease in equivalent sales volumes in 2012 compared to 2011 consisted of a decrease of 6.7 Bcfe attributable to the Divested properties, partially offset by a 5.1 Bcfe increase attributable to properties we continued to own as of December 31, 2013. The 5.1 Bcfe increase attributable to properties we continued to own as of December 31, 2013 was comprised of a 3.9 Bcfe, or 85%, increase in liquids production and a 1.2 Bcfe, or 3%, increase in natural gas production in 2012 as compared to 2011. The increase in oil production was a result of our development efforts in the Eagle Ford, where we incurred approximately $141 million in direct exploration, development, and leasehold acquisition capital expenditures in 2012, and the increase in NGL production was due to our drilling program in East Texas, where we incurred approximately $94 million in direct exploration, development, and leasehold acquisition capital expenditures in 2012.

Revenues from oil, natural gas, and NGLs were $606 million in 2012 as compared to $704 million in 2011. The $98 million, or 14%, decrease in revenues in 2012 compared to 2011 consisted of a decrease of $106 million attributable to the Divested properties, partially offset by a $8 million increase attributable to properties we continued to own as of December 31, 2013. The $8 million increase attributable to properties we continued to own as of December 31, 2013 was due to the increase in sales volumes, as discussed above, as well as a 9% increase in the per unit price realized for oil. These increases were partially offset by decreases of 33% and 24% in the per unit prices realized for natural gas and NGLs, respectively.

The revenues and per unit price realizations reflected in the tables above exclude the effects of commodity derivative instruments because we have elected not to designate our derivative instruments as cash flow hedges. See Realized and Unrealized Gains and Losses on Derivative Instruments below for more information on gains and losses relating to our commodity derivative instruments.

Production Expense

The table below sets forth the detail of production expense from continuing operations for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		
	2014	2013	2014	2013	2013	2012	2011
	(In Thousands, Except per Mcfe Data)						
Production expense:							
Lease operating expenses	$ 14,295	$ 19,167	$ 28,805	$ 40,371	$ 76,675	$ 108,027	$ 99,158
Production and property taxes			5,965	7,245	14,857	34,249	40,632

	2,740	5,029					
Transportation and processing costs	2,379	3,098	4,894	6,378	11,895	14,633	13,728
Production expense	$ 19,414	$ 27,294	$ 39,664	$ 53,994	$ 103,427	$ 156,909	$ 153,518
Production expense per Mcfe:							
Lease operating expenses	$ 1.58	$ 1.00	$ 1.56	$ .98	$ 1.02	$ .89	$ .81
Production and property taxes	.30	.26	.32	.18	.20	.28	.33
Transportation and processing costs	.26	.16	.26	.16	.16	.12	.11
Production expense per Mcfe	$ 2.14	$ 1.42	$ 2.14	$ 1.32	$ 1.37	$ 1.30	$ 1.25

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Three Months Ended June 30, 2014 and 2013

We have divested a substantial amount of oil and natural gas properties in recent years, causing significant changes from period to period in our lease operating expenses, production and property taxes, and transportation and processing costs and causing historical amounts reported to be not necessarily indicative of future results. Accordingly, the tables below distinguish lease operating expenses, production and property taxes, and transportation and processing costs, as well as per unit production expense, between those oil and natural gas properties we have recently divested, i.e., the South Texas and Texas Panhandle properties (the Divested properties) and those oil and natural gas properties that we continued to own as of June 30, 2014 (the Retained properties).

	Production Expense Three Months Ended June 30,			Production Expense per Mcfe Three Months Ended June 30,		
	2014	2013	$ Change	2014	2013	$ Change
	(In Thousands)			$/Mcfe		
Lease operating expenses						
Retained properties	$ 14,295	$ 12,433	$ 1,862	$ 1.58	$ 1.25	$ .33
Divested properties		6,734	(6,734)		.73	(.73)
	$ 14,295	$ 19,167	$ (4,872)	$ 1.58	$ 1.00	$ .58
Production and property taxes						
Retained properties	$ 2,740	$ 2,139	$ 601	$ .30	$ .22	$ .08
Divested properties		2,890	(2,890)		.31	(.31)
	$ 2,740	$ 5,029	$ (2,289)	$ .30	$ .26	$ .04
Transportation and processing costs						
Retained properties	$ 2,379	$ 3,013	$ (634)	$ .26	$ .30	$ (.04)
Divested properties		85	(85)		.01	(.01)
	$ 2,379	$ 3,098	$ (719)	$ .26	$ .16	$ .10
Total						
Retained properties	$ 19,414	$ 17,585	$ 1,829	$ 2.14	$ 1.77	$ .37
Divested properties		9,709	(9,709)		1.05	(1.05)
	$ 19,414	$ 27,294	$ (7,880)	$ 2.14	$ 1.42	$ .72

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Six Months Ended June 30, 2014 and 2013

	Production Expense Six Months Ended June 30,			Production Expense per Mcfe Six Months Ended June 30,		
	2014	2013	$ Change	2014	2013	$ Change
	(In Thousands)			$/Mcfe		
Lease operating expenses						
Retained properties	$ 28,805	$ 23,121	$ 5,684	$ 1.56	$ 1.14	$ .42
Divested properties		17,250	(17,250)		.83	(.83)
	$ 28,805	$ 40,371	$ (11,566)	$ 1.56	$ .98	$ .58
Production and property taxes						
Retained properties	$ 5,965	$ 4,665	$ 1,300	$ .32	$ .23	$ .09
Divested properties		2,580	(2,580)		.12	(.12)
	$ 5,965	$ 7,245	$ (1,280)	$ .32	$ .18	$ .14
Transportation and processing costs						
Retained properties	$ 4,894	$ 6,033	$ (1,139)	$ .26	$ .30	$ (.04)
Divested properties		345	(345)		.02	(.02)
	$ 4,894	$ 6,378	$ (1,484)	$ .26	$ .16	$ .10
Total						
Retained properties	$ 39,664	$ 33,819	$ 5,845	$ 2.14	$ 1.67	$ .47
Divested properties		20,175	(20,175)		.97	(.97)
	$ 39,664	$ 53,994	$ (14,330)	$ 2.14	$ 1.32	$ .82

Lease Operating Expenses

Lease operating expenses in the second quarter of 2014 were $14 million, or $1.58 per Mcfe, compared to $19 million, or $1.00 per Mcfe, in the second quarter of 2013. Lease operating expenses in the first six months of 2014 were $29 million, or $1.56 per Mcfe, compared to $40 million, or $.98 per Mcfe, in the first six months of 2013. Lease operating expenses decreased $5 million in the second quarter of 2014 compared to the second quarter of 2013 and $12 million in the first six months of 2014 as compared to the first six months of 2013. The decreases in lease operating expenses were primarily the result of oil and natural gas property divestitures, as reflected in the tables above, offset by increases in the lease operating expenses associated with properties we continued to own as of June 30, 2014, which increased by $2 million and $6 million during the second quarter of 2014 and the first six months of 2014, respectively, as compared to the comparable prior year periods. The $2 million increase in the second quarter of 2014 was primarily due to a $1 million increase in chemical treatment costs related to our oil production and a $1 million increase in workover expense. The $6 million increase in the first six months of 2014 was primarily due to increases in chemical treatment and saltwater disposal costs related to our oil production of $2 million and $1 million, respectively, and an increase in workover expense of $1 million.

Production and Property Taxes

Production and property taxes, consisting primarily of severance taxes paid on the value of the oil, natural gas, and NGLs sold, were 4.6% and 4.3% of oil, natural gas, and NGL revenues for the three months ended June 30, 2014 and 2013, respectively, and 4.8% and 3.1% of oil, natural gas, and NGL revenues for the six months ended June 30, 2014 and 2013, respectively. During the second quarter of 2013, several of our North Louisiana wells became eligible for horizontal well tax incentives and during the first quarter of 2013, reduced severance tax rates were approved on several wells in the Texas Panhandle. At the time of eligibility or approval, refunds were accrued to recover the severance taxes paid on these wells prior to them becoming eligible or approved for

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reduced rates, causing a decrease in production taxes of $1 million and $4 million during the three and six months ended June 30, 2013, respectively, and therefore causing the production and property taxes as a percentage of revenues to be lower for those periods. Excluding the production and property taxes and revenues related to the divested South Texas and Texas Panhandle properties, production and property taxes were 3.5% and 4.0% of oil, natural gas, and NGL revenues for the three and six months ended June 30, 2013, respectively. Normal fluctuations occur in this percentage between periods based upon changes in tax rates and changes in the assessed values of oil and natural gas properties and equipment for purposes of ad valorem taxes.

Transportation and Processing Costs

Transportation and processing costs in the second quarter of 2014 were $2 million, or $.26 per Mcfe, compared to $3 million, or $.16 per Mcfe, in the second quarter of 2013. Transportation and processing costs in the first six months of 2014 were $5 million, or $.26 per Mcfe, compared to $6 million, or $.16 per Mcfe, in the first six months of 2013. The divested South Texas and Texas Panhandle properties had minimal transportation and processing costs associated with them, and as a result these divestitures had a lesser impact in reducing transportation and processing costs.

Years Ended December 31, 2013 and 2012

We have divested a substantial amount of oil and natural gas properties in recent years, causing significant changes from period to period in our lease operating expenses, production and property taxes, and transportation and processing costs and causing historical amounts reported to be not necessarily indicative of future results. Accordingly, the tables below distinguish lease operating expenses, production and property taxes, and transportation and processing costs, as well as per unit production expense, between the South Louisiana, South Texas, and Texas Panhandle oil and natural gas properties (the Divested properties) we divested in November 2012, February 2013, and November 2013, respectively, and those oil and natural gas properties that we continued to own as of December 31, 2013 (the Retained properties).

	Production Expense Year Ended December 31,			Production Expense per Mcfe Year Ended December 31,		
	2013	2012	$ Change	2013	2012	$ Change
	(In Thousands)			$/Mcfe		
Lease operating expenses						
Retained properties	$ 48,854	$ 37,633	$ 11,221	$ 1.19	$ .84	$ .35
Divested properties	27,821	70,394	(42,573)	.81	.92	(.11)
	$ 76,675	$ 108,027	$ (31,352)	$ 1.02	$ .89	$ .13
Production and property taxes						
Retained properties	$ 10,522	$ 9,026	$ 1,496	$ .26	$ .20	$ .06
Divested properties	4,335	25,223	(20,888)	.13	.33	(.20)
	$ 14,857	$ 34,249	$ (19,392)	$ .20	$ .28	$ (.08)
Transportation and processing costs						
Retained properties	$ 11,434	$ 11,888	$ (454)	$ .28	$ .27	$ .01

Divested properties	461	2,745	(2,284)	.01	.04	(.03)
	$ 11,895	$ 14,633	$ (2,738)	$ .16	$ .12	$ .04
Total						
Retained properties	$ 70,810	$ 58,547	$ 12,263	$ 1.73	$ 1.31	$ .42
Divested properties	32,617	98,362	(65,745)	.95	1.29	(.34)
	$ 103,427	$ 156,909	$ (53,482)	$ 1.37	$ 1.30	$ .07

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Years Ended December 31, 2012 and 2011

	Production Expense Year Ended December 31,			Production Expense per Mcfe Year Ended December 31,		
	2012	2011	$ Change	2012	2011	$ Change
	(In Thousands)			$/Mcfe		
Lease operating expenses						
Retained properties	$ 37,633	$ 31,525	$ 6,108	$ .84	$ .80	$ .04
Divested properties	70,394	67,633	2,761	.92	.82	.10
	$ 108,027	$ 99,158	$ 8,869	$ .89	$ .81	$ .08
Production and property taxes						
Retained properties	$ 9,026	$ 6,763	$ 2,263	$ .20	$ .17	$ .03
Divested properties	25,223	33,869	(8,646)	.33	.41	(.08)
	$ 34,249	$ 40,632	$ (6,383)	$ .28	$ .33	$ (.05)
Transportation and processing costs						
Retained properties	$ 11,888	$ 10,339	$ 1,549	$ .27	$ .26	$ .01
Divested properties	2,745	3,389	(644)	.04	.04	
	$ 14,633	$ 13,728	$ 905	$ .12	$ .11	$ .01
Total						
Retained properties	$ 58,547	$ 48,627	$ 9,920	$ 1.31	$ 1.23	$ .08
Divested properties	98,362	104,891	(6,529)	1.29	1.27	.02
	$ 156,909	$ 153,518	$ 3,391	$ 1.30	$ 1.25	$ .05

Lease Operating Expenses

Lease operating expenses in 2013 were $77 million, or $1.02 per Mcfe, compared to $108 million, or $.89 per Mcfe, in 2012. Lease operating expenses decreased $31 million in 2013 compared to 2012 with such decrease comprised of $43 million due to the divestitures of the Divested properties, partially offset by an increase in lease operating expenses of $11 million attributable to the Retained properties. Lease operating expenses on the Retained properties increased primarily due to increases in chemical treatment costs, saltwater disposal costs, workovers, and overhead. Chemical treatment and saltwater disposal costs, which relate primarily to our Eagle Ford oil properties, increased approximately $4 million from 2012 to 2013. Workover expense increased approximately $3 million from 2012 to 2013 primarily due to a workover program implemented in East Texas. Overhead increased approximately $3 million from 2012 to 2013. The increase in per-unit lease operating expenses is primarily due to a higher percentage of oil production as a percentage of total equivalent production. Based on the energy-equivalent ratio of six Mcf of natural gas to one barrel of oil, oil production typically has higher per-unit lease operating costs than does natural gas production. However, because the market price of oil relative to natural gas is currently well in excess of the six-to-one ratio, the increase in lease operating expense associated with an increase in oil production is more than

offset by the additional revenues realized from oil sales.

Lease operating expenses were $108 million, or $.89 per Mcfe, in 2012 compared to $99 million, or $.81 per Mcfe, in 2011. Lease operating expenses increased $9 million in 2012 compared to 2011, with $6 million of this increase attributable to the Retained properties and $3 million attributable to the Divested properties. Lease operating expenses increased on the Retained properties primarily due to increased chemical treatment and saltwater disposal costs of approximately $4 million and increased fuel, power, and water costs of approximately $1 million, the majority of such costs being related to our Eagle Ford oil properties. Lease operating expenses increased on the Divested properties primarily due to increases in workover expense of approximately $4 million and compressor rental expense of approximately $2 million, partially offset by smaller decreases in miscellaneous lease operating costs.

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Production and Property Taxes

Production and property taxes, consisting primarily of severance taxes paid on the value of the oil, natural gas, and NGLs sold, were 3.4%, 5.7%, and 5.8% of oil, natural gas, and NGL sales for the years ended December 31, 2013, 2012, and 2011, respectively. Production and property taxes as a percentage of oil, natural gas, and NGL sales for the Retained properties were 4.3%, 4.7%, and 3.7% for the years ended December 31, 2013, 2012, and 2011, respectively. Normal fluctuations occur in this percentage between periods based upon changes in tax rates, including those changes caused by incentive tax credits earned, and changes in the assessed values of oil and natural gas properties and equipment for purposes of ad valorem taxes.

Transportation and Processing Costs

Transportation and processing costs were $12 million, or $.16 per Mcfe, in 2013, $15 million, or $.12 per Mcfe, in 2012, and $14 million, or $.11 per Mcfe, in 2011. Transportation and processing costs decreased $3 million from 2012 to 2013, with $2 million of this decrease being due to the divestitures of the Divested properties. Transportation and processing costs on the Retained properties remained relatively stable between the two years, with 2013 showing a slight decrease. Transportation and processing costs increased $1 million from 2011 to 2012, with $2 million of this increase attributable to the Retained properties, partially offset by a $1 million decrease attributable to the Divested properties.

General and Administrative Expense

The table below sets forth the components of general and administrative expense from continuing operations for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		
	2014	2013	2014	2013	2013	2012	2011
	(In Thousands)						
Stock-based compensation costs	$2,653	$ 4,881	$ 4,427	$ 12,105	$ 18,592	$ 22,897	$ 35,706
Stock-based compensation costs capitalized	(884)	(1,631)	(1,803)	(4,595)	(7,808)	(7,378)	(14,886)
	1,769	3,250	2,624	7,510	10,784	15,519	20,820
Labor costs[1]	5,879	10,873	12,095	30,769	52,247	45,671	41,367
Other general and administrative costs	4,579	5,458	9,387	10,650	17,980	28,478	34,425
Other general and administrative costs capitalized	(3,967)	(6,467)	(7,606)	(15,801)	(26,185)	(30,406)	(31,507)
	6,491	9,864	13,876	25,618	44,042	43,743	44,285
General and administrative expense	$8,260	$ 13,114	$ 16,500	$ 33,128	$ 54,826	$ 59,262	$ 65,105

(1) Labor costs include salaries, hourly wages, bonuses, severance, and burden.

General and administrative expense was $8 million in the second quarter of 2014 compared to $13 million in the second quarter of 2013, and was $17 million in the first six months of 2014 compared to $33 million in the first six months of 2013. The primary factors causing the decreases in general and administrative expense between the comparative quarterly and year-to-date periods are the South Texas and Texas Panhandle oil and natural gas property divestitures that occurred in February 2013 and November 2013, respectively, each of which included a reduction in employee headcount.

Labor costs decreased $5 million, or 46%, in the second quarter of 2014 as compared to the second quarter of 2013, and $19 million, or 61%, in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. The six months ended June 30, 2013 included $8 million of employee-related South Texas asset divestiture costs comprised of severance paid to involuntarily terminated employees and retention bonuses paid to certain employees due to the South Texas asset divestiture. This compares to $.7 million of employee-related

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Panhandle asset divestiture costs included in the six months ended June 30, 2014. Related to the decrease in labor costs, capitalized general and administrative costs decreased $3 million, or 39%, in the second quarter of 2014 as compared to the second quarter of 2013, and $8 million, or 52%, in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013.

Stock-based compensation costs, net of costs capitalized, decreased $1 million and $5 million during the three and six months ended June 30, 2014 as compared to the three and six months ended June 30, 2013. The decreases were primarily due to a reduction in employee headcount and a decrease in the Company s stock price from the second quarter of 2013 to the second quarter of 2014. The reduction in employee headcount was due both to involuntary terminations, which occurred primarily in the first and fourth quarters of 2013 and in which case awards vest and expense is accelerated, and voluntary terminations, in which case awards do not vest and previously recognized expense is reversed.

General and administrative expense was $55 million in 2013 compared to $59 million and $65 million in 2012 and 2011, respectively. For the year ended December 31, 2013, labor costs include $14 million ($11 million net of capitalized amounts) in employee-related asset divestiture costs and stock-based compensation costs include $5 million ($2 million net of capitalized amounts) in accelerated stock-based compensation costs. These costs are associated with the divestitures of our South Texas and Texas Panhandle oil and natural gas properties during the first and fourth quarters of 2013, respectively. For the year ended December 31, 2012, stock-based compensation costs include $5 million ($4 million net of capitalized amounts) in accelerated stock-based compensation costs and labor costs include $2 million ($2 million net of capitalized amounts) in severance costs, both of which are related to the termination of our former chief executive officer. Aside from the increased employee-related asset divestiture costs in 2013, labor and stock-based compensation costs decreased, as compared to 2012, due to reduced headcount and a decrease in the Company s stock price. Other general and administrative cost decreases for the year ended December 31, 2013 compared to the year ended December 31, 2012 include approximately (i) $3 million less expense for split dollar life insurance, primarily due to an increase in the cash surrender value, (ii) $2 million less in professional services expense, primarily related to legal advisory and drilling consultant fees, and (iii) $2 million less in software expense. Other general and administrative costs for the year ended December 31, 2012 compared to the year ended December 31, 2011 reflect approximately (i) $9 million less expense for attorneys fees and (ii) $2 million more in professional services expense. For the year ended December 31, 2011, $12 million in stock-based compensation costs ($7 million net of capitalized amounts) were recognized related to the spin-off of Lone Pine, which caused the forfeiture restrictions to lapse on a portion of each outstanding restricted stock award, thus requiring the immediate recognition of compensation cost. The percentage of general and administrative costs capitalized under the full cost method of accounting ranged from 36% to 42% in the periods presented.

Depreciation, Depletion, and Amortization

The table below sets forth the components of depreciation, depletion, and amortization expense from continuing operations for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
	In Thousands	$/Mcfe	In Thousands	$/Mcfe	In Thousands	$/Mcfe	In Thousands	$/Mcfe
Depletion	$ 19,396	$ 2.14	$ 41,671	$ 2.17	$ 39,660	$ 2.14	$ 89,209	$ 2.17
Depreciation	907	.10	2,133	.11	2,058	.11	3,138	.08

Depreciation, depletion, and amortization expense	$ 20,303	$ 2.24	$ 43,804	$ 2.28	$ 41,718	$ 2.25	$ 92,347	$ 2.25

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	Year Ended December 31,					
	2013		2012		2011	
	In Thousands	$/Mcfe	In Thousands	$/Mcfe	In Thousands	$/Mcfe
Depletion	$ 165,767	$ 2.20	$ 275,886	$ 2.28	$ 213,866	$ 1.75
Depreciation	5,790	.08	4,572	.04	5,818	.05
Depreciation, depletion, and amortization expense	$ 171,557	$ 2.27	$ 280,458	$ 2.32	$ 219,684	$ 1.80

Depreciation, depletion, and amortization expense (DD&A) in the second quarter of 2014 was $20 million, or $2.24 per Mcfe, compared to $44 million, or $2.28 per Mcfe, in the second quarter of 2013. For the first six months of 2014, DD&A was $42 million, or $2.25 per Mcfe, compared to $92 million, or $2.25 per Mcfe, in the first six months of 2013.

The decreases in DD&A in the three and six months ended June 30, 2014 as compared to the three and six months ended June 30, 2013 are due primarily to decreases in our oil and natural gas reserves, with such decreases primarily attributable to our property divestitures, partially offset by oil reserve additions, which typically have higher per-unit development costs than natural gas reserves.

DD&A was $172 million, or $2.27 per Mcfe, in 2013, $280 million, or $2.32 per Mcfe, in 2012, and $220 million, or $1.80 per Mcfe, in 2011. The decrease in DD&A from 2012 to 2013 was due primarily to oil and natural gas property divestitures, partially offset by oil reserve additions, which typically have higher per-unit development costs than natural gas reserves. The increase in DD&A from 2011 to 2012 was due primarily to the increase in oil reserve additions. In addition, in 2012, a significant portion of our proved undeveloped natural gas reserves, which have lower associated development costs than proved undeveloped oil reserves, were reclassified from proved to probable status in conjunction with the decrease in the natural gas prices used to determine our proved reserves.

Ceiling Test Write-Down of Oil and Natural Gas Properties

At June 30, 2014, we recorded a $77 million ceiling test write-down of our United States cost center pursuant to the full cost ceiling test limitation prescribed by the SEC. This ceiling test write-down was primarily a result of (i) a reduction in the estimated reserves attributable to a portion of our proved undeveloped locations in the Eagle Ford and (ii) a reduction in the total number of proved undeveloped locations in the Eagle Ford to properly align the number of future drilling locations with our current development pace relative to the SEC five year limitation on the age of proved undeveloped locations. Additional write-downs of our oil and natural gas properties may be required in subsequent periods if, among other things, the unweighted arithmetic average of the first-day-of-the-month oil, natural gas, or NGL prices used in the calculation of the present value of future net revenues from estimated production of proved oil and natural gas reserves declines compared to prices used as of June 30, 2014, unproved properties are impaired, estimated proved reserve volumes are revised downward, or costs incurred in exploration, development, or acquisition activities exceed the discounted future net cash flows from the additional reserves, if any, attributable to the cost center.

At December 31, 2013, we recorded a ceiling test write-down of our United States cost center totaling $58 million, pursuant to the ceiling test limitation prescribed by the SEC for companies using the full cost method of accounting. This ceiling test write-down was primarily a result of the Panhandle divestiture in the fourth quarter of 2013. Given the magnitude of the Panhandle oil and natural gas reserves as a percentage of our total reserves, the divestiture resulted in a $193 million net gain on disposition of assets rather than 100% of the divestiture proceeds reducing

capitalized costs, as has typically been done with previous sales of oil and natural gas properties. This smaller reduction of capitalized costs and the loss of future net revenues from the divested proved oil and natural gas reserves were the primary factors causing the ceiling test write-down.

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In 2012, we recorded ceiling test write-downs of our United States cost center totaling $958 million and our Italian cost center totaling $35 million. The United States write-downs were primarily a result of the decline in the twelve-month arithmetic average prices of natural gas and NGLs that were used to calculate the present value of future net revenues from our estimated proved oil and natural gas reserves throughout 2012. The Italian write-down resulted from our conclusion that our Italian natural gas reserves could no longer be classified as proved reserves, due to an Italian regional regulatory body s 2012 denial of approval of an environmental impact assessment associated with our proposal to commence natural gas production from wells that we drilled and completed in 2007. Recent legislation gives the Ministry of Environment authority over environmental impact assessments, beginning in 2015. We believe the ministry may be more willing to approve the assessment than has the regional regulatory body.

See Critical Accounting Policies and Estimates Full Cost Method of Accounting for more information regarding ceiling test write-downs.

Impairment of Properties

During the third quarter of 2012, we recorded a $67 million impairment of our unproved properties in South Africa based on several unsuccessful attempts to sell the properties for an amount that would allow us to recover the carrying amount of our investment in these properties. Because we had no proved reserves in South Africa, the impairment was reported as a period expense rather than being added to the costs to be amortized, and is included in the Consolidated Statement of Operations within the Impairment of properties line item. In December 2012, we entered into agreements to sell our South African subsidiaries and to abandon a certain exploration right in South Africa in connection with the sale of the exploration right. The abandonment of the exploration right, which was contingent upon approval by the government of South Africa, among other things, was completed in December 2013, and we received $9 million, which is included in the Consolidated Statement of Operations within the Other, net line item for the year ended December 31, 2013. We completed the sale in the second quarter of 2014, completing our exit from South Africa, though certain regulatory matters are delaying transfer of physical possession of the subsidiary s shares to the purchaser.

In August 2012, we entered into an agreement to sell the majority of our East Texas natural gas gathering assets and the transaction closed in October 2012. During the third quarter of 2012, these assets were written down to their estimated fair value less cost to sell, with a $13 million impairment charge included in the Consolidated Statement of Operations within the Impairment of properties line item. See Note 2 to the Consolidated Financial Statements for more information regarding this divestiture.

Interest Expense

The table below sets forth interest expense from continuing operations for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		
	2014	2013	2014	2013	2013	2012	2011
	(In Thousands)						
Credit facility[1]	$ 480	$ 1,901	$ 1,507	$ 3,528	$ 6,843	$ 10,263	$ 6,652
7 ¼% senior notes due 2019[1]	10,660	18,445	21,317	36,887	70,847	73,793	73,790
7 ½% senior notes due 2020[1]	4,300	9,677	8,599	19,350	36,627	11,194	

8 ½% senior notes due 2014[1]				6,277	6,277	53,402	59,281
8% senior notes due 2011[1]							20,191
Other	298	292	326	592	1,202	402	100
Interest costs capitalized		(923)		(1,114)	(1,967)	(7,223)	(10,259)
Interest expense	$ 15,738	$ 29,392	$ 31,749	$ 65,520	$ 119,829	$ 141,831	$ 149,755

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(1) Interest expense amounts include interest on the principal or borrowings outstanding, amortization of debt issuance costs, amortization of discounts and premiums, amortization of a deferred gain on a terminated interest rate swap, and credit facility commitment, letter of credit, and other fees, all as applicable.

Interest expense was $16 million and $29 million for the three months ended June 30, 2014 and 2013, respectively, and $32 million and $66 million for the six months ended June 30, 2014 and 2013, respectively. The $14 million decrease in the second quarter of 2014 compared to the second quarter of 2013 was comprised primarily of $13 million due to the redemption of $700 million of 7 ¼% senior notes and 7 ½% senior notes in November 2013. The $34 million decrease in the first six months of 2014 compared to the first six months of 2013 was comprised primarily of the following: (i) $26 million due to the redemption of $700 million of 7 ¼% senior notes and 7 ½% senior notes in November 2013 and (ii) $6 million due to the redemption of the $300 million of 8 ½% senior notes in March 2013. Additionally, there were no borrowings outstanding under our credit facility during the first six months of 2014 whereas there were borrowings outstanding under our credit facility during the first six months of 2013. See Liquidity and Capital Resources Bank Credit Facility below for more information regarding our credit facility. Other interest expense consists primarily of interest accrued on the previously disclosed arbitration award in the proceeding styled *Forest Oil Corp., et al. v. El Rucio Land & Cattle Co., et al.*. See Information Concerning Forest Oil Corporation Legal Proceedings for more information regarding this matter. Interest costs capitalized relate to our investments in significant unproved acreage positions that are under development.

Interest expense in 2013 totaled $120 million compared to $142 million in 2012. The $22 million decrease in interest expense was comprised of: (i) $47 million attributable to the redemption of $300 million of 8 ½% senior notes in October 2012 and the redemption of the remaining $300 million of 8 ½% senior notes in March 2013, (ii) $5 million due to the redemption of $700 million in aggregate of 7 ¼% senior notes and 7 ½% senior notes in November 2013, and (iii) $3 million attributable to the credit facility due to average outstanding borrowings under the credit facility and the commitment amount, upon which commitment fees are based, being lower in 2013 as compared to 2012. These decreases were partially offset by the following increases: (i) $27 million due to there being a full year of interest costs on the 7 ½% senior notes, which were issued in September 2012, and (ii) $5 million of lower capitalized interest in 2013. Interest expense totaled $142 million in 2012 compared to $150 million in 2011. The $8 million decrease in interest expense was comprised of: (i) $20 million attributable to the redemption of $285 million of 8% senior notes in December 2011 and (ii) $6 million due to the redemption of $300 million of 8 ½% senior notes in October 2012. These decreases were partially offset by the following increases: (i) $11 million in interest costs on the $500 million of 7 ½% senior notes issued in September 2012, (ii) $4 million attributable to the credit facility, primarily due to increased borrowings outstanding under the credit facility in 2012 as compared to 2011, and (iii) $3 million of lower capitalized interest in 2012. Interest costs capitalized relate to our investments in significant unproved acreage positions that are under development. In 2013 and 2012, other interest expense consists primarily of interest accrued on the previously disclosed arbitration award in the proceeding styled *Forest Oil Corp., et al. v. El Rucio Land & Cattle Co., et al.*. See Information Concerning Forest Oil Corporation Legal Proceedings and Note 11 to the Consolidated Financial Statements for more information regarding this matter.

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Realized and Unrealized Gains and Losses on Derivative Instruments

The table below sets forth realized and unrealized gains and losses on derivative instruments from continuing operations recognized under Costs, expenses, and other in our Condensed Consolidated Statements of Operations and in our Consolidated Statements of Operations for the periods indicated. Realized gains and losses represent cash settlements on derivative instruments and unrealized gains and losses represent changes in fair value of derivative instruments. Realized and unrealized gains and losses on derivative instruments vary from period to period based primarily on the specific terms of the derivative instruments to which we are a party and third-party indices settlement prices or interest rates, as the case may be. See Note 7 and Note 8 to the Condensed Consolidated Financial Statements and Note 8 and Note 9 to the Consolidated Financial Statements for more information on our derivative instruments.

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		
	2014	2013	2014	2013	2013	2012	2011
	(In Thousands)						
Realized losses (gains) on derivative instruments, net:							
Oil	$2,433	$ (473)	$ 3,465	$ (901)	$ 4,333	$ (5,862)	$ 12,584
Natural gas	1,863	1,579	5,291	(7,642)	(18,585)	(91,891)	(78,247)
NGLs						(2,667)	28,128
Interest		(9,803)		(12,885)	(12,885)	(11,352)	(11,442)
Subtotal realized losses (gains) on derivative instruments, net	4,296	(8,697)	8,756	(21,428)	(27,137)	(111,772)	(48,977)
Unrealized losses (gains) on derivative instruments, net:							
Oil	7,608	(5,736)	9,645	(6,044)	(6,814)	(6,324)	(10,297)
Natural gas	(263)	(27,087)	6,091	8,382	24,677	43,350	(22,931)
NGLs						(5,396)	(4,314)
Interest		9,910		13,060	13,060	7,496	(1,545)
Subtotal unrealized losses (gains) on derivative instruments, net	7,345	(22,913)	15,736	15,398	30,923	39,126	(39,087)
Realized and unrealized losses (gains) on derivatives, net	$11,641	$ (31,610)	$ 24,492	$ (6,030)	$ 3,786	$ (72,646)	$ (88,064)

Other, Net

The table below sets forth the components of Other, net for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In Thousands)			
Accretion of asset retirement obligations	$ 381	$ 549	$ 894	$ 1,793
Write-off of debt issuance costs			3,323	
Loss on debt extinguishment				25,223
Gain on asset dispositions, net	(22,185)		(21,391)	
Merger-related costs	10,202		10,202	
Rig stacking/lease termination	3,075	1,258	8,259	4,296
Other, net	(775)	(214)	(1,941)	(899)
	$ (9,302)	$ 1,593	$ (654)	$ 30,413

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The table below sets forth the components of Other, net from continuing operations for the periods indicated.

	Year Ended December 31,		
	2013	2012	2011
	(In Thousands)		
Gain on asset dispositions, net	$ (202,023)	$	$
Loss on debt extinguishment, net	48,725	36,312	
Legal proceeding liabilities		29,251	6,500
Accretion of asset retirement obligations	2,982	6,663	6,082
Other, net	7,710	11,180	4,582
	$ (142,606)	$ 83,406	$ 17,164

See Note 9 to the Condensed Consolidated Financial Statements and Note 11 to the Consolidated Financial Statements for more information on the components of Other, net .

Income Tax

The table below sets forth total income tax and the effective income tax rates related to continuing operations for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		
	2014	2013	2014	2013	2013	2012	2011
	(In Thousands, Except Percentages)						
Current income tax	$ (78)	$ (212)	$ (1,292)	$ 125	$ (707)	$ (35,538)	$ 30,141
Deferred income tax						208,975	58,994
Total income tax (benefit) expense	$ (78)	$ (212)	$ (1,292)	$ 125	$ (707)	$ 173,437	$ 89,135
Effective income tax rate	.1%	(.6)%	1.2%	(.4)%	(1.0)%	(15.5)%	47.6%

Our effective income tax rates were .1% and 1.2% for the three and six months ended June 30, 2014, respectively, and (.6)% and (.4)% for the three and six months ended June 30, 2013, respectively. The significant differences between our blended federal and state statutory income tax rate of approximately 36% and our effective income tax rates for the periods shown were primarily due to changes in the valuation allowance placed against our deferred tax assets. Our effective income tax rates were (1.0)%, (15.5)%, and 47.6% for the years ended December 31, 2013, 2012, and 2011, respectively. The significant differences between our blended federal and state statutory income tax rate of 36% and our effective income tax rate for all the periods shown were primarily due to changes in the valuation allowance placed against our deferred tax assets. In addition, in 2011, our effective income tax rate was impacted by a Canadian dividend tax of $29 million that was incurred on a stock dividend declared and paid by our former Canadian subsidiary, Lone Pine Resources Canada Ltd. (LPR Canada), to Forest, as parent, immediately before Forest s contribution of LPR Canada to Lone Pine in conjunction with Lone Pine s initial public offering.

The current income tax benefit in 2012 of $36 million primarily relates to income tax refunds filed during 2012 associated with tax loss carrybacks to recover income taxes paid in 2009.

See Critical Accounting Policies and Estimates Valuation of Deferred Tax Assets for further discussion of our valuation allowance and Note 4 to the Consolidated Financial Statements for a reconciliation of income tax computed using the federal statutory income tax rate to income tax computed using our effective income tax rate for each annual period presented.

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Discontinued Operations

The results of operations of Lone Pine are presented as discontinued operations in our Consolidated Financial Statements for 2011 due to the spin-off of Lone Pine on September 30, 2011. See Note 13 to the Consolidated Financial Statements for more information regarding the components of earnings from discontinued operations.

Liquidity and Capital Resources

Our exploration, development, and acquisition activities require us to make significant operating and capital expenditures (see Capital Expenditures). Historically, we have used cash flow from operations and our bank credit facility as our primary sources of liquidity. To fund large transactions, such as acquisitions and debt refinancing transactions, we have looked to the private and public capital markets as another source of financing and, as market conditions have permitted, we have engaged in asset monetization transactions.

Changes in the market prices for oil, natural gas, and NGLs directly impact our level of cash flow generated from operations. We employ a commodity hedging strategy in an attempt to moderate the effects of wide fluctuations in commodity prices on our cash flow. As of August 14, 2014, we had hedged, via commodity swaps and collars, approximately 33 Bcfe of our total projected 2014 production and approximately 26 Bcfe of our total projected 2015 production, excluding the volumes underlying outstanding unexercised commodity swaptions and oil put options. This level of hedging will provide a measure of certainty with respect to the cash flow that we will receive for a portion of our future production. However, these hedging activities may result in reduced income or even financial losses to us. In the future, we may increase or decrease our hedging positions. See Quantitative and Qualitative Disclosure About Market Risk Commodity Price Risk below for more information on our derivative instruments.

As noted above, the other primary source of liquidity is our credit facility, which currently has a borrowing base of $300 million. The borrowing base is subject to redetermination from time to time as discussed below under Bank Credit Facility. This facility is used to fund daily operations and to fund acquisitions and refinance debt, as needed and if available. The credit facility is secured by a portion of our assets and matures in June 2016. The credit facility contains a covenant that we will not permit our ratio of total debt to EBITDA (as adjusted for non-cash charges) calculated for the preceding four consecutive fiscal quarter period then most recently ended to be greater than 5.75 to 1.00 as of June 30, 2014. Future periods have differing limitations as discussed below under Bank Credit Facility. Depending on our overall level of indebtedness, this covenant may limit our ability to borrow funds as needed under our credit facility. Our ratio of total debt to EBITDA for the four consecutive fiscal quarter period ended June 30, 2014, as calculated in accordance with the credit facility, was 5.07. We had no borrowings outstanding under the credit facility as of June 30, 2014 and we had outstanding borrowings of $12 million as of August 14, 2014. The covenant described above would currently prevent us from borrowing the full amount of our remaining borrowing base. See Bank Credit Facility below for further details regarding the credit facility.

The public and private capital markets have served as our primary source of financing to fund large acquisitions and other exceptional transactions, such as debt refinancings. In the past, we have issued debt and equity in both the public and private capital markets. Our ability to access the debt and equity capital markets on economic terms is affected by general economic conditions, the domestic and global financial markets, the credit ratings assigned to our debt by independent credit rating agencies, our operational and financial performance, the value and performance of our equity and debt securities, prevailing commodity prices, and other macroeconomic factors outside of our control.

We also have engaged in asset dispositions and joint ventures as a means of generating additional cash to fund more attractive capital projects and to enhance our financial flexibility. For example, in November 2012, we sold all of our oil and natural gas properties located in South Louisiana for proceeds of $211 million. Additionally, in February 2013

we sold all of our oil and natural gas properties located in South Texas, excluding

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our Eagle Ford oil properties, for proceeds of $321 million, which we used in March 2013 to redeem the remaining $300 million in principal amount of 8 ½% senior notes due 2014. In November 2013, we sold all of our oil and natural gas properties located in the Texas Panhandle for proceeds of $985 million, which we used to redeem $700 million of 7 ¼% senior notes due 2019 and 7 ½% senior notes due 2020, and to pay off the outstanding balance on our credit facility. In addition, we have entered into an agreement with a third-party pursuant to which the third-party is funding a portion of the drilling and other development costs relating to certain Eagle Ford acreage in exchange for a 50% working interest in that acreage.

We believe that our existing cash, expected cash flows provided by operating activities, and the funds available under the credit facility will be sufficient to fund our normal recurring operating needs and our contractual obligations. As noted below under Bank Credit Facility, based on our current projections, the ratio of total debt to EBITDA may exceed the maximum allowed under the credit facility sometime prior to the end of 2014 if we do not obtain a waiver or an additional amendment to the credit facility. If we are unable to obtain a waiver or an amendment, the credit facility could be terminated. However, we believe we can arrange for alternative sources of debt financing, including securing liens against our properties or selling additional properties, sufficient to meet our recurring operating needs and contractual obligations for a reasonable period of time.

See Going Concern Subsequent Event below for updated disclosure on the status of our compliance with the total debt to EBITDA covenant in the Credit Facility and its effect on our ability to continue as a going concern.

Bank Credit Facility

On June 30, 2011, we entered into the Third Amended and Restated Credit Agreement (the Credit Facility) with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent), which, as of June 30, 2014, consists of a $500 million credit facility maturing in June 2016. The size of the Credit Facility may be increased by $300 million, to a total of $800 million, upon agreement between us and the applicable lenders. On March 31, 2014, we entered into the Second Amendment to the Credit Facility (the Second Amendment), which was effective as of that date. The Second Amendment amended, among other things, the permitted ratio of total debt to EBITDA and the definition of total debt used in the ratio calculation, and reduced the aggregate lender commitments from $1.5 billion to $500 million and the borrowing base, which governs our availability under the Credit Facility, from $400 million to $300 million, where it remained at June 30, 2014.

The determination of the Credit Facility borrowing base is made by the lenders in their sole discretion, on a semi-annual basis, taking into consideration the estimated value of our oil and natural gas properties based on pricing models determined by the lenders at such time, in accordance with the lenders customary practices for oil and natural gas loans. The available borrowing amount under the Credit Facility could increase or decrease based on such redetermination. A reduction of the borrowing base could require us to repay indebtedness in excess of the borrowing base in order to cover the deficiency. The next scheduled semi-annual redetermination of the borrowing base will occur on or about November 1, 2014. In addition to the scheduled semi-annual redeterminations, we and the lenders each have discretion at any time, but not more often than once during a calendar year, to have the borrowing base redetermined.

The borrowing base is also subject to automatic adjustments if certain events occur, such as if we or any of our Restricted Subsidiaries (as defined in the Credit Facility) issue senior unsecured notes, in which case the borrowing base will immediately be reduced by an amount equal to 25% of the stated principal amount of such issued senior notes, excluding any senior unsecured notes that we or any of our Restricted Subsidiaries may issue to refinance senior notes that were outstanding on June 30, 2011. The borrowing base is also subject to automatic adjustment if we or any of our Restricted Subsidiaries sell oil and natural gas properties having a fair market value, including any

economic loss of unwinding any related hedging agreement, in excess of 10% of the borrowing base then in effect. In this case, the borrowing base will be reduced by an amount either (i) equal to

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the percentage of the borrowing base attributable to the sold properties, as determined by the Administrative Agent, or (ii) if none of the borrowing base is attributable to the sold properties, a value agreed upon by us and the required lenders. The sale of our South Texas properties resulted in a $170 million reduction to the borrowing base when the transaction closed in February 2013 and the November 2013 sale of our Texas Panhandle properties resulted in a $300 million reduction to the borrowing base effective November 25, 2013. See Note 5 to the Condensed Consolidated Financial Statements for more information regarding our divestiture activity.

The Credit Facility is collateralized by our assets. Under the Credit Facility, we are required to mortgage and grant a security interest in 75% of the present value of our estimated proved oil and natural gas properties and related assets. If our corporate credit ratings issued by Moody s and Standard & Poor s meet pre-established levels, the security requirements would cease to apply and, at our request, the banks would release their liens and security interest on our properties.

Borrowings under the Credit Facility bear interest at one of two rates as may be elected by us. Borrowings bear interest at:

(i) the greatest of (a) the prime rate announced by JPMorgan Chase Bank, N.A., (b) the federal funds effective rate from time to time plus ½ of 1%, and (c) the one-month rate applicable to dollar deposits in the London interbank market for one, two, three or six months (as selected by us) (the LIBO Rate) plus 1%, plus, in the case of each of clauses (a), (b), and (c), 50 to 150 basis points depending on borrowing base utilization; or

(ii) the LIBO Rate as adjusted for statutory reserve requirements (the Adjusted LIBO Rate), plus 150 to 250 basis points, depending on borrowing base utilization.

The Credit Facility includes terms and covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, asset sales, hedging activities, investments, dividends, mergers, and acquisitions, and also includes a financial covenant. The Second Amendment to the Credit Facility provides that we will not permit the ratio of total debt to EBITDA (as adjusted for non-cash charges) calculated for the preceding four consecutive fiscal quarter period then most recently ended to be greater than (i) 5.75 to 1.00 at the end of the calendar quarters ending March 31, 2014, June 30, 2014 and September 30, 2014, (ii) 5.50 to 1.00 at the end of the calendar quarter ending December 31, 2014, (iii) 5.25 to 1.00 at the end of the calendar quarter ending March 31, 2015, (iv) 5.00 to 1.00 at the end of the calendar quarter ending June 30, 2015, (v) 4.75 to 1.00 at the end of the calendar quarter ending September 30, 2015, and (vi) 4.50 to 1.00 at the end of any calendar quarter ending after September 30, 2015. The Second Amendment also amends the definition of total debt such that, among other things, during any period of four fiscal quarters ending on or before September 30, 2015, any cash proceeds from the sale of any property permitted pursuant to the terms and provisions of the loan documents that are reported on our consolidated balance sheet on such date are subtracted from total debt. Depending on our overall level of indebtedness, this covenant may limit our ability to borrow funds as needed under the Credit Facility. Our ratio of total debt to EBITDA for the four consecutive fiscal quarter period ended June 30, 2014, as calculated in accordance with the Credit Facility, was 5.07.

Based on our current projections, the ratio of total debt to EBITDA may exceed the maximum allowed under the Credit Facility sometime prior to the end of 2014 if we do not obtain a waiver or an additional amendment to the Credit Facility. We believe that we will be able to obtain such a waiver or an amendment prior to the ratio exceeding the maximum amount currently allowed. If we fail to obtain an amendment, the Credit Facility could be terminated. However, we believe we can obtain alternative sources of debt financing sufficient for our needs, including securing

liens against our properties or selling additional properties.

Under certain conditions, amounts outstanding under the Credit Facility may be accelerated. Bankruptcy and insolvency events with respect to us or certain of our subsidiaries will result in an automatic acceleration of the indebtedness under the Credit Facility. Subject to notice and cure periods, certain events of default under the Credit Facility will result in acceleration of the indebtedness under the Credit Facility at the option of the lenders.

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Such other events of default include non-payment, breach of warranty, non-performance of obligations under the Credit Facility (including the financial covenant), default on other indebtedness, certain pension plan events, certain adverse judgments, change of control events, and a failure of the liens securing the Credit Facility.

At June 30, 2014, there were no outstanding borrowings under the Credit Facility and we had used the Credit Facility for $2 million in letters of credit, leaving an unused borrowing amount under the Credit Facility of $298 million. However, based on the ratio of total debt to EBITDA discussed above, our borrowing utilization of the Credit Facility was limited to approximately $106 million at June 30, 2014. At August 14, 2014, there were outstanding borrowings of $12 million under the Credit Facility bearing interest at 3.8%, and we had used the Credit Facility for $2 million in letters of credit, leaving an unused borrowing amount under the Credit Facility of $286 million.

Of the $500 million total nominal amount under the Credit Facility, JPMorgan and ten other banks hold approximately 68% of the total commitments. With respect to the other 32% of the total commitments, no single lender holds more than 3.3% of the total commitments. Commitment fees accrue on the amount of unutilized borrowing base. If borrowing base utilization is greater than 50%, commitment fees are 50 basis points of the unutilized amount, and if borrowing base utilization is 50% or less, commitment fees are 35 basis points of the unutilized amount.

We engage in other transactions with a number of the lenders under the Credit Facility. Such lenders or their affiliates may serve as underwriters or initial purchasers of our debt and equity securities, directly purchase our production, serve as counterparties to our commodity and interest rate derivative agreements, or from time to time act as investment banking advisers with respect to our asset acquisitions and divestitures. As of August 14, 2014, all but one of our derivative instrument counterparties are lenders, or their affiliates, under our Credit Facility. Our obligations under our existing derivative agreements with our lenders are secured by the security documents executed by the parties under our Credit Facility. See Quantitative and Qualitative Disclosure about Market Risk Commodity Price Risk below for additional details concerning our derivative instruments.

Credit Ratings

Our credit risk is evaluated by two independent rating agencies based on publicly available information and information obtained during our ongoing discussions with the rating agencies. Moody s Investors Service and Standard & Poor s Ratings Services currently rate each series of our senior notes and, in addition, they have assigned Forest a general credit rating. Our Credit Facility includes provisions that are linked to our credit ratings. For example, our collateral requirements will vary based on our credit ratings; however, we do not have any credit rating triggers that would accelerate the maturity of amounts due under the Credit Facility or the debt issued under the indentures for our senior notes. The indentures for our senior notes also include terms linked to our credit ratings. These terms allow us greater flexibility if our credit ratings improve to investment grade and other tests have been satisfied, in which event we would not be obligated to comply with certain restrictive covenants included in the indentures. Our ability to raise funds and the costs of any financing activities will be affected by our credit ratings at the time any such financing activities are conducted.

Going Concern Subsequent Event

The financial statements included in this Annex B have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if we are unable to continue as a going concern. By year end 2014 the ratio of our total debt to EBITDA may exceed the maximum allowed under our Credit Facility unless we undertake certain mitigating actions. Absent such actions, a resultant breach of the financial covenant could cause a default under the Credit Facility, potentially resulting in an

acceleration of all amounts outstanding under the Credit Facility as well as our senior unsecured notes due 2019 and 2020. As of September 30, 2014, we had approximately $13

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million outstanding under the Credit Facility and $800 million in principal amount outstanding under the notes. The immediate acceleration of debt maturities of this magnitude likely would result in our bankruptcy or other restructuring.

On May 5, 2014, we entered into an Agreement and Plan of Merger with Sabine, under which Forest and Sabine are expected to combine their businesses in an all-stock transaction. This agreement was amended on July 9, 2014 primarily to change the structure of the transaction. If the transaction is completed, the Credit Facility will be terminated before any breach of the financial covenant occurs. Accordingly, we have elected to defer seeking an amendment or waiver to address a potential breach rather than incurring the expense of doing so at the present time solely to avoid a going concern audit opinion. If, prior to year end, it appears the combination transaction will not be completed, we will again evaluate the likelihood of a breach of the financial covenant and, based on that evaluation, attempt to undertake mitigating actions with respect to the Credit Facility that we feel are most appropriate. However, there can be no assurance that any particular actions will be available to us, or that even if available, we will be able to complete them. If the combination transaction is not completed, failure to take appropriate mitigating actions in the event we are in breach of the covenant may have severely negative effects on our financial condition including, potentially, bankruptcy.

We obtained amendments to the Credit Facility as recently as September 2013 and March 2014 in order to avoid breaching the debt to EBITDA covenant. We believe that we could seek, and the lenders under our Credit Facility would provide, another amendment, or a waiver, of the covenant. Failing an amendment or waiver, we believe we could sell assets to avoid breaching the financial covenant. Alternatively, we could obtain a new credit facility or other sources of financing. We may yet undertake some or all of these actions prior to year end, if necessary, though there is no assurance we could complete any such actions as each involves factors that are outside our control. However, inasmuch as we have not obtained a waiver or amendment to the bank credit facility, or pursued any of the other alternatives, there presently exists substantial doubt as to our ability to continue as a going concern through December 31, 2014.

If the combination transaction is completed, the new credit facility is expected to contain a total net debt to EBITDA ratio test. Based on current expectations of the results of the combined company, by the end of the first quarter of 2015 the leverage of the combined company may exceed the maximum amount anticipated to be permitted under the new combined credit facility unless certain mitigating actions are taken. The combined company may seek, and the lenders under such facility could provide, for a higher than currently expected maximum leverage or a waiver of the covenant. The combined company also could sell assets prior to the end of the first quarter of 2015 in order to avoid breaching the financial covenant. The combined company may undertake some or all of these actions, if necessary, though there is no assurance it could complete any such actions as each involves factors that are outside its control. There can be no assurance that any particular actions will be available to the combined company, or that even if available, it will be able to complete them. Failure to take appropriate mitigating actions in the event the combined company breaches its covenant may have severely negative effects on its financial condition including, potentially, bankruptcy.

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Historical Cash Flow

Net cash provided by operating activities of continuing operations, net cash (used) provided by investing activities of continuing operations, and net cash provided (used) by financing activities of continuing operations for the six months ended June 30, 2014 and 2013 and for the years ended December 31, 2013, 2012, and 2011 were as follows:

	Six Months Ended June 30,		Year Ended December 31,		
	2014	2013	2013	2012	2011
			(In Thousands)		
Net cash provided by operating activities of continuing operations	$ 13,733	$ 110,412	$ 201,759	$ 371,655	$ 398,097
Net cash (used) provided by investing activities of continuing operations	(75,435)	132,763	981,628	(467,782)	(759,730)
Net cash provided (used) by financing activities of continuing operations	10,092	(243,810)	(1,118,251)	94,171	(173,305)

Net cash provided by operating activities is primarily affected by sales volumes and commodity prices, net of the effects of settlements of our derivative instruments and changes in working capital. The decrease in net cash provided by operating activities in the six months ended June 30, 2014 compared to the six months ended June 30, 2013, was primarily due to the divestitures of oil and natural gas properties in South Texas and the Texas Panhandle, which occurred in February 2013 and November 2013, respectively, which caused decreased revenues partially offset by lower production, general and administrative, and interest expenses in 2014 as compared to 2013. Also contributing to the decrease in net cash provided by operating activities were increased cash expenses related to rig stacking and operating lease terminations in 2014 as compared to 2013 (see Note 9 to the Condensed Consolidated Financial Statements for more information on rig stacking and lease terminations) and an increased investment in working capital in 2014 as compared to 2013.

The decrease in net cash provided by operating activities of $170 million in 2013 as compared to 2012 was primarily due to a $164 million decrease in revenue and a decrease in cash settlements on commodity derivatives of $86 million, partially offset by a $53 million decrease in production expense and a $13 million decrease in investment in working capital. The decrease in net cash provided by operating activities of continuing operations of $26 million in 2012 as compared to 2011 was primarily due to a $98 million decrease in revenue that was partially offset by an increase in cash settlements on commodity derivatives of $63 million.

The components of net cash (used) provided by investing activities of continuing obligations for the six months ended June 30, 2014 and 2013 and for the years ended December 31, 2013, 2012, and 2011 were as follows:

	Six Months Ended June 30,		Year Ended December 31,		
	2014	2013	2013	2012	2011
			(In Thousands)		
Exploration, development, and leasehold acquisition costs[(1)]	$ (94,786)	$ (205,099)	$ (363,971)	$ (721,536)	$ (873,877)
Proceeds from sales of assets	24,145	338,977	1,347,116	262,882	121,115

Other fixed asset costs	(4,794)	(1,115)	(1,517)	(9,128)	(6,968)
Net cash provided (used) by investing activities of continuing operations	$ (75,435)	$ 132,763	$ 981,628	$ (467,782)	$ (759,730)

(1) Cash paid for exploration, development, and leasehold acquisition costs as reflected in the Consolidated Statements of Cash Flows differs from the reported capital expenditures in the *Capital Expenditures*

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table below due to the timing of when the capital expenditures are incurred and when the actual cash payments are made as well as non-cash capital expenditures such as the value of common stock issued for oil and natural gas property acquisitions and capitalized stock-based compensation costs.

Net cash (used) provided by investing activities is primarily comprised of expenditures for the acquisition, exploration, and development of oil and natural gas properties, net of proceeds from the divestitures of oil and natural gas properties and other capital assets. The change in net cash (used) provided by investing activities in the six months ended June 30, 2014 compared to the corresponding period of 2013 was primarily due to a decrease in proceeds from the sales of assets partially offset by a decrease in exploration, development, and leasehold acquisition cost expenditures. Expenditures for the acquisition, exploration, and development of oil and natural gas properties decreased for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 due to the Texas Panhandle divestiture that occurred in November 2013. Acquisition, exploration, and development expenditures for the Texas Panhandle properties approximated $94 million during the six months ended June 30, 2013. Proceeds from sales of assets in the six months ended June 30, 2014 included $20 million that we received in May 2014 for the Texas Panhandle divestiture. Proceeds from the sales of assets in the six months ended June 30, 2013 included $321 million for the South Texas divestiture.

The $1.4 billion increase in cash provided by investing activities between 2013 and 2012 was primarily due to proceeds received from the divestiture of oil and natural gas properties, consisting principally of the South Texas divestiture in February 2013 for $321 million, the Permian Basin divestiture in September 2013 for $31 million, and the Panhandle divestiture in November 2013 for $965 million. Proceeds received from the divestiture of oil and natural gas properties in 2012 included $208 million for the South Louisiana divestiture in November 2012. In addition, cash used for the exploration, development, and leasehold acquisition of oil and gas properties decreased $358 million from 2012 to 2013. The $292 million decrease in cash used for investing activities of continuing operations between 2012 and 2011 was primarily due to a decrease in leasehold acquisition costs and an increase in proceeds from sales of assets in 2012 as compared to 2011.

Net cash provided by financing activities of $10 million during the six months ended June 30, 2014 consisted primarily of a change in bank overdrafts of $11 million. Net cash used by financing activities of $244 million during the six months ended June 30, 2013 consisted primarily of $321 million used for the redemption of the 8 ½% senior notes due 2014, offset partially by net proceeds from bank borrowings of $65 million, and a change in bank overdrafts of $14 million.

Net cash used by financing activities of $1.1 billion in 2013 primarily consisted of $1.0 billion used for the redemption of the 8 ½% senior notes due 2014, the partial redemption of the 7 ¼% senior notes due 2019 and 7 ½% senior notes due 2020, and net credit facility repayments of $65 million. Net cash provided by financing activities of $94 million in 2012 primarily included the issuance of the 7 ½% senior notes due 2020 for net proceeds of $491 million, partially offset by the partial redemption of the 8 ½% senior notes due 2014 for $331 million, net credit facility repayments of $40 million, and a decrease in bank overdrafts of $24 million. Net cash used by financing activities of continuing operations of $173 million in 2011 primarily included the redemption of the 8% senior notes due 2011 for $285 million, partially offset by net credit facility borrowings of $105 million.

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Capital Expenditures

Expenditures for property exploration, development, and leasehold acquisitions were as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In Thousands)			
Exploration, development, and acquisition costs:				
Direct costs:				
Exploration and development	$ 47,311	$ 63,151	$ 88,553	$ 178,974
Leasehold acquisitions	302	1,461	390	4,066
Overhead capitalized	4,851	8,098	9,409	20,396
Interest capitalized		923		1,114
Total capital expenditures[(1)]	$ 52,464	$ 73,633	$ 98,352	$ 204,550

(1) Total capital expenditures include cash expenditures, accrued expenditures, and non-cash capital expenditures including stock-based compensation capitalized under the full cost method of accounting. Total capital expenditures also include changes in estimated discounted asset retirement obligations of $(.4) million and $.4 million recorded during the three months ended June 30, 2014 and 2013, respectively, and $(1) million and $1 million recorded during the six months ended June 30, 2014 and 2013, respectively.

Expenditures of continuing operations for property exploration, development, and leasehold acquisitions were as follows for the periods indicated:

	Year Ended December 31,		
	2013	2012	2011
	(In Thousands)		
Property acquisitions:			
Proved properties	$	$	$
Unproved properties including leasehold acquisition costs	7,117	64,057	204,537
	7,117	64,057	204,537
Exploration:			
Direct costs	111,290	250,302	272,422
Overhead capitalized	18,656	19,157	20,964
	129,946	269,459	293,386
Development:			
Direct costs	197,790	380,496	392,406

Overhead capitalized	15,337	18,627	25,429
	213,127	399,123	417,835
Total capital expenditures[(1)]	$ 350,190	$ 732,639	$ 915,758

(1) Total capital expenditures include cash expenditures, accrued expenditures, and non-cash capital expenditures including the value of common stock issued for oil and natural gas property acquisitions and stock-based compensation capitalized under the full cost method of accounting. Total capital expenditures also include changes in estimated discounted asset retirement obligations of $9 million, $6 million, and $3 million recorded during the years ended December 31, 2013, 2012, and 2011, respectively.

Based on our year-to-date capital expenditures of $98 million and our remaining budgeted capital expenditures for the second half of 2014, we expected as of June 30, 2014 to incur between $240 million to $250 million of capital expenditures in 2014. We expect to fund these capital expenditures with a combination of cash

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from operations and borrowings under our Credit Facility. Primary factors impacting the level of our capital expenditures include oil and natural gas prices, the volatility in these prices, the cost and availability of oil field services, general economic and market conditions, and weather disruptions. In addition, capital expenditures will depend on availability under our Credit Facility.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2013:

	2014	2015	2016	2017	2018	After 2018	Total
				(In Thousands)			
Bank debt[1]	$ 1,429	$ 1,429	$ 714	$	$	$	$ 3,572
Senior notes[2]	58,555	58,555	58,555	58,555	58,555	847,659	1,140,434
Derivative liabilities[3]	4,542						4,542
Other liabilities[4]	7,838	13,736	5,708	5,300	5,258	34,461	72,301
Operating leases[5]	22,655	15,823	15,190	8,174	2,083	7,873	71,798
Unconditional purchase obligations[6]	6,442	5,805	5,700				17,947
Total contractual obligations	$ 101,461	$ 95,348	$ 85,867	$ 72,029	$ 65,896	$ 889,993	$ 1,310,594

(1) Bank debt consists of commitment and letter of credit fees under our credit facility, based on the $400 million borrowing base, $2 million in outstanding letters of credit, and the fee rates in effect, all as of December 31, 2013, and assuming no changes through the remaining term of the credit facility. There were no borrowings outstanding under the credit facility as of December 31, 2013.

(2) Senior notes consist of the principal obligations and the anticipated interest payments thereon, based on the outstanding senior notes balances as of December 31, 2013, assuming such balances remain outstanding in full until their respective maturities.

(3) Derivative liabilities represent the fair value of our derivative liabilities as of December 31, 2013. The ultimate settlement amounts of our derivative liabilities are unknown, because they are subject to continuing market risk. See Critical Accounting Policies and Estimates below for a more detailed discussion of the nature of the accounting estimates involved in valuing derivative instruments.

(4) Other liabilities are comprised of pension and other postretirement benefit obligations and asset retirement obligations, for which neither the ultimate settlement amounts nor the timing of settlement can be precisely determined in advance. See Critical Accounting Policies and Estimates below for a more detailed discussion of the nature of the accounting estimates involved in estimating asset retirement obligations.

(5) Operating leases consist of leases for drilling rigs, compressors, and office facilities and equipment. In January 2014, we terminated certain drilling rig operating leases for a net loss of approximately $5 million, which will reduce the operating lease obligations shown in the table above by $12 million in 2014, $11 million in 2015, $11 million in 2016, and $6 million in 2017.

(6) Unconditional purchase obligations consist primarily of drilling commitments, throughput obligations, and voice and data services.

We also make delay rental payments to lessors during the primary terms of oil and gas leases to delay drilling or production of wells, usually for one year. Although we are not obligated to make such payments, discontinuing them would result in the loss of the oil and gas lease. Our estimated maximum commitment of future delay lease rental payments, through 2021, totaled approximately $2 million as of December 31, 2013.

Off-balance Sheet Arrangements

From time to time, we enter into off-balance sheet arrangements and other transactions that can give rise to off-balance sheet obligations. As of December 31, 2013, the off-balance sheet arrangements and other transactions that we have entered into include (i) undrawn letters of credit, (ii) operating lease agreements,

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(iii) drilling commitments, and (iv) other contractual obligations for which we have recorded estimated liabilities on the balance sheet, but the ultimate settlement amounts are not fixed and determinable, such as derivative contracts, pension and other postretirement benefit obligations, and asset retirement obligations. We do not believe that any of these arrangements are reasonably likely to materially affect our liquidity or availability of, or requirements for, capital resources.

Surety Bonds

In the ordinary course of our business and operations, we are required to post surety bonds from time to time with third parties, including governmental agencies. In addition, while we appeal the arbitration award in *Forest Oil Corp., et al. v. El Rucio Land & Cattle Co., et al.* (see Information Concerning Forest Oil Corporation Legal Proceedings), we are required to post a supersedeas bond. As of February 19, 2014, we had obtained this supersedeas bond as well as surety bonds from a number of insurance and bonding institutions covering certain of our current and former operations in the United States in the aggregate amount of approximately $36 million. See Information Concerning Forest Oil Corporation Industry Regulation for further information.

Critical Accounting Policies and Estimates

Full Cost Method of Accounting

The accounting for our business is subject to special accounting rules that are unique to the oil and gas industry. There are two allowable methods of accounting for oil and gas business activities: the full cost method and the successful efforts method. The differences between the two methods can lead to significant variances in the amounts reported in financial statements. We have elected to follow the full cost method, which is described below.

Under the full cost method, separate cost centers are maintained for each country in which we incur costs. All costs incurred in the acquisition, exploration, and development of properties (including costs of surrendered and abandoned leaseholds, delay lease rentals, dry holes, and overhead related to exploration and development activities) are capitalized. The fair value of estimated future costs of site restoration, dismantlement, and abandonment activities is capitalized, and a corresponding asset retirement obligation liability is recorded.

Capitalized costs applicable to each full cost center are depleted using the units of production method based on conversion to common units of measure using one barrel of oil as an equivalent to six thousand cubic feet of natural gas. Changes in estimates of reserves or future development costs are accounted for in the current quarter and prospectively in the depletion calculations. We update our quarterly depletion calculations with our quarter-end reserves estimates. See Information Concerning Forest Oil Corporation Reserves and Note 14 to the Consolidated Financial Statements for a more complete discussion of our estimated proved reserves as of December 31, 2013.

Companies that use the full cost method of accounting for oil and gas exploration and development activities are required to perform a ceiling test each quarter for each cost center. The full cost ceiling test is a limitation on capitalized costs prescribed by SEC Regulation S-X Rule 4-10. The ceiling test is not a fair value based measurement. Rather, it is a standardized mathematical calculation. The test determines a limit, or ceiling, on the book value of oil and natural gas properties. That limit is basically the after tax present value of the future net cash flows from estimated proved oil and natural gas reserves calculated using current prices, which are the unweighted arithmetic average of the first-day-of-the-month oil, natural gas, and NGL prices. This ceiling is compared to the net book value of the oil and natural gas properties reduced by any related net deferred income tax liability. If the net book value reduced by the related deferred income taxes exceeds the ceiling, a non-cash write-down is required. In 2013, we recorded a ceiling test write-down in our United States cost center totaling $58 million that resulted primarily from the Panhandle

divestiture in the fourth quarter of 2013. Given the magnitude of the Panhandle oil and natural gas reserves as a percentage of our total reserves, the divestiture resulted in a $193 million net gain on disposition of assets rather than 100% of the divestiture proceeds reducing

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capitalized costs, as has typically been done with previous sales of oil and natural gas properties. This smaller reduction of capitalized costs and the loss of future net revenues from the divested proved oil and natural gas reserves were the primary factors causing the ceiling test write-down. In 2012, we recorded ceiling test write-downs in our United States cost center totaling $958 million and in our Italian cost center totaling $35 million. The United States ceiling test write-downs in 2012 were primarily a result of the decline in the twelve-month arithmetic average prices of natural gas and NGLs.

In areas where the existence of proved reserves has not yet been determined, leasehold costs, seismic costs, and other costs incurred during the exploration phase remain capitalized as unproved property costs until proved reserves have been established or until exploration activities cease. Investments in unproved properties are not depleted pending the determination of the existence of proved reserves. Unproved properties are assessed periodically to ascertain whether impairment has occurred. Unproved properties whose costs are individually significant are assessed individually by considering factors such as the primary lease terms of the properties, the holding period of the properties, geographic and geologic data obtained relating to the properties, and estimated discounted future net cash flows from the properties. Where it is not practicable to individually assess properties whose costs are not individually significant, such properties are grouped for purposes of assessing impairment. The amount of impairment assessed is added to the costs to be amortized in the appropriate full cost pool, or reported as impairment expense in the Consolidated Statements of Operations, as applicable. During the year ended December 31, 2012, we recorded a $67 million impairment of our unproved properties in South Africa based on several unsuccessful attempts to sell the properties for an amount that would allow us to recover the carrying amount of our investment in these properties. Because we had no proved reserves in South Africa, and therefore no costs being amortized, the impairment was reported as a period expense and was included in the Consolidated Statement of Operations within the Impairment of properties line item.

Under the alternative successful efforts method of accounting, surrendered, abandoned, and impaired leases, delay lease rentals, exploratory dry holes, and overhead costs are expensed as incurred. Capitalized costs are depleted on a property-by-property basis. Impairments are also assessed on a property-by-property basis and are charged to expense when assessed.

The full cost method is used to account for our oil and gas exploration and development activities because we believe it appropriately reports the costs of our exploration programs as part of an overall investment in discovering and developing proved reserves.

Goodwill

Goodwill is tested for impairment on an annual basis in the second quarter of the year. In addition, we test goodwill for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

In the first step of testing for goodwill impairment, we estimate the fair value of our reporting unit, which we have determined to be our U.S. geographic operating segment, and compare the fair value with the carrying value of the net assets assigned to the reporting unit. If the fair value is greater than the carrying value, then no impairment results. If the fair value is less than the carrying value, then we perform a second step and determine the fair value of the goodwill. If the reporting unit has a negative carrying value, we perform the second step if it is more likely than not that a goodwill impairment exists. In this second step, the fair value of goodwill is determined by deducting the fair value of a reporting unit s identifiable assets and liabilities from the fair value of the reporting unit as a whole, as if that reporting unit had just been acquired and the purchase price was being initially allocated. If the fair value of the goodwill is less than its carrying value for a reporting unit, an impairment charge would be recorded to earnings in the

Consolidated Statement of Operations.

To determine the fair value of our reporting unit, we calculate the market capitalization of our reporting unit based on our quoted stock price. Quoted prices in active markets are the best evidence of fair value. However, because value results from the ability to take advantage of synergies and other benefits that exist from a

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collection of assets and liabilities that operate together in a controlled entity, the market capitalization of a reporting unit with publicly traded equity securities may not be representative of the fair value of the reporting unit as a whole. Accordingly, we add a control premium to the market capitalization to determine the total fair value of our reporting unit. Additionally, we subtract an estimated amount that market participants would attribute to our stock price for the value of our international operations, to which no goodwill has been allocated. The sum of our market capitalization and control premium, less the international value, is the fair value of our reporting unit. This amount is then compared to the carrying value of our reporting unit. In performing step two of the goodwill impairment test, one of the more significant estimates is determining the fair value of our oil and natural gas properties. To determine the fair value of our oil and natural gas properties, we consider relevant information in market transactions that involve comparable assets.

At the time of our annual 2013 goodwill impairment test, our reporting unit had a negative carrying value. Because of the presence of adverse qualitative factors, including limitations on accessing capital and a sustained decreased share price, we performed the second step of the impairment test. This test did not result in an impairment. Because the Panhandle divestiture represented more than 25% of our total proved reserves at the time the divestiture closed and, therefore, a gain or loss on divestiture was required to be recorded, we allocated $105 million of goodwill to the Panhandle divestiture in determining the gain on the divestiture. Subsequent to the divestiture, as of December 31, 2013, we performed an interim impairment test on the remaining goodwill balance. At the time of that test, the carrying value of our reporting unit was greater than zero and was exceeded by the fair value of the reporting unit by 835%; therefore, goodwill of the reporting unit was considered not impaired and the second step of the impairment test was unnecessary.

As described above, the key assumptions used in our goodwill impairment test are our stock price, number of shares outstanding, a control premium, and value attributable to our international operations. There is no uncertainty as to what the stock price is as of the date of the test, since it is directly observable, or as to the number of shares outstanding. The control premium was based on marketplace data of actual control premiums in the oil and natural gas extraction industry. The value attributed to our international operations is minimal and is based on a contracted sales price with a third-party that has been previously disclosed. We note that the fair value of our reporting unit based solely on our stock price and number of shares outstanding (i.e. excluding the control premium and value attributable to our international operations) exceeded the carrying value of our reporting unit by a significant margin.

As discussed above, our stock price and number of shares outstanding are the primary drivers of our reporting unit fair value. Therefore, downward changes in the stock price would negatively affect the fair value of our reporting unit. However, since the carrying value of our reporting unit is low (due primarily to inception-to-date full cost ceiling test write-downs), as of December 31, 2013, our stock price would have to be below one dollar before the fair value of the reporting unit may be at risk of being lower than the carrying value.

When performing the second step of the impairment test, key assumptions utilized to determine the fair value of oil and natural gas properties include recent offers received from third-parties to purchase reserves and acreage, acreage values observed in the marketplace, and the present value of estimated future cash flows related to our reserves.

Due to the significant judgments that go into the goodwill impairment test, as discussed above, there can be no assurance that our goodwill will not be impaired at any time in the future.

Oil and Gas Reserves Estimates

Our estimates of proved reserves are based on the quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date

forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain. The accuracy of any reserves estimate is a function of the

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quality of available data, engineering and geological interpretation, and judgment. For example, we must estimate the amount and timing of future operating costs, production and property taxes, development costs, and workover costs, all of which may in fact vary considerably from actual results. In addition, as oil, natural gas, and NGL prices that we are required to use pursuant to SEC regulations change from period-to-period, the estimate of proved reserves will also change and the change can be significant. Despite the inherent uncertainty in these engineering estimates, our reserves are used throughout our financial statements. For example, since we use the units-of-production method to amortize our oil and natural gas properties, the quantity of reserves could significantly impact our DD&A expense. Our oil and natural gas properties are also subject to a ceiling test limitation based in part on the quantity of our proved reserves. Finally, these reserves are the basis for our supplemental oil and gas disclosures included in Note 14 to the Consolidated Financial Statements.

Reference should be made to Reserves under Information Concerning Forest Oil Corporation, and *Our estimates of oil and natural gas reserves involve inherent uncertainty, which could materially affect the quantity and value of our reported reserves and our financial condition*, under Risk Factors, in this Annex B.

Fair Value of Derivative Instruments

We use the income approach in determining the fair value of our derivative instruments, utilizing present value techniques for valuing our swaps and option-pricing models for valuing our collars, swaptions, and puts. Inputs to these valuation techniques include published forward prices, volatilities, and credit risk considerations, including the incorporation of published interest rates and credit spreads. The values we report in our financial statements change as these estimates are revised to reflect changes in market conditions or other factors, many of which are beyond our control.

The accounting treatment for the changes in fair value of a derivative instrument is dependent upon whether or not a derivative instrument is a cash flow hedge or a fair value hedge, and upon whether or not the derivative is designated as a hedge. Changes in fair value of a derivative designated as a cash flow hedge are recognized, to the extent the hedge is effective, in other comprehensive income until the hedged item is recognized in earnings. Changes in the fair value of a derivative instrument designated as a fair value hedge, to the extent the hedge is effective, have no effect on the statement of operations, because changes in fair value of the derivative offset changes in the fair value of the hedged item. Where hedge accounting is not elected, or if a derivative instrument does not qualify as either a fair value hedge or a cash flow hedge, changes in fair value are recognized in earnings as other income or expense. We have elected not to use hedge accounting to account for our derivative instruments and, as a result, all changes in the fair values of our derivative instruments are recognized in earnings as unrealized gains or losses in the line item Realized and unrealized losses (gains) on derivative instruments, net in our Consolidated Statements of Operations. Also included in this line item are the cash settlements, or realized gains and losses, on our derivative instruments.

Due to the volatility of oil, natural gas, and natural gas liquids prices, the estimated fair values of our derivative instruments are subject to large fluctuations from period to period. See Quantitative and Qualitative Disclosure about Market Risk for a sensitivity analysis of the change in net fair value of our commodity derivatives based on a hypothetical change in commodity prices.

Valuation of Deferred Tax Assets

We use the asset and liability method of accounting for income taxes. Under this method, income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences). Income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect of a change in tax

rates on income tax assets and liabilities is included in earnings in the period in which the change is enacted. The book value of income tax assets is limited to the amount of the tax benefit that is more likely than not to be realized in the future.

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In assessing the need for a valuation allowance on our deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will be realized. In making this assessment, we consider the scheduled reversal of deferred tax liabilities, available taxes in carryback periods, tax planning strategies, and projected future taxable income. If the ultimate realization of deferred tax assets is dependent upon future book income, assessing the need for, or the sufficiency of, a valuation allowance requires the evaluation of all available evidence, both negative and positive, as to whether it is more likely than not that a deferred tax asset will be realized.

Negative evidence considered by us included a three-year cumulative book loss driven primarily by the ceiling test write-downs incurred in 2012 and 2013. Positive evidence considered by us included forecasted book income in future years based on expected future oil, natural gas, and NGL production and expected commodity prices based on NYMEX oil and natural gas futures. Based upon the evaluation of what we determined to be relevant evidence, we have recorded a valuation allowance of $504 million against our deferred tax assets as of December 31, 2013. Although we expect future book income based on future production and future NYMEX oil and natural gas prices, oil and natural gas prices have been highly volatile over recent years, and only a portion of our forecasted production is hedged through the end of 2015.

Asset Retirement Obligations

Forest has obligations to remove tangible equipment and restore locations at the end of the oil and natural gas production operations. Estimating the future restoration and removal costs, or asset retirement obligations (ARO), requires us to make estimates and judgments, because most of the obligations are many years in the future, and contracts and regulations often have vague descriptions of what constitutes removal. Asset removal technologies and costs periodically change, as do regulatory, political, environmental, safety, and public relations considerations.

Inherent in the calculation of the present value of our ARO are numerous assumptions and judgments, including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environmental, and political environments. To the extent future revisions to these assumptions impact the present value of the existing ARO liability, a corresponding adjustment is made to the oil and natural gas property balance. Increases in the discounted ARO liability resulting from the passage of time are reflected as accretion expense, which is included in Other, net in the Consolidated Statements of Operations.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). ASU 2014-09 is the result of a joint project with the International Accounting Standards Board intended to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. generally accepted accounting principles and International Financial Reporting Standards. The guidance is expected to enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Entities must adopt ASU 2014-09 using either a full retrospective approach or a modified retrospective approach with a cumulative effect of adoption recognized in the opening balance of retained earnings at the date of adoption. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. We have not yet determined the effect that adoption of ASU 2014-09 will have on our financial statements, nor have we determined which transition method we will use upon adoption.

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Reconciliation of Non-GAAP Measure

Adjusted EBITDA

In addition to reporting net earnings (loss) as defined under GAAP, we also present adjusted earnings before interest, income taxes, depreciation, depletion, amortization, and certain other items (Adjusted EBITDA), which is a non-GAAP performance measure. Adjusted EBITDA consists of net earnings (loss) before interest expense, income taxes, depreciation, depletion, and amortization, unrealized gains and losses on derivative instruments (which represent changes in the fair values of the derivative instruments), ceiling test write-downs of oil and natural gas properties, accretion of asset retirement obligations, and the other items set forth in the table below. Adjusted EBITDA does not represent, and should not be considered an alternative to, GAAP measurements, such as net earnings (loss) (its most comparable GAAP financial measure), and our calculations thereof may not be comparable to similarly titled measures reported by other companies. By eliminating interest, taxes, depreciation, depletion, amortization, and other items from earnings, we believe the result is a useful measure across time in evaluating our fundamental core operating performance. Management also uses Adjusted EBITDA to manage our business, including in preparing our annual operating budget and financial projections. We believe that Adjusted EBITDA is also useful to investors because similar measures are frequently used by securities analysts, investors, and other interested parties in their evaluation of companies in the oil and gas industry. Our management does not view Adjusted EBITDA in isolation and also uses other measurements, such as net earnings (loss) and revenues, to measure operating performance. The following table provides a reconciliation of net earnings (loss), the most directly comparable GAAP measure, to Adjusted EBITDA for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In Thousands)			
Net earnings (loss)	$ (82,717)	$ 33,439	$ (103,724)	$ (34,509)
Income tax (benefit) expense	(78)	(212)	(1,292)	125
Unrealized losses (gains) on derivative instruments, net	7,345	(22,913)	15,736	15,398
Interest expense	15,738	29,392	31,749	65,520
Gain on asset dispositions, net	(22,185)		(21,391)	
Write-off of debt issuance costs			3,323	
Loss on debt extinguishment				25,223
Accretion of asset retirement obligations	381	549	894	1,793
Ceiling test write-down of oil and natural gas properties	77,176		77,176	
Depreciation, depletion, and amortization	20,303	43,804	41,718	92,347
Stock-based compensation	1,500	2,832	2,294	6,479
Merger-related costs	10,202		10,202	
Employee-related asset divestiture costs	156		735	5,821
Rig stacking/lease termination	3,075	1,258	8,259	4,296
Adjusted EBITDA	$ 30,896	$ 88,149	$ 65,679	$ 182,493

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	Year Ended December 31,		
	2013	2012	2011
		(In Thousands)	
Net earnings (loss) from continuing operations	$ 73,924	$ (1,288,931)	$ 98,260
Income tax (benefit) expense	(707)	173,437	89,135
Unrealized losses (gains) on derivative instruments, net	30,923	39,126	(39,087)
Interest expense	119,829	141,831	149,755
Gains on asset dispositions, net	(202,023)		
Loss on debt extinguishment, net	48,725	36,312	
Accretion of asset retirement obligations	2,982	6,663	6,082
Ceiling test write-down of oil and natural gas properties	57,636	992,404	
Impairment of properties		79,529	
Depreciation, depletion, and amortization	171,557	280,458	219,684
Stock-based compensation	8,875	15,074	20,536
Legal proceeding costs		29,251	6,500
Employee-related asset disposition costs	11,178	1,851	
Rig stacking	9,989	6,604	
Adjusted EBITDA from continuing operations	$ 332,888	$ 513,609	$ 550,865

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risk, including the effects of adverse changes in commodity prices, interest rates, and foreign currency exchange rates as discussed below.

Commodity Price Risk

We produce and sell natural gas, oil, and NGLs in the United States. As a result, our financial results are affected when prices for these commodities fluctuate. Such effects can be significant. In order to reduce the impact of fluctuations in commodity prices, we make use of a commodity hedging strategy. Under our hedging strategy, we enter into commodity swaps, collars, and other derivative instruments with counterparties who, in general, are lenders, or affiliates of such lenders, under our Credit Facility. These instruments, which are typically based on prices available in the financial markets at the time the contracts are entered into, are settled in cash and do not require physical deliveries of hydrocarbons.

Swaps

In a typical commodity swap agreement, we receive the difference between a fixed price per unit of production and a price based on an agreed upon published, third-party index if the index price is lower than the fixed price. If the index price is higher than the fixed price, we pay the difference. By entering into swap agreements, we effectively fix the price that we will receive in the future for the hedged production. Our current swaps are settled in cash on a monthly basis. The table below sets forth our outstanding swaps as of June 30, 2014.

	Commodity Swaps	
	Natural Gas (NYMEX HH)	Oil (NYMEX WTI)
Remaining Swap Term		

	Bbtu per Day	Weighted Average Hedged Price per MMBtu	Fair Value (In Thousands)	Barrels per Day	Weighted Average Hedged Price per Bbl	Fair Value (In Thousands)
July 2014 - December 2014	70	$ 4.38	$ (1,026)	3,500	$ 95.34	$ (5,025)
Calendar 2015	50	4.21	(229)	1,000	89.25	(2,658)

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Collars

A collar agreement is similar to a swap agreement, except that we receive the difference between the floor price and the index price only if the index price is below the floor price and we pay the difference between the ceiling price and the index price only if the index price is above the ceiling price. The table below sets forth our outstanding collars as of June 30, 2014.

Commodity Collars			
	Natural Gas (NYMEX HH)		
Collar Term	Bbtu Per Day	Hedged Floor and Ceiling Price per MMBtu	Fair Value (In Thousands)
January 2015 - March 2015	20	$ 4.50/5.31	$ 393
Calendar 2015	10	4.10/4.30	(109)

Commodity Options

In connection with several of our natural gas and oil swaps, we granted option instruments (swaptions and puts) to the swap counterparties in exchange for our receiving premium hedged prices on the natural gas and oil swaps. Under the terms of the swaption agreements, the counterparties have the option to enter into future swaps with us. The swaptions may not be exercised until their expiration dates. Under the terms of the put agreements, the counterparties have the option to put specified quantities of oil to us at specified prices. The puts may be exercised monthly by the counterparties. The table below sets forth the outstanding options as of June 30, 2014.

Commodity Options							
		Natural Gas (NYMEX HH)			Oil (NYMEX WTI)		
Underlying Term	Option Expiration	Underlying Bbtu Per Day	Underlying Hedged Price per MMBtu	Fair Value (In Thousands)	Underlying Barrels Per Day	Underlying Hedged Price per Bbl	Fair Value (In Thousands)
Natural Gas Swaptions:							
Calendar 2016	December 2014	10	$ 4.18	$ (800)		$	$
Oil Swaptions:							
Calendar 2015	December 2014				3,000	100.00	(2,648)
Calendar 2015	December 2014				1,000	106.00	(339)
Calendar 2015	December 2014				1,000	99.00	(1,017)
Calendar 2016	December 2015				1,000	98.00	(1,226)
Oil Put Options:							
Monthly Calendar 2014	Monthly Calendar 2014				2,000	70.00	(1)

The estimated fair value at June 30, 2014 of all our commodity derivative instruments based on various valuation inputs, including published forward prices, was a net liability of approximately $15 million.

Due to the volatility of oil and natural gas prices, the estimated fair values of our commodity derivative instruments are subject to large fluctuations from period to period. For example, a hypothetical 10% increase in the forward oil and natural gas prices used to calculate the fair values of our commodity derivative instruments at December 31, 2013 would decrease the net fair value of our commodity derivative instruments at December 31, 2013 by approximately $32 million to a net liability of $31 million. It has been our experience that commodity prices are subject to large fluctuations, and we expect this volatility to continue. Actual gains or losses recognized related to our commodity derivative instruments will likely differ from those estimated at December 31, 2013 and will depend exclusively on the price of the commodities on the specified settlement dates provided by the derivative contracts.

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Derivative Fair Value Reconciliation

The table below sets forth the changes that occurred in the fair values of our commodity derivative instruments during the six months ended June 30, 2014, beginning with the fair value of our derivative instruments on December 31, 2013. It has been our experience that commodity prices are subject to large fluctuations, and we expect this volatility to continue. Due to the volatility of oil and natural gas prices, the estimated fair values of our commodity derivative instruments are subject to large fluctuations from period to period. Actual cash settlements recognized related to our commodity derivative instruments will likely differ from those estimated at June 30, 2014 and will depend exclusively on the price of the commodities on the settlement dates specified by the derivative instruments.

	Fair Value of Derivative Contracts (In Thousands)
As of December 31, 2013	$ 1,050
Net decrease in fair value	(24,491)
Net cash settlements paid	8,756
As of June 30, 2014	$ (14,685)

The table below sets forth the changes that occurred in the fair values of our derivative instruments during the year ended December 31, 2013, beginning with the fair value of our derivative contracts on December 31, 2012. It has been our experience that commodity prices are subject to large fluctuations, and we expect this volatility to continue. Due to the volatility of oil and natural gas prices, the estimated fair values of our commodity derivative instruments are subject to large fluctuations from period to period. Actual cash settlements recognized related to our commodity derivative instruments will likely differ from those estimated at December 31, 2013 and will depend exclusively on the price of the commodities on the settlement dates specified by the derivative instruments.

	Fair Value of Derivative Contracts		
	Commodity	Interest Rate	Total
	(In Thousands)		
As of December 31, 2012	$ 18,914	$ 13,060	$ 31,974
Net decrease in fair value	(3,612)	(175)	(3,787)
Net cash settlements received	(14,252)	(12,885)	(27,137)
As of December 31, 2013	$ 1,050	$	$ 1,050

Interest Rate Risk

The following table presents principal amounts and related interest rates by year of maturity for senior notes at June 30, 2014.

	2019	2020	Total
Senior notes:			
Principal (in thousands)	$ 577,914	$ 222,087	$ 800,001
Fixed interest rate	7.25%	7.50%	7.32%
Effective interest rate[(1)]	7.24%	7.50%	7.32%

(1) The effective interest rate on the 7.25% senior notes due 2019 differs from the fixed interest rate due to the amortization of the related premium on the notes.

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Foreign Currency Exchange Rate Risk

We conduct business in Italy and thus are subject to foreign currency exchange rate risk on cash flows related primarily to expenses and investing transactions. We have not entered into any foreign currency forward contracts or other similar financial instruments to manage this risk. Expenditures incurred relative to the foreign concessions held by us outside of North America have been primarily United States dollar-denominated

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CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer, Patrick R. McDonald, and our Chief Financial Officer, Victor A. Wind, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the quarterly period ended June 30, 2014 (the Evaluation Date). Because of the matters discussed below under *Internal Control Issues*, Messrs. McDonald and Wind have concluded that as of the Evaluation Date our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act (i) is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms and (ii) is accumulated and communicated to Forest s management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Internal Control Issues

Forest s periodic evaluation of its disclosure controls and procedures includes an assessment of its internal controls over financial reporting, which are designed to provide reasonable assurance regarding the reliability of Forest s financial reporting and the preparation of Forest s financial statements. In connection with the audit of our year end financial statements, Forest s independent registered public accounting firm, Ernst & Young LLP (EY), is responsible for auditing both (i) the financial statements to obtain reasonable assurance about whether they are free of material misstatement and (ii) the effectiveness of Forest s internal control over financial reporting.

As part of management s assessment, and EY s audit, of Forest s internal control over financial reporting as of December 31, 2013, EY or Forest identified certain control deficiencies. Identification of control deficiencies regularly occurs in connection with the assessment or audit of internal control over financial reporting. Control deficiencies exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A control deficiency may constitute of a significant deficiency or a material weakness as defined in applicable SEC rules. A significant deficiency means a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the registrant s financial reporting. A material weakness means a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant s financial statements will not be prevented or detected on a timely basis. However, not all control deficiencies rise to the level of a significant deficiency or a material weakness. Forest management and EY originally concluded that none of the identified control deficiencies constituted a material weakness in Forest s internal control over financial reporting as of December 31, 2013, and this conclusion was reflected in our Annual Report on Form 10-K for the year ended December 31, 2013, as initially filed on February 26, 2014 (the Original 10-K).

Subsequent to the filing of the Original 10-K, the Public Company Accounting Oversight Board conducted an inspection of EY s 2013 audits of Forest, and following this inspection, EY requested a reevaluation of the control deficiencies previously identified. In addition, EY and Forest s management conducted additional analysis of other issues relating to Forest s internal controls. After extensive consultation with outside experts, management has now concluded that each of the following control deficiencies constituted material weaknesses in Forest s internal control over financial reporting as of December 31, 2013:

Information technology general controls - User access and program change management general controls were determined to be ineffective. Compensating controls designed by management lacked the level of precision needed and were ineffective because they relied on electronic data from systems with ineffective information technology general controls. Thus Forest s controls in all areas, some of which

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were review controls, that relied on electronic data generated from systems with ineffective information technology general controls were inappropriately designed and operating.

Division of interests - Controls over division of interests were determined to be ineffective because changes to Forest s division of interest master files are not produced in a report that is reviewed by an individual other than the preparer in order to ensure that all changes are appropriate. Further, Forest s controls were not designed so that changes to the division of interests themselves (as opposed to the master files) would be reviewed by an individual other than the person or persons making the changes. These control deficiencies provided for the opportunity for inappropriate recognition of revenues, operating costs, capital charges, and amounts due to and from third parties as a result of incorrect division of interests.

Ceiling limitation test - Several controls, including review controls, associated with the inputs to the ceiling limitation test (oil and gas reserves, unproved properties, capital accrual, asset retirement obligations, and general and administrative cost allocation) lacked sufficient appropriate design or operating precision to prevent reasonably possible errors related to the ceiling limitation test that, when aggregated, could be material.

Accordingly, Forest s internal control over financial reporting was ineffective at December 31, 2013. In addition, because none of the material weaknesses were adequately remediated as of March 31, 2014 or June 30, 2014, Forest s internal control over financial reporting was ineffective at those dates as well. However, Forest has concluded that the existence of these material weaknesses did not result in a material misstatement of Forest s financial statements included in the Original 10-K or in its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014 or June 30, 2014, as initially filed on May 6, 2014 and August 18, 2014, respectively.

Changes in Internal Control over Financial Reporting

Forest has adopted, and partially implemented, a plan to remediate the material weaknesses described above in *Internal Control Issues*. The implementation of the material aspects of this plan began in the third quarter of 2014. Accordingly, there were no changes in our internal control over financial reporting that occurred during the quarterly period ended June 30, 2014 that materially affected, or are likely to materially affect, our internal control over financial reporting.

As of the date of this filing, the remediation plan consists of the following main elements:

Information technology general controls Forest has implemented controls pursuant to which user access to certain data is reviewed more frequently and developer access to the related software will be limited. These steps have largely been completed.

Division of interests Forest will implement controls that will provide for expanded review and oversight of all changes to its division of interest master files. Forest plans to have this remediation completed by year end.

Ceiling limitation test Forest will implement additional review procedures over the various inputs to the ceiling limitation test. These reviews will occur more frequently and be performed at a more refined level of precision, involving more process owners. Forest plans to have this remediation completed by year end.

We can give no assurance that the measures we take will remediate the material weaknesses that we have identified or that additional material weaknesses will not arise in the future. We will continue to monitor the effectiveness of these and other processes, procedures, and controls and will make any further changes management determines to be appropriate.

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Report of Independent Registered Public Accounting Firm

On Internal Control over Financial Reporting

The Board of Directors and Shareholders of Forest Oil Corporation

We have audited Forest Oil Corporation s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Forest Oil Corporation s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our report dated February 26, 2014, we expressed an unqualified opinion that Forest Oil Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria**.** Management has subsequently determined that deficiencies in controls as described in the following paragraph existed as of December 31, 2013, and further concluded that such deficiencies represent material weaknesses as of December 31, 2013. As a result, management has revised its assessment, as presented in Item 9A. in Management s Annual Report on Internal Control Over Financial Reporting , to conclude that Forest Oil Corporation s internal control over financial reporting was not effective as of December 31, 2013. Accordingly, our present opinion on the effectiveness of Forest Oil Corporation s internal control over financial reporting as of December 31, 2013, as expressed herein, is different from that expressed in our previous report.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management s assessment. Management has identified a material weakness

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related to the design and operation of information technology general controls, specifically user access and program change management. This deficiency impacted controls over the financial statement close process and other review controls relying on electronic data that generally impacted all classes of transactions and thus all significant financial statement accounts. Further, the Company identified a material weakness related to the design and operating effectiveness of controls over the maintenance of its division of interests, and a material weakness related to the design and operating effectiveness of controls over its oil and gas property ceiling limitation test.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Forest Oil Corporation as of December 31, 2013 and 2012 and the related consolidated statements of operations, comprehensive income, shareholders equity and cash flows for each of the three years in the period ended December 31, 2013. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the financial statements and this report does not affect our report dated February 26, 2014, except as it relates to the going concern matter discussed in Note 1, as to which the date is October 1, 2014, which expressed an unqualified opinion that included an explanatory paragraph regarding Forest Oil Corporation s ability to continue as a going concern.

In our opinion, because of the effects of the material weaknesses described above on the achievement of the objectives of the control criteria, Forest Oil Corporation has not maintained effective control over financial reporting as of December 31, 2013, based on the COSO criteria.

/s/ Ernst & Young LLP

Denver, Colorado

February 26, 2014

except for the effects of the material weaknesses

described in the sixth paragraph above

as to which the date is

October 1, 2014

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Forest Oil Corporation

We have audited the accompanying consolidated balance sheets of Forest Oil Corporation as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Forest Oil Corporation at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that Forest Oil Corporation will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has determined that it expects to fail a financial covenant in its Credit Facility sometime prior to the end of 2014, which could result in the acceleration of all borrowings thereunder and the Company s senior unsecured notes due 2019 and 2020. This raises substantial doubt about the Company s ability to continue as a going concern. Management s plans in regard to this matter are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Forest Oil Corporation s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 26, 2014, except for the effects of the material weaknesses described in the sixth paragraph of that report as to which the date is October 1, 2014, expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado

February 26, 2014,

except as it relates to the going

concern matter discussed in Note 1

as to which the date is

October 1, 2014

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FOREST OIL CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Amounts)

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 66,192	$ 1,056
Accounts receivable	35,654	67,516
Derivative instruments	5,192	40,190
Other current assets	6,756	16,318
Total current assets	113,794	125,080
Property and equipment, at cost:		
Oil and natural gas properties, full cost method of accounting:		
Proved, net of accumulated depletion of $8,460,589 and $8,237,186	753,079	1,459,312
Unproved	53,645	277,798
Net oil and natural gas properties	806,724	1,737,110
Other property and equipment, net of accumulated depreciation and amortization of $50,058 and $46,908	11,845	17,128
Net property and equipment	818,569	1,754,238
Deferred income taxes	2,230	14,681
Goodwill	134,434	239,420
Derivative instruments	400	8,335
Other assets	48,525	60,108
	$ 1,117,952	$ 2,201,862
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 141,107	$ 164,786
Accrued interest	6,654	23,407
Derivative instruments	4,542	9,347
Deferred income taxes	2,230	14,681
Current portion of long-term debt		12
Other current liabilities	12,201	14,092
Total current liabilities	166,734	226,325
Long-term debt	800,179	1,862,088
Asset retirement obligations	22,629	56,155
Derivative instruments		7,204

Other liabilities	73,941	92,914
Total liabilities	1,063,483	2,244,686
Commitments and contingencies (Note 10)		
Shareholders equity:		
Preferred stock, none issued and outstanding		
Common stock, 119,399,983 and 118,245,320 shares issued and outstanding	11,940	11,825
Capital surplus	2,554,997	2,541,859
Accumulated deficit	(2,502,070)	(2,575,994)
Accumulated other comprehensive loss	(10,398)	(20,514)
Total shareholders equity (deficit)	54,469	(42,824)
	$ 1,117,952	$ 2,201,862

See accompanying Notes to Consolidated Financial Statements.

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FOREST OIL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Amounts)

	Year Ended December 31,		
	2013	**2012**	**2011**
Revenues:			
Oil, natural gas, and natural gas liquids sales	$ 441,341	$ 605,523	$ 703,531
Interest and other	331	136	1,026
Total revenues	441,672	605,659	704,557
Costs, expenses, and other:			
Lease operating expenses	76,675	108,027	99,158
Production and property taxes	14,857	34,249	40,632
Transportation and processing costs	11,895	14,633	13,728
General and administrative	54,826	59,262	65,105
Depreciation, depletion, and amortization	171,557	280,458	219,684
Ceiling test write-down of oil and natural gas properties	57,636	992,404	
Impairment of properties		79,529	
Interest expense	119,829	141,831	149,755
Realized and unrealized losses (gains) on derivative instruments, net	3,786	(72,646)	(88,064)
Other, net	(142,606)	83,406	17,164
Total costs, expenses, and other	368,455	1,721,153	517,162
Earnings (loss) from continuing operations before income taxes	73,217	(1,115,494)	187,395
Income tax (benefit) expense	(707)	173,437	89,135
Net earnings (loss) from continuing operations	73,924	(1,288,931)	98,260
Net earnings from discontinued operations			44,569
Net earnings (loss)	73,924	(1,288,931)	142,829
Less: net earnings attributable to noncontrolling interest			4,987
Net earnings (loss) attributable to Forest Oil Corporation common shareholders	$ 73,924	$ (1,288,931)	$ 137,842
Basic earnings (loss) per common share attributable to Forest Oil Corporation common shareholders:			
Earnings (loss) from continuing operations	$ .62	$ (11.21)	$ .86
Earnings from discontinued operations			.35
Basic earnings (loss) per common share attributable to Forest Oil Corporation common shareholders	$ .62	$ (11.21)	$ 1.21

Diluted earnings (loss) per common share attributable to Forest Oil Corporation common shareholders:			
Earnings (loss) from continuing operations	$ .62	$ (11.21)	$ .85
Earnings from discontinued operations			.34
Diluted earnings (loss) per common share attributable to Forest Oil Corporation common shareholders	$ .62	$ (11.21)	$ 1.19
Amounts attributable to Forest Oil Corporation common shareholders:			
Net earnings (loss) from continuing operations	$ 73,924	$ (1,288,931)	$ 98,260
Net earnings from discontinued operations			39,582
Net earnings (loss) attributable to Forest Oil Corporation common shareholders	$ 73,924	$ (1,288,931)	$ 137,842

See accompanying Notes to Consolidated Financial Statements.

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FOREST OIL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Year Ended December 31,		
	2013	**2012**	**2011**
		(In Thousands)	
Net earnings (loss)	$ 73,924	$ (1,288,931)	$ 142,829
Other comprehensive income (loss):			
Foreign currency translation losses			(27,852)
Defined benefit postretirement plans gains (losses), net of tax	10,116	(2,242)	(6,669)
Total other comprehensive income (loss)	10,116	(2,242)	(34,521)
Total comprehensive income (loss)	84,040	(1,291,173)	108,308
Less: total comprehensive loss attributable to noncontrolling interest			(1,330)
Total comprehensive income (loss) attributable to Forest Oil Corporation common shareholders	$ 84,040	$ (1,291,173)	$ 109,638

See accompanying Notes to Consolidated Financial Statements.

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FOREST OIL CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(In Thousands)

	Common Stock				Accumulated Other			
	Shares	Amount	Capital Surplus	Retained Earnings (Accumulated Deficit)	Comprehensive Income (Loss)	Forest Oil Corporation Shareholders Equity (Deficit)	Noncontrolling Interest	Total Shareholders Equity (Deficit)
Balances at January 1, 2011	113,595	$ 11,359	$ 2,684,269	$ (1,424,905)	$ 82,064	$ 1,352,787	$	$ 1,352,787
Issuance of Lone Pine Resources Inc. common stock			112,610		(18,007)	94,603	83,572	178,175
Spin-off of Lone Pine Resources Inc.			(333,568)		(54,125)	(387,693)	(82,242)	(469,935)
Exercise of stock options	192	19	2,363			2,382		2,382
Employee stock purchase plan	96	10	1,331			1,341		1,341
Restricted stock issued, net of forfeitures	861	86	(86)					
Amortization of stock-based compensation			35,449			35,449		35,449
Tax impact of employee stock option exercises			(9,608)			(9,608)		(9,608)
Other, net	(218)	(20)	(5,766)			(5,786)		(5,786)
Net earnings				137,842		137,842	4,987	142,829
Other comprehensive loss					(28,204)	(28,204)	(6,317)	(34,521)
Balances at December 31, 2011	114,526	11,454	2,486,994	(1,287,063)	(18,272)	1,193,113		1,193,113

Common stock issued for acquisition of unproved oil and natural gas properties	2,657	266	36,165			36,431		36,431
Employee stock purchase plan	164	16	1,101			1,117		1,117
Restricted stock issued, net of forfeitures	1,204	121	(121)					
Amortization of stock-based compensation			21,858			21,858		21,858
Other, net	(306)	(32)	(4,138)			(4,170)		(4,170)
Net loss				(1,288,931)		(1,288,931)		(1,288,931)
Other comprehensive loss					(2,242)	(2,242)		(2,242)
Balances at December 31, 2012	118,245	11,825	2,541,859	(2,575,994)	(20,514)	(42,824)		(42,824)
Employee stock purchase plan	174	17	622			639		639
Restricted stock issued, net of forfeitures	1,355	135	(135)					
Amortization of stock-based compensation			14,659			14,659		14,659
Other, net	(374)	(37)	(2,008)			(2,045)		(2,045)
Net earnings				73,924		73,924		73,924
Other comprehensive income					10,116	10,116		10,116
Balances at December 31, 2013	119,400	$ 11,940	$ 2,554,997	$ (2,502,070)	$ (10,398)	$ 54,469	$	$ 54,469

See accompanying Notes to Consolidated Financial Statements.

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FOREST OIL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Year Ended December 31,		
	2013	**2012**	**2011**
Operating activities:			
Net earnings (loss)	$ 73,924	$ (1,288,931)	$ 142,829
Less: net earnings from discontinued operations			44,569
Net earnings (loss) from continuing operations	73,924	(1,288,931)	98,260
Adjustments to reconcile net earnings (loss) from continuing operations to net cash provided by operating activities of continuing operations:			
Depreciation, depletion, and amortization	171,557	280,458	219,684
Deferred income tax		208,975	58,994
Unrealized losses (gains) on derivative instruments, net	30,923	39,126	(39,087)
Ceiling test write-down of oil and natural gas properties	57,636	992,404	
Impairment of properties		79,529	
Stock-based compensation expense	8,875	15,074	20,536
Accretion of asset retirement obligations	2,982	6,663	6,082
Gain on asset dispositions, net	(202,023)		
Loss on debt extinguishment, net	48,725	36,312	
Other, net	1,276	6,684	8,114
Changes in operating assets and liabilities:			
Accounts receivable	31,816	11,573	23,236
Other current assets	3,504	2,630	14,314
Accounts payable and accrued liabilities	1,560	(21,164)	(6,470)
Accrued interest and other	(28,996)	2,322	(5,566)
Net cash provided by operating activities of continuing operations	201,759	371,655	398,097
Investing activities:			
Capital expenditures for property and equipment:			
Exploration, development, and leasehold acquisition costs	(363,971)	(721,536)	(873,877)
Other fixed assets costs	(1,517)	(9,128)	(6,968)
Proceeds from sales of assets	1,347,116	262,882	121,115
Net cash provided (used) by investing activities of continuing operations	981,628	(467,782)	(759,730)
Financing activities:			
Proceeds from bank borrowings	529,000	1,244,000	160,000
Repayments of bank borrowings	(594,000)	(1,284,000)	(55,000)
Issuance of senior notes, net of issuance costs		491,250	
Redemption of senior notes	(1,037,174)	(330,709)	(285,000)

Proceeds from the exercise of options and from employee stock purchase plan	639	1,117	3,723
Change in bank overdrafts	(14,424)	(24,217)	17,116
Other, net	(2,292)	(3,270)	(14,144)
Net cash (used) provided by financing activities of continuing operations	(1,118,251)	94,171	(173,305)
Cash flows of discontinued operations:			
Operating cash flows			101,292
Investing cash flows			(255,470)
Financing cash flows			478,324
Net cash provided by discontinued operations			324,146
Effect of exchange rate changes on cash			(3,476)
Net increase (decrease) in cash and cash equivalents	65,136	(1,956)	(214,268)
Net increase in cash and cash equivalents of discontinued operations			(289)
Net increase (decrease) in cash and cash equivalents of continuing operations	65,136	(1,956)	(214,557)
Cash and cash equivalents of continuing operations at beginning of year	1,056	3,012	217,569
Cash and cash equivalents of continuing operations at end of year	$ 66,192	$ 1,056	$ 3,012
Cash paid by continuing operations during the year for:			
Interest (net of capitalized amounts)	$ 130,082	$ 130,154	$ 139,311
Income taxes (net of refunded amounts)	(755)	(28,253)	31,782
Non-cash investing activities of continuing operations:			
Increase (decrease) in accrued capital expenditures	$ (28,154)	$ (37,766)	$ 27,235
Common stock issued for acquisition of unproved oil and natural gas properties		36,431	

See accompanying Notes to Consolidated Financial Statements.

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FOREST OIL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012, and 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of the Business

Forest Oil Corporation is an independent oil and gas company engaged in the acquisition, exploration, development, and production of oil, natural gas, and natural gas liquids (sometimes referred to as NGLs) primarily in the United States. 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 holds assets in several exploration and producing areas in the United States, with its core operational areas being Eagle Ford in South Texas and Ark-La-Tex in Texas, Louisiana, and Arkansas, and has exploratory and development interests in two other countries. On June 1, 2011, Forest completed an initial public offering of approximately 18% of the common stock of its then wholly-owned subsidiary, Lone Pine Resources Inc. (Lone Pine), which held Forest s ownership interests in its Canadian operations. On September 30, 2011, Forest distributed, or spun-off, its remaining 82% ownership in Lone Pine to Forest s shareholders by means of a special stock dividend of Lone Pine shares. See Note 5 for more information regarding the initial public offering and spin-off of Lone Pine. Unless the context indicates otherwise, the terms Forest, the Company, we, our, and us, as used in Annex B, refer to Forest Oil Corporation and its subsidiaries.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of Forest and its consolidated subsidiaries. As a result of the spin-off, Lone Pine s results of operations are reported as discontinued operations. See Note 13 for more information regarding the results of operations of Lone Pine. All intercompany balances and transactions have been eliminated.

Subsequent Event Going Concern and Management s Plan

The financial statements included in Annex B have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. Forest previously disclosed in its unreviewed Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, that by year end 2014 the ratio of its total debt to EBITDA may exceed the maximum allowed under its bank credit facility unless it undertakes certain mitigating actions. Absent such actions, a resultant breach of the financial covenant could cause a default under the credit facility, potentially resulting in an acceleration of all amounts outstanding under the Credit Facility as well as Forest s senior unsecured notes due 2019 and 2020. As of September 30, 2014, Forest had approximately $13.0 million outstanding under the credit facility and $800.0 million in principal amount outstanding under the notes.

The Company obtained amendments to the credit facility as recently as September 2013 and March 2014 in order to avoid breaching the debt to EBITDA covenant. Forest believes that it could seek, and the lenders under its credit facility would provide, another amendment, or a waiver, of the covenant. Failing an amendment or waiver, Forest believes it could sell assets to avoid breaching the financial covenant. Alternatively, Forest could obtain a new credit facility or other sources of financing. Forest may yet undertake some or all of these actions prior to year end, if

necessary, though there is no assurance Forest could complete any such actions as each involves factors that are outside its control. However, inasmuch as Forest has not obtained a waiver or amendment to the credit facility, or pursued any of the other alternatives, there presently exists substantial doubt as to Forest s ability to continue as a going concern through December 31, 2014.

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Assumptions, Judgments, and Estimates

In the course of preparing the consolidated financial statements, management makes various assumptions, judgments, and estimates to determine the reported amounts of assets, liabilities, revenues, and expenses, and in the disclosures of commitments and contingencies. Changes in these assumptions, judgments, and estimates will occur as a result of the passage of time and the occurrence of future events and, accordingly, actual results could differ from amounts previously established.

The more significant areas requiring the use of assumptions, judgments, and estimates relate to volumes of oil, natural gas, and natural gas liquids reserves used in calculating depletion, the amount of future net revenues used in computing the ceiling test limitations, and the amount of future capital costs and abandonment obligations used in such calculations, assessing investments in unproved properties and goodwill for impairment, determining the need for and the amount of deferred tax asset valuation allowances, and estimating fair values of financial instruments, including derivative instruments.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less and all money market funds with no restrictions on the Company s ability to withdraw money from the funds to be cash equivalents.

Property and Equipment

The Company uses the full cost method of accounting for oil and natural gas properties. Separate cost centers are maintained for each country in which the Company has operations. The Company s primary oil and gas operations are conducted in the United States. Prior to the spin-off of Lone Pine on September 30, 2011, the Company also had operations in Canada. All costs incurred in the acquisition, exploration, and development of properties (including costs of surrendered and abandoned leaseholds, delay lease rentals, dry holes, and overhead related to exploration and development activities) and the fair value of estimated future costs of site restoration, dismantlement, and abandonment activities are capitalized. During the years ended December 31, 2013, 2012, and 2011, Forest capitalized $34.0 million, $37.8 million, and $46.4 million, respectively, of general and administrative costs (including stock-based compensation) related to its continuing operations. Interest costs related to significant unproved properties that are under development are also capitalized to oil and natural gas properties. During the years ended December 31, 2013, 2012, and 2011, Forest capitalized $2.0 million, $7.2 million, and $10.3 million, respectively, of interest costs attributed to the unproved properties of its continuing operations.

Investments in unproved properties, including capitalized interest costs, are not depleted pending determination of the existence of proved reserves. Unproved properties are assessed at least annually to ascertain whether impairment has occurred. Unproved properties whose costs are individually significant are assessed individually by considering factors such as the primary lease terms of the properties, the holding period of the properties, geographic and geologic data obtained relating to the properties, and estimated discounted future net cash flows from the properties. Estimated discounted future net cash flows are based on discounted future net revenues associated with estimated probable and possible reserves, risk adjusted as appropriate. Where it is not practicable to individually assess the amount of impairment of properties for which costs are not individually significant, such properties are grouped for purposes of assessing impairment. The amount of impairment assessed is added to the costs to be amortized, or is reported as a period expense, as appropriate.

During the year ended December 31, 2012, Forest recorded a $66.9 million impairment of its unproved properties in South Africa based on several unsuccessful attempts to sell the properties for an amount that would allow Forest to

recover the carrying amount of its investment in these properties. Because Forest had no proved reserves in South Africa, the impairment was reported as a period expense, rather than being added to the costs to be amortized, and is included in the Consolidated Statement of Operations within the Impairment of properties line item.

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The Company performs a ceiling test each quarter on a country-by-country basis under the full cost method of accounting. The ceiling test is a limitation on capitalized costs prescribed by SEC Regulation S-X Rule 4-10. The ceiling test is not a fair value based measurement. Rather, it is a standardized mathematical calculation. The ceiling test provides that capitalized costs less related accumulated depletion and deferred income taxes for each cost center may not exceed the sum of (1) the present value of future net revenue from estimated production of proved oil and gas reserves using current prices, excluding the future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, at a discount factor of 10%; plus (2) the cost of properties not being amortized, if any; plus (3) the lower of cost or estimated fair value of unproved properties included in the costs being amortized, if any; less (4) income tax effects related to differences in the book and tax bases of oil and gas properties. Should the net capitalized costs for a cost center exceed the sum of the components noted above, a ceiling test write-down would be recognized to the extent of the excess capitalized costs.

At December 31, 2013, Forest recorded a ceiling test write-down of its United States cost center totaling $57.6 million, which resulted primarily from the Panhandle divestiture. Given the magnitude of the Panhandle oil and natural gas reserves as a percentage of Forest s total reserves, the divestiture resulted in a $193.0 million net gain on disposition of assets rather than 100% of the divestiture proceeds reducing capitalized costs, as has typically been done with previous sales of oil and natural gas properties. This smaller reduction of capitalized costs and the loss of future net revenues from the divested proved oil and natural gas reserves were the primary factors causing the ceiling test write-down. See Note 2 for more information on the Panhandle divestiture.

In 2012, Forest recorded ceiling test write-downs of its United States cost center totaling $957.6 million and its Italian cost center totaling $34.8 million. The United States write-downs resulted primarily from decreases in natural gas and NGL prices. The Italian write-down resulted from Forest concluding that its Italian natural gas reserves could no longer be classified as proved reserves, due to an Italian regional regulatory body s 2012 denial of approval of an environmental impact assessment associated with Forest s proposal to commence natural gas production from wells that Forest drilled and completed in 2007. Forest is currently appealing the region s denial.

Gain or loss is not recognized on the sale of oil and natural gas properties unless the sale significantly alters the relationship between capitalized costs and estimated proved oil and natural gas reserves attributable to a cost center. As noted above, a gain was recognized on the Panhandle divestiture in 2013. See Note 2 for more information on the Panhandle divestiture.

Depletion of proved oil and natural gas properties is computed on the units-of-production method, whereby capitalized costs, as adjusted for future development costs and asset retirement obligations, are amortized over the total estimated proved reserves. The Company uses its quarter-end reserves estimates to calculate depletion for the current quarter.

Furniture and fixtures, leasehold improvements, computer hardware and software, and other equipment are depreciated on the straight-line method over the estimated useful lives of the assets, which range from three to fifteen years.

Asset Retirement Obligations

Forest records the fair value of a liability for an asset retirement obligation in the period in which it is incurred with a corresponding increase in the carrying amount of the related long-lived asset. Subsequent to initial measurement, the asset retirement obligation is required to be accreted each period to its present value. Capitalized costs are depleted as a component of the full cost pool using the units-of-production method. Forest s asset retirement obligations consist of costs related to the plugging of wells, the removal of facilities and equipment, and site restoration on oil and natural

gas properties.

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The following table summarizes the activity for the Company s asset retirement obligations for the periods indicated:

	Year Ended December 31,	
	2013	2012
	(In Thousands)	
Asset retirement obligations at beginning of period	$ 58,585	$ 78,938
Accretion expense	2,982	6,663
Liabilities incurred	2,362	1,412
Liabilities settled	(2,726)	(5,650)
Disposition of properties	(42,082)	(27,418)
Revisions of estimated liabilities	6,234	4,640
Asset retirement obligations at end of period	25,355	58,585
Less: current asset retirement obligations	(2,726)	(2,430)
Long-term asset retirement obligations	$ 22,629	$ 56,155

Oil, Natural Gas, and NGL Sales

The Company recognizes revenues when they are realized or realizable and earned. Revenues are considered realized or realizable and earned when: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the Company s price to the buyer is fixed or determinable and (iv) collectibility is reasonably assured.

When the Company has an interest with other producers in properties from which natural gas is produced, the Company uses the entitlements method to account for any imbalances. Imbalances occur when the Company sells more or less product than it is entitled to under its ownership percentage. Revenue is recognized only on the entitlement percentage of volumes sold. Any amount that the Company sells in excess of its entitlement is treated as a liability and is not recognized as revenue. Any amount of entitlement in excess of the amount the Company sells is recognized as revenue and an asset is accrued. At December 31, 2013 and 2012, the Company had gas imbalance liabilities of $4.3 million and $7.5 million, respectively, and gas imbalance assets of $3.4 million and $6.7 million, respectively.

In 2013, sales to two purchasers were approximately 23%, or $102.5 million, and 17%, or $73.5 million, respectively, of the Company s total revenues. In 2012, sales to two purchasers were approximately 19%, or $117.2 million, and 14%, or $82.1 million, respectively, of the Company s total revenues. In 2011, sales to one purchaser were approximately 22%, or $151.9 million, of the Company s total revenues from continuing operations. Forest s revenues from continuing operations are attributable to the United States. Forest believes that the loss of one or more of the Company s current oil, natural gas, and NGL purchasers would not have a material adverse effect on the Company s ability to sell its production, because any individual purchaser could be readily replaced by another purchaser, absent a broad market disruption.

Accounts Receivable

The components of accounts receivable are as follows:

	December 31,	
	2013	2012
	(In Thousands)	
Oil, natural gas, and NGL sales	$ 22,293	$ 50,679
Joint interest billings	5,222	5,845
Tax incentive refunds due from Texas	3,763	6,836
Other	5,494	5,619
Allowance for doubtful accounts	(1,118)	(1,463)
Total accounts receivable	$ 35,654	$ 67,516

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Forest s accounts receivable are primarily from purchasers of the Company s oil, natural gas, and NGL sales and from other exploration and production companies which own working interests in the properties that the Company operates. This industry concentration could adversely impact Forest s overall credit risk because the Company s customers and working interest owners may be similarly affected by changes in economic and financial market conditions, commodity prices, and other conditions. Forest s oil, natural gas, and NGL production is sold to various purchasers in accordance with the Company s credit policies and procedures. These policies and procedures take into account, among other things, the creditworthiness of potential purchasers and concentrations of credit risk. Forest generally requires letters of credit or parental guarantees for receivables from parties that are deemed to have sub-standard credit or other financial concerns, unless the Company can otherwise mitigate the perceived credit exposure. Forest routinely assesses the collectibility of all material receivables and accrues a reserve on a receivable when, based on the judgment of management, it is probable that a receivable will not be collected and the amount of the reserve can be reasonably estimated.

Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of temporary differences between financial accounting bases and tax bases of assets and liabilities. The tax benefits of tax loss carryforwards and other deferred tax benefits are recorded as an asset to the extent that management assesses the utilization of such assets to be more likely than not. When the future utilization of some portion of the deferred tax asset is determined not to be more likely than not, a valuation allowance is provided to reduce the recorded deferred tax assets.

Earnings (Loss) per Share

Basic earnings (loss) per share is computed using the two-class method by dividing net earnings (loss) attributable to common stock by the weighted average number of common shares outstanding during each period. The two-class method of computing earnings (loss) per share is required to be used since Forest has participating securities. The two-class method is an earnings allocation formula that determines earnings (loss) per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. Holders of restricted stock issued under Forest s stock incentive plans have the right to receive non-forfeitable cash and certain non-cash dividends, participating on an equal basis with common stock. Holders of phantom stock units issued to directors under Forest s stock incentive plans also have the right to receive non-forfeitable cash and certain non-cash dividends, participating on an equal basis with common stock, while phantom stock units issued to employees do not participate in dividends. Stock options and cash-settled performance units issued under Forest s stock incentive plans do not participate in dividends. Share-settled performance units issued under Forest s stock incentive plans do not participate in dividends in their current form. Holders of these performance units participate in dividends paid during the performance units vesting period only after the performance units vest and common shares are deliverable under the terms of the performance unit awards. Share-settled performance units may vest with no common shares being deliverable, depending on Forest s shareholder return over the performance units vesting period in relation to the shareholder returns of specified peers. See Note 6 for more information on Forest s stock-based incentive awards. In summary, restricted stock issued to employees and directors and phantom stock units issued to directors are participating securities, and earnings are allocated to both common stock and these participating securities under the two-class method. However, these participating securities do not have a contractual obligation to share in Forest s losses. Therefore, in periods of net loss, none of the loss is allocated to these participating securities.

Diluted earnings (loss) per share is computed by dividing net earnings (loss) attributable to common stock by the weighted average number of common shares outstanding during each period, increasing the denominator to include

the number of additional common shares that would have been outstanding if the dilutive potential common shares (e.g. stock options, unvested restricted stock, unvested share-settled phantom stock units, and unvested share-settled performance units) had been issued. Additionally, the numerator is also adjusted for

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certain contracts that provide the issuer or holder with a choice between settlement methods. Diluted earnings per share is computed using the more dilutive of the treasury stock method or the two-class method. Under the treasury stock method, the dilutive effect of potential common shares is computed by assuming common shares are issued for these securities at the beginning of the period, with the assumed proceeds from exercise, which include average unamortized stock-based compensation costs, assumed to be used to purchase common shares at the average market price for the period, and the incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) included in the denominator of the diluted earnings per share computation. The number of contingently issuable shares pursuant to the outstanding share-settled performance units is included in the denominator of the computation of diluted earnings per share based on the number of shares, if any, that would be issuable if the end of the reporting period were the end of the contingency period and if the result would be dilutive. Under the two-class method, the dilutive effect of non-participating potential common shares is determined and undistributed earnings are reallocated between common shares and participating securities. No potential common shares are included in the computation of any diluted per share amount when a net loss exists, as was the case for the year ended December 31, 2012. Unvested restricted stock grants were not included in the calculations of diluted earnings per share for the years ended December 31, 2013 and 2011 as their inclusion would have an antidilutive effect.

The following reconciles net earnings (loss) as reported in the Consolidated Statements of Operations to net earnings (loss) used for calculating basic and diluted earnings (loss) per share for the periods presented.

	Year Ended December 31,								
	2013			2012			2011		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	(In Thousands)								
Net earnings (loss)	$ 73,924	$	$ 73,924	$ (1,288,931)	$	$ (1,288,931)	$ 98,260	$ 44,569	$ 142,829
Less: net earnings attributable to noncontrolling interest								(4,987)	(4,987)
Less: net earnings attributable to participating securities	(2,099)		(2,099)				(2,037)	(821)	(2,858)
Net earnings (loss) attributable to common stock for basic earnings (loss) per share	71,825		71,825	(1,288,931)		(1,288,931)	96,223	38,761	134,984
Adjustment for liability classified stock-based compensation awards								(707)	(707)

Net earnings (loss) for diluted earnings (loss) per share	$ 71,825	$	$ 71,825	$ (1,288,931)	$	$ (1,288,931)	$ 96,223	$ 38,054	$ 134,277

The following reconciles basic weighted average common shares outstanding to diluted weighted average common shares outstanding for the periods presented.

	Year Ended December 31,		
	2013	2012	2011
	(In Thousands)		
Weighted average common shares outstanding during the period for basic earnings (loss) per share	116,125	114,958	111,690
Dilutive effects of potential common shares			1,178
Weighted average common shares outstanding during the period, including the effects of dilutive potential common shares, for diluted earnings (loss) per share	116,125	114,958	112,868

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Stock-Based Compensation

Compensation cost is measured at the grant date based on the fair value of the awards (stock options, restricted stock, share-settled performance units, employee stock purchase plan rights) or is measured at the reporting date based on the fair value of the awards (cash-settled phantom stock units and cash-settled performance units), and is recognized on a straight-line basis over the requisite service period (usually the vesting period). Compensation cost for awards with only service conditions that have a graded vesting schedule is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award.

Derivative Instruments

The Company records all derivative instruments, other than those that meet the normal purchases and sales exception, as either assets or liabilities at fair value. The Company has not elected to designate its derivative instruments as hedges and, therefore, records all changes in fair value of its derivative instruments as unrealized gains and losses through earnings, with such changes reported in a single line item in the Consolidated Statements of Operations together with cash settlements, or realized gains and losses, on the derivative instruments.

Debt Issue Costs

Included in other assets are costs associated with the issuance of our senior notes and our revolving bank credit facility. The remaining unamortized debt issue costs at December 31, 2013 and 2012 totaled $13.4 million and $27.0 million, respectively, and are being amortized over the life of the respective debt instruments. In connection with the early repayment of senior notes in 2013, $8.9 million of unamortized debt issue costs were written-off.

Inventory

Inventories, which are carried at average cost with adjustments made from time to time to recognize, as appropriate, any reductions in value, were comprised of $2.2 million and $4.2 million of materials and supplies as of December 31, 2013 and 2012, respectively. The Company s materials and supplies inventory, which is acquired for use in future drilling operations, is primarily comprised of items such as tubing and casing.

Goodwill

The Company is required to perform an annual impairment test of goodwill in lieu of periodic amortization. The Company performs its annual goodwill impairment test in the second quarter of the year. In addition, the Company tests goodwill for impairment if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The impairment test requires the Company to estimate the fair value of the reporting unit to which goodwill has been assigned and, in some cases, the fair values of the assets and liabilities assigned to the reporting unit. Although the Company bases its fair value estimates on assumptions it believes to be reasonable, those assumptions are inherently unpredictable and uncertain. The Company allocates a portion of goodwill to divestitures of more than 25% of the Company s total proved reserves. During the year ended December 31, 2013, the Company allocated $105.0 million of goodwill to the Panhandle divestiture. See Note 2 for more information regarding this divestiture. The Company had no goodwill impairments for the years ended December 31, 2013, 2012, and 2011.

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Comprehensive Income (Loss)

Comprehensive income (loss) is a term used to refer to net earnings (loss) plus other comprehensive income (loss). Other comprehensive income (loss) is comprised of revenues, expenses, gains, and losses that under generally accepted accounting principles are reported as separate components of shareholders equity instead of net earnings (loss). Items included in the Company s other comprehensive income (loss) during the last three years are net foreign currency gains and losses related to the translation of the assets and liabilities of Lone Pine s Canadian operations prior to the spin-off of Lone Pine on September 30, 2011, and defined benefit postretirement plan gains and losses. See Note 7 for more information regarding Forest s defined benefit postretirement plans.

The components of other comprehensive income (loss), both before-tax and net-of-tax, for the years ended December 31, 2013, 2012, and 2011 are as follows:

	Before-Tax	Tax (Expense) / Benefit (In Thousands)	Net-of-Tax
Year Ended December 31, 2013:			
Defined benefit postretirement plans			
Net periodic benefit cost components arising during the period	$ 8,742	$	$ 8,742
Actuarial losses reclassified from accumulated other comprehensive loss and included in net periodic benefit cost	1,374		1,374
Other comprehensive income	$ 10,116	$ (1)	$ 10,116
Year Ended December 31, 2012:			
Defined benefit postretirement plans			
Net periodic benefit cost components arising during the period	$ (3,191)	$ (323)	$ (3,514)
Actuarial losses reclassified from accumulated other comprehensive loss and included in net periodic benefit cost	1,155	117	1,272
Other comprehensive loss	$ (2,036)	$ (206)	$ (2,242)
Year Ended December 31, 2011:			
Defined benefit postretirement plans			
Net periodic benefit cost components arising during the period	$ (11,058)	$ 3,979	$ (7,079)
Actuarial losses reclassified from accumulated other comprehensive loss and included in net periodic benefit cost	641	(231)	410
	(10,417)	3,748	(6,669)
Foreign currency translation losses			
Foreign currency translation losses arising during the period	(27,852)		(27,852)
Amounts reclassified from accumulated other comprehensive loss			
	(27,852)		(27,852)

Other comprehensive loss	$ (38,269)	$ 3,748	$ (34,521)

(1) Tax expense of $3.6 million for the year ended December 31, 2013 is offset by an equal decrease in the valuation allowance.

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The components of accumulated other comprehensive income (loss) attributable to Forest Oil Corporation common shareholders for the years ended December 31, 2013, 2012, and 2011 are as follows:

	Foreign Currency Translation	Defined Benefit Postretirement Plans	Accumulated Other Comprehensive Income (Loss)
		(In Thousands)	
Balance at December 31, 2010	$ 93,667	$ (11,603)	$ 82,064
Changes in ownership interest in Lone Pine Resources	(72,132)		(72,132)
Other comprehensive losses arising during the period, before reclassifications	(21,535)	(7,079)	(28,614)
Amounts reclassified from accumulated other comprehensive loss		410	410
Other comprehensive loss	(21,535)	(6,669)	(28,204)
Balance at December 31, 2011		(18,272)	(18,272)
Other comprehensive losses arising during the period, before reclassifications		(3,514)	(3,514)
Amounts reclassified from accumulated other comprehensive loss		1,272	1,272
Other comprehensive loss		(2,242)	(2,242)
Balance at December 31, 2012		(20,514)	(20,514)
Other comprehensive gains arising during the period, before reclassifications		8,742	8,742
Amounts reclassified from accumulated other comprehensive loss		1,374	1,374
Other comprehensive income		10,116	10,116
Balance at December 31, 2013	$	$ (10,398)	$ (10,398)

(2) PROPERTY AND EQUIPMENT:

Net property and equipment consists of the following as of the dates indicated:

	December 31,	
	2013	2012

	(In Thousands)	
Oil and natural gas properties:		
Proved	$ 9,213,668	$ 9,696,498
Unproved	53,645	277,798
Accumulated depletion[1]	(8,460,589)	(8,237,186)
Net oil and natural gas properties	806,724	1,737,110
Other property and equipment:		
Furniture and fixtures, leasehold improvements, computer hardware and software, and other equipment	61,903	64,036
Accumulated depreciation and amortization	(50,058)	(46,908)
Net other property and equipment	11,845	17,128
Total net property and equipment	$ 818,569	$ 1,754,238

(1) Includes inception-to-date ceiling test write-downs.

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The following table sets forth a summary as of December 31, 2013 of Forest s unproved properties, all of which are located in the United States, by the year in which such property costs were incurred:

	Total	2013	2012	2011	2010 and Prior
			(In Thousands)		
Acquisition costs	$ 48,095	$ 5,078	$ 4,155	$ 2,515	$ 36,347
Exploration costs	5,550	4,722	194	57	577
Total unproved oil and natural gas properties	$ 53,645	$ 9,800	$ 4,349	$ 2,572	$ 36,924

The majority of the unproved oil and natural gas property costs, which are not subject to depletion, relate to oil and natural gas property acquisitions and leasehold acquisition costs as well as work-in-progress on various projects. The Company expects that substantially all of its unproved property costs as of December 31, 2013 will be reclassified to proved properties within ten years.

Divestitures

Texas Panhandle

In October 2013, Forest entered into an agreement to sell all of its oil and natural gas properties located in the Texas Panhandle for $1.0 billion in cash. The purchase price was adjusted at closing on November 25, 2013 to $944.1 million in order to, among other things, reflect an economic effective date of October 1, 2013. Subsequent to closing, Forest received an additional $21.0 million for post-closing title curative work completed, for total cash proceeds received to-date of $965.1 million. As of December 31, 2013, there is $32.9 million remaining in escrow, which Forest may receive as consents-to-assign are received and further post-closing title curative work is completed. Of the $32.9 million escrow balance, $10.0 million supports post-closing indemnities that Forest may owe to the buyer under the terms of the purchase and sale agreement. Any of the $10.0 million remaining in escrow at the one-year anniversary of the closing will be paid to Forest. Forest used a portion of the Panhandle divestiture proceeds to repay the balance outstanding on its credit facility and to redeem $700.0 million aggregate principal amount of its 7 ¼% senior notes due 2019 and 7 ½% senior notes due 2020.

In connection with the Panhandle divestiture, Forest incurred exit costs consisting of one-time employee termination benefits and other associated costs, as shown in the following table.

	One-Time Employee Termination Benefits	Other Associated Costs[1]	Total
		(In Thousands)	
Total expected amount[2]	$ 4,541	$ 7,967	$ 12,508
Amount paid during 2013	2,915	2,128	5,043
December 31, 2013 liability balance[3]	1,095	5,840	6,935

(1) Other associated costs consist of financial advisor fees and retention bonuses paid to certain employees.

(2) Of the $12.5 million total expected amount, $5.0 million was recognized in General and administrative expense and $5.8 million was recognized in Other, net in the Consolidated Statement of Operations for the year ended December 31, 2013. Additionally, $1.1 million was capitalized in Oil and natural gas properties in the Consolidated Balance Sheet pursuant to the full cost method of accounting. The remaining $.5 million will be accrued in 2014 over the remaining retention period of the affected employees.

(3) The December 31, 2013 estimated liability balance is included in Accounts payable and accrued liabilities in the Consolidated Balance Sheet, and Forest expects it will be paid during the first half of 2014.

Under the full cost method of accounting, sales of oil and natural gas properties are typically accounted for as adjustments of capitalized costs, with no gain or loss recognized, unless such adjustments would significantly

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alter the relationship between capitalized costs and proved reserves attributable to a cost center. A significant alteration would not ordinarily be expected to occur for sales involving less than 25% of the reserve quantities of a given cost center. The proved reserves associated with the Panhandle divestiture represented more than 25% of Forest s total proved reserves at the time the divestiture closed. Forest concluded that accounting for the divestiture as an adjustment of capitalized costs would significantly alter the relationship between capitalized costs and proved reserves. Therefore, a gain was recognized on the divestiture. The historical net book value of Forest s oil and natural gas properties at the time of sale was allocated between the properties divested and properties retained based on proved reserves. As discussed in Note 1 Goodwill , Forest allocated $105.0 million of goodwill to the Panhandle divestiture in determining the gain on the divestiture. The net gain recognized on the divestiture for the year ended December 31, 2013 was $193.0 million.

South Texas

In January 2013, Forest entered into an agreement to sell all of its oil and natural gas properties located in South Texas, excluding its Eagle Ford oil properties, for $325.0 million in cash. This transaction closed on February 15, 2013 and was subject to customary purchase price adjustments, resulting in Forest receiving net cash proceeds of $320.9 million. Forest used the proceeds from this divestiture to redeem the remaining $300.0 million of its 8 ½% senior notes due 2014. In connection with the South Texas divestiture, Forest incurred one-time employee termination benefit costs of $7.5 million ($5.7 million net of capitalization), which are included in General and administrative expense in the Consolidated Statement of Operations and were paid in full during 2013, with no further one-time employee termination benefit costs expected to be made for this specific divestiture.

Permian Basin

In August 2013, Forest entered into an agreement to sell a portion of its largely undeveloped acreage position located in Crockett County in the Permian Basin of West Texas. This transaction closed on September 10, 2013, and Forest received net cash proceeds of $31.4 million, after customary purchase price adjustments. Forest retained a Permian Basin acreage position located in Pecos and Reeves Counties, Texas. Forest used the proceeds from this divestiture to reduce outstanding borrowings under its credit facility.

South Louisiana

In October 2012, Forest entered into an agreement to sell all of its oil and natural gas properties located in South Louisiana for $220.0 million in cash. This transaction closed on November 16, 2012 and was subject to customary purchase price adjustments, resulting in Forest receiving net cash proceeds of $211.3 million.

Gas Gathering Assets

In August 2012, the Company entered into an agreement to sell the majority of its East Texas natural gas gathering assets for $34.0 million in cash. This transaction closed on October 31, 2012, and Forest received net cash proceeds of $28.8 million, after customary purchase price adjustments. At the time of closing, there were up to $9.0 million of additional performance payments that Forest could earn contingent upon future activity, including the number of additional wells drilled by Forest and connected to the buyer s gathering facilities. During year ended December 31, 2013, Forest earned and received $2.5 million of these performance payments. As of December 31, 2013, there are $6.0 million of contingent performance payments that may still be earned. In conjunction with the sale, Forest entered into a ten-year natural gas gathering agreement with the buyer under which Forest pays market-based gathering rates and has committed the production from its existing and future operated wells located within five miles of the gathering system as it was configured at the time of sale. During the third quarter of 2012, these assets were written

down to their estimated fair value less cost to sell, resulting in a $12.7 million impairment charge, which is included in the Consolidated Statement of Operations within the Impairment of properties line item.

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South Africa

In December 2012, Forest entered into an agreement with a third-party whereby Forest would receive $9.1 million in exchange for Forest abandoning its exploration right covering Block 2C in South Africa, contingent upon, among other things, the approval of the abandonment by the government of South Africa. Upon completion of certain contractual requirements, Forest received the $9.1 million in December 2013 and recorded a gain of $9.0 million, net of transaction costs, in other income within the Other, net line item in the Consolidated Statement of Operations for the year ended December 31, 2013 since Forest had no proved reserves in South Africa and fully impaired its unproved properties in South Africa in 2012.

Forest also entered into a separate agreement in December 2012 to sell its South African subsidiary which holds a production right related to Block 2A in South Africa. Following approval of the sale by the government of South Africa, Forest will receive a payment of $1.0 million. If such approval is not received, closing on the sale will not occur. If closing occurs, Forest may receive further payments, as set forth in the agreement.

Miscellaneous

During the year ended December 31, 2013, Forest also sold miscellaneous oil and natural gas properties for proceeds of $17.5 million. During the years ended December 31, 2012 and 2011, Forest also sold miscellaneous U.S. oil and natural gas properties for total proceeds of $25.6 million and $121.0 million, respectively.

Acquisition and Development Agreement

In April 2013, Forest entered into an Acquisition and Development Agreement (ADA) with a third-party for the future development of Forest s Eagle Ford acreage in Gonzales County, Texas. Under the terms of the ADA, the third-party will pay a $90.0 million drilling carry in the form of future drilling and completion services and related development capital in exchange for a 50% working interest in Forest s Eagle Ford acreage position. Upon completion of the phased contribution of the drilling carry, Forest and the third-party will participate in future drilling on a 50/50 basis. The ADA applies to wells spud on or subsequent to November 28, 2012, none of which had been placed on production prior to April 1, 2013, and Forest retained all of its interests in wells and production that were spud prior to November 28, 2012. Forest is the operator of the drilling program. As of December 31, 2013, Forest had realized $61.1 million of the drilling carry and currently expects that it will be fully realized in 2014.

(3) DEBT:

The components of debt are as follows:

	December 31, 2013			December 31, 2012		
	Principal	Unamortized Premium	Total	Principal	Unamortized Premium (Discount)	Total
				(In Thousands)		
Credit facility	$	$	$	$ 65,000	$	$ 65,000
7% senior subordinated notes due 2013[1]				12		12

8 ½% senior notes due 2014[2]				300,000	(3,277)	296,723
7 ¼% senior notes due 2019[3]	577,914	178	578,092	1,000,000	365	1,000,365
7 ½% senior notes due 2020[4]	222,087		222,087	500,000		500,000
Total debt	800,001	178	800,179	1,865,012	(2,912)	1,862,100
Less: current portion of long-term debt				(12)		(12)
Long-term debt	$ 800,001	$ 178	$ 800,179	$ 1,865,000	$ (2,912)	$ 1,862,088

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(1) In June 2013, Forest redeemed the 7% senior subordinated notes due 2013 at their maturity.
(2) In March 2013, Forest redeemed the 8 ½% senior notes due 2014 at 107.11% of par, recognizing a loss of $25.2 million upon redemption.
(3) In November 2013, Forest redeemed $422.1 million in principal amount of 7 ¼% senior notes due 2019 at 102.77% of par, recognizing a net loss of $14.7 million upon redemption.
(4) In November 2013, Forest redeemed $277.9 million in principal amount of 7 ½% senior notes due 2020 at 101.50% of par, recognizing a loss of $8.8 million upon redemption.

Bank Credit Facility

On June 30, 2011, the Company entered into the Third Amended and Restated Credit Agreement (the Credit Facility) with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent) consisting of a $1.5 billion credit facility maturing in June 2016. The size of the Credit Facility may be increased by $300.0 million, to a total of $1.8 billion, upon agreement between the applicable lenders and Forest.

On September 12, 2013, the Company entered into the First Amendment to the Credit Facility (the First Amendment), which was effective as of that date. The First Amendment amended, among other things, the permitted ratio of total debt to EBITDA and the definition of total debt used in the ratio calculation, and reduced the borrowing base, which governs Forest s availability under the Credit Facility, to $700.0 million.

As of December 31, 2013, the borrowing base under the Credit Facility was $400.0 million. The determination of the borrowing base is made by the lenders in their sole discretion, on a semi-annual basis, taking into consideration the estimated value of Forest s oil and natural gas properties based on pricing models determined by the lenders at such time, in accordance with the lenders customary practices for oil and natural gas loans. The available borrowing amount under the Credit Facility could increase or decrease based on such redetermination. In addition to the scheduled semi-annual redeterminations, Forest and the lenders each have discretion at any time, but not more often than once during a calendar year, to have the borrowing base redetermined. The borrowing base is also subject to automatic adjustments if certain events occur, such as if Forest or any of its Restricted Subsidiaries (as defined in the Credit Facility) issue senior unsecured notes, in which case the borrowing base will immediately be reduced by an amount equal to 25% of the stated principal amount of such issued senior notes, excluding any senior unsecured notes that Forest or any of its Restricted Subsidiaries may issue to refinance senior notes that were outstanding on June 30, 2011. The borrowing base is also subject to automatic adjustment if Forest or any of its Restricted Subsidiaries sell oil and natural gas properties having a fair market value, including any economic loss of unwinding any related hedging agreement, in excess of 10% of the borrowing base then in effect. In this case, the borrowing base will be reduced by an amount either (i) equal to the percentage of the borrowing base attributable to the sold properties, as determined by the Administrative Agent, or (ii) if none of the borrowing base is attributable to the sold properties, a value agreed upon by Forest and the required lenders. The February 2013 sale of Forest s South Texas properties resulted in a $170.0 million reduction to the borrowing base effective February 15, 2013, and the November 2013 sale of Forest s Panhandle properties resulted in a $300.0 million reduction to the borrowing base effective November 25, 2013. See Note 2 for more information regarding Forest s property divestitures. The next scheduled semi-annual redetermination of the borrowing base will occur on or about May 1, 2014. A lowering of the borrowing base could require Forest to repay indebtedness in excess of the borrowing base in order to cover the deficiency.

The Credit Facility is collateralized by Forest s assets. Under the Credit Facility, Forest is required to mortgage and grant a security interest in 75% of the present value of the estimated proved oil and natural gas properties and related assets. If Forest s corporate credit ratings issued by Moody s and Standard & Poor s meet pre-established levels, the security requirements would cease to apply and, at Forest s request, the banks would release their liens and security

interest on Forest s properties.

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Borrowings under the Credit Facility bear interest at one of two rates as may be elected by the Company. Borrowings bear interest at:

(i) the greatest of (a) the prime rate announced by JPMorgan Chase Bank, N.A., (b) the federal funds effective rate from time to time plus ½ of 1%, and (c) the one-month rate applicable to dollar deposits in the London interbank market for one, two, three or six months (as selected by Forest) (the LIBO Rate) plus 1%, plus, in the case of each of clauses (a), (b), and (c), 50 to 150 basis points depending on borrowing base utilization; or

(ii) the LIBO Rate as adjusted for statutory reserve requirements (the Adjusted LIBO Rate), plus 150 to 250 basis points, depending on borrowing base utilization.

The Credit Facility includes terms and covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, asset sales, hedging activities, investments, dividends, mergers, and acquisitions, and also includes a financial covenant. The First Amendment to the Credit Facility provides that Forest will not permit its ratio of total debt to EBITDA (as adjusted for non-cash charges) calculated for the preceding four consecutive fiscal quarter period then most recently ended (i) for any time on or before September 11, 2013, to be greater than 4.50 to 1.00, (ii) for any time after September 11, 2013 and on or before March 31, 2014 to be greater than 5.00 to 1.00, (iii) for any time after April 1, 2014 and on or before June 30, 2014 to be greater than 4.75 to 1.00, and (iv) for any time after June 30, 2014, to be greater than 4.50 to 1.00. The First Amendment also amends the definition of total debt such that, during any period of four fiscal quarters that includes the calendar quarter in which the Panhandle divestiture closed, any cash proceeds from the Panhandle divestiture that are reported on Forest s consolidated balance sheet on such date are subtracted from total debt. Depending on Forest s overall level of indebtedness, this covenant may limit Forest s ability to borrow funds as needed under the Credit Facility. Forest s ratio of total debt to EBITDA for the four consecutive fiscal quarter period ended December 31, 2013, as calculated in accordance with the Credit Facility, was 4.3. Based on Forest s current projections, Forest expects the ratio of total debt to EBITDA to exceed the maximum allowed under the Credit Facility sometime during the second or third quarter of 2014 if it does not obtain an additional amendment to the Credit Facility. Forest has initiated discussions to that effect with the administrative agent of the Credit Facility and, with no amounts currently drawn against the facility, believes that it will be able to obtain such an amendment prior to the ratio exceeding the maximum amount currently allowed. If Forest fails to obtain an amendment, the Credit Facility could be terminated. However, Forest believes it can obtain alternative sources of debt financing sufficient for its needs, including securing liens against its properties or selling additional properties. Additionally, if necessary, Forest has the ability to slow or cease the occurrence of certain capital and operational expenditures, including those related to initiating new drilling programs, to preserve its available cash until these other sources of funding become available at prudent terms.

Under certain conditions, amounts outstanding under the Credit Facility may be accelerated with the resultant termination of the facility. Bankruptcy and insolvency events with respect to Forest or certain of its subsidiaries will result in an automatic acceleration of the indebtedness under the Credit Facility. In addition, certain events of default under the Credit Facility will result in acceleration of the indebtedness under the Credit Facility, and termination of the facility, at the option of the lenders. Such other events of default include non-payment, breach of warranty, non-performance of obligations under the Credit Facility (including the financial covenant), default on other indebtedness, certain pension plan events, certain adverse judgments, change of control, and a failure of the liens securing the Credit Facility.

Of the $1.5 billion total nominal amount under the Credit Facility, JPMorgan and ten other banks hold approximately 68% of the total commitments. With respect to the other 32% of the total commitments, no single lender holds more than 3.3% of the total commitments. Commitment fees accrue on the amount of unutilized borrowing base. If borrowing base utilization is greater than 50%, commitment fees are 50 basis points of the unutilized amount, and if borrowing base utilization is 50% or less, commitment fees are 35 basis points of the unutilized amount.

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At December 31, 2013, there were no outstanding borrowings under the Credit Facility and Forest had used the Credit Facility for $2.1 million in letters of credit, leaving an unused borrowing amount under the Credit Facility of $397.9 million. At December 31, 2012, there were outstanding borrowings of $65.0 million under the Credit Facility at a weighted average interest rate of 2.1% and Forest had used the Credit Facility for $1.6 million in letters of credit, leaving an unused borrowing amount under the Credit Facility of $1.0 billion.

8 ½% Senior Notes Due 2014

On February 17, 2009, Forest issued $600.0 million in principal amount of 8 ½% senior notes due 2014 (the 8½% Notes) at 95.15% of par for net proceeds of $559.8 million, after deducting initial purchaser discounts. The 8½% Notes were redeemable, at the Company s option, in whole or in part, at any time at the principal amount, plus accrued interest, and a make-whole premium. In October 2012, Forest redeemed $300.0 million of the 8 ½% Notes at 110.24% of par, recognizing a loss of $36.3 million upon redemption, using proceeds from the issuance of $500.0 million in principal amount of 7 ½% senior notes due 2020. In March 2013, Forest redeemed the remaining $300.0 million of 8 ½% Notes at 107.11% of par, recognizing a loss of $25.2 million upon redemption, using proceeds from the South Texas divestiture and borrowings under the Credit Facility.

7 ¼% Senior Notes Due 2019

On June 6, 2007, Forest issued $750.0 million in principal amount of 7 ¼% senior notes due 2019 (the 7¼% Notes) at par for net proceeds of $739.2 million, after deducting initial purchaser discounts, and on May 22, 2008, Forest issued an additional $250.0 million in principal amount of 7 ¼% Notes at 100.25% of par for net proceeds of $247.2 million, after deducting initial purchaser discounts. Due to the amortization of the premium, the effective interest rate on the 7 ¼% Notes is 7.24%. Interest on the 7 ¼% Notes is payable semiannually on June 15 and December 15.

The 7 ¼% Notes are redeemable, at Forest s option, at the prices set forth below, expressed as percentages of the principal amount redeemed, plus accrued but unpaid interest, if redeemed during the twelve-month period beginning on June 15 of the years indicated below:

2012	103.625%
2013	102.417%
2014	101.208%
2015 and thereafter	100.000%

In November 2013, Forest carried out a tender offer to purchase up to $700.0 million aggregate principal amount of its 7 ¼% Notes and its 7 ½% senior notes using proceeds from the Panhandle divestiture. The tender offer for the 7 ¼% Notes was issued at 102.77% of par and Forest purchased $422.1 million of the 7 ¼% Notes, recognizing a net loss of $14.7 million upon redemption.

7 ½% Senior Notes Due 2020

On September 17, 2012, Forest issued $500.0 million in principal amount of 7 ½% senior notes due 2020 (the 7½% Notes) at par for net proceeds of $491.3 million, after deducting initial purchaser discounts. Interest on the 7½% Notes is payable semiannually on March 15 and September 15.

The 7 ½% Notes are redeemable, at Forest s option, at the prices set forth below, expressed as percentages of the principal amount redeemed, plus accrued but unpaid interest, if redeemed during the twelve-month period beginning

on September 15 of the years indicated below:

2016	103.750%
2017	101.875%
2018 and thereafter	100.000%

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Forest may also redeem the 7 ½% Notes, in whole or in part, at any time prior to September 15, 2016, at a price equal to the principal amount plus a make-whole premium, calculated using the applicable Treasury yield plus 0.5%, plus accrued but unpaid interest. In addition, prior to September 15, 2015, Forest may, at any time or from time to time, redeem up to 35% of the aggregate principal amount of the 7 ½% Notes with the net proceeds of certain equity offerings at 107.5% of the principal amount of the 7 ½% Notes, plus any accrued but unpaid interest, if at least 65% of the aggregate principal amount of the 7 ½% Notes remains outstanding after such redemption and the redemption occurs within 120 days of the date of the closing of such equity offering.

In November 2013, Forest carried out a tender offer to purchase up to $700.0 million aggregate principal amount of its 7 ¼% Notes and its 7 ½% Notes using proceeds from the Panhandle divestiture. The tender offer for the 7 ½% Notes was issued at 101.50% of par and Forest purchased $277.9 million of the 7 ½% Notes, recognizing a loss of $8.8 million upon redemption.

Forest s 8½% Notes, 7 ¼% Notes, and 7 ½% Notes were fully and unconditionally guaranteed by a 100%-owned subsidiary of Forest, Forest Oil Permian Corporation (the Guarantor Subsidiary). Substantially all of the property of the Guarantor Subsidiary was sold in the Panhandle divestiture and, as a result, the Guarantor Subsidiary was merged into Forest effective December 31, 2013. As such, the guarantee no longer exists.

Principal Maturities

Principal maturities of Forest s debt at December 31, 2013 are as follows:

	Principal Maturities (In Thousands)
2014	$
2015	
2016	
2017	
2018	
Thereafter	800,001

(4) INCOME TAXES:

Income Tax Provision

The table below sets forth the provision for income taxes attributable to continuing operations for the periods presented.

	Year Ended December 31,		
	2013	2012	2011
		(In Thousands)	
Current:			
Federal	$	$ (34,733)	$ (201)

Foreign			28,921
State	(707)	(805)	1,421
	(707)	(35,538)	30,141
Deferred:			
Federal		202,552	56,482
State		6,423	2,512
		208,975	58,994
Total income tax	$ (707)	$ 173,437	$ 89,135

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Earnings (loss) from continuing operations before income taxes consists of the following for the periods presented:

	Year Ended December 31,		
	2013	2012	2011
	(In Thousands)		
United States federal	$ 65,167	$ (1,013,801)	$ 188,421
Foreign	8,050	(101,693)	(1,026)
	$ 73,217	$ (1,115,494)	$ 187,395

A reconciliation of reported income tax attributable to continuing operations to the amount of income tax that would result from applying the United States federal statutory income tax rate to pretax earnings from continuing operations is as follows:

	Year Ended December 31,		
	2013	2012	2011
	(In Thousands)		
Federal income tax at 35% of earnings from continuing operations before income taxes	$ 25,626	$ (390,423)	$ 65,947
State income taxes, net of federal income tax benefits	740	(11,211)	2,214
Change in valuation allowance	(67,606)	575,570	
Change in non-tax deductible goodwill	37,937		
Stock-based compensation	4,002	484	
Canadian dividend tax, net of U.S. tax benefit			18,460
Effect of federal, state, and foreign tax on permanent differences	638	3,026	4,025
Other	(2,044)	(4,009)	(1,511)
Total income tax	$ (707)	$ 173,437	$ 89,135

Net Deferred Tax Assets and Liabilities

The components of net deferred tax assets and liabilities at December 31, 2013 and 2012 are as follows:

	December 31,	
	2013	2012
	(In Thousands)	
Deferred tax assets:		
Property and equipment[(1)]	$ 161,450	$ 353,352
Accrual for postretirement benefits	3,193	3,134
Stock-based compensation accruals	9,592	10,748
Net operating loss carryforwards	274,177	157,103
Alternative minimum tax credit carryforward	49,409	49,409

Other	23,721	32,278
Total gross deferred tax assets	521,542	606,024
Less valuation allowance	(504,458)	(575,570)
Net deferred tax assets	17,084	30,454
Deferred tax liabilities:		
Unrealized gains on derivative instruments, net	(1,994)	(17,429)
Amortization of deferred gain on rig sales	(12,724)	(10,472)
Other	(2,366)	(2,553)
Total gross deferred tax liabilities	(17,084)	(30,454)
Net deferred tax assets	$	$

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(1) Includes deferred tax assets of $25.5 million and $28.3 million related to Italy and South Africa as of December 31, 2013 and 2012, respectively.

The net deferred tax assets and liabilities are reflected in the Consolidated Balance Sheets as follows:

	December 31,	
	2013	2012
	(In Thousands)	
Current deferred tax liabilities	$ (2,230)	$ (14,681)
Non-current deferred tax assets	2,230	14,681
Net deferred tax assets	$	$

Tax Attributes

Net Operating Losses

U.S. federal net operating loss carryforwards (NOLs) at December 31, 2013 were approximately $765.5 million, with $32.2 million of NOLs limited under Section 382 of the Internal Revenue Code scheduled to expire in 2019 and 2020 and the remaining scheduled to expire after 2029. Forest completed a Section 382 study in 2009. Because of the full valuation allowance placed against its deferred tax assets, Forest has not yet updated this study. Additionally, as of December 31, 2013, the Company had state income tax NOLs of approximately $152.2 million, which, if unused, will expire between 2014 and 2031.

The statute of limitations is closed for the Company s U.S. federal income tax returns for years ending on or before December 31, 2008. Pre-acquisition returns of acquired businesses are also closed for tax years ending on or before December 31, 2008. However, the Company has utilized, and will continue to utilize, NOLs (including NOLs of acquired businesses) in its open tax years. The earliest available NOLs were generated in the tax year beginning January 1, 1999, but are potentially subject to adjustment by the federal tax authorities in the tax year in which they are utilized. Thus, the Company s earliest U.S. federal income tax return that is closed to potential audit adjustment is the tax year ending December 31, 1998.

Alternative Minimum Tax Credits

The Alternative Minimum Tax credit carryforward available to reduce future U.S. federal regular taxes equaled an aggregate amount of $49.4 million at December 31, 2013, which can be carried forward indefinitely.

Accounting for Uncertainty in Income Taxes

The table below sets forth the reconciliation of the beginning and ending balances of the total amounts of unrecognized tax benefits. The Company records interest accrued related to unrecognized tax benefits in interest expense and penalties in other expense, to the extent they apply. The Company does not expect a material amount of unrecognized tax benefits to reverse in the next twelve months.

	Year Ended December 31,		
	2013	2012	2011
	(In Thousands)		
Gross unrecognized tax benefits at beginning of period	$ 859	$ 2,829	$ 3,345
Increases as a result of tax positions taken during a prior period	31		
Decreases as a result of tax positions taken during a prior period		(1,970)	(516)
Gross unrecognized tax benefits at end of period	$ 890	$ 859	$ 2,829

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Income Tax Receivables

As of December 31, 2013 and 2012, Forest had a non-current income tax receivable of $20.7 million which is included in Other assets in the Consolidated Balance Sheets.

(5) SHAREHOLDERS EQUITY:

Common Stock

At December 31, 2013, the Company had 200.0 million shares of common stock, par value $.10 per share, authorized and 119.4 million shares issued and outstanding.

In February 2012, the Company issued 2.7 million shares of common stock, valued at $36.4 million, as partial consideration pursuant to a lease purchase agreement whereby Forest acquired leases on unproved oil and natural gas properties in the Permian Basin in Texas.

Preferred Stock

Forest has 10.0 million shares of preferred stock, par value $.01 per share, authorized under its Certificate of Incorporation. The preferred stock is classified into two classes, Senior Preferred Stock and Junior Preferred Stock, each of which shall be issuable in one or more series. Subject to any limitation prescribed by law, the number of shares in each series and the designation and relative rights, preferences, and limitations of each series shall be fixed by the Board of Directors of Forest. The class of Senior Preferred Stock consists of 7.4 million shares and the class of Junior Preferred Stock consists of 2.7 million shares. No preferred stock is issued or outstanding.

Lone Pine Resources Inc.

On June 1, 2011, Forest completed an initial public offering of approximately 18% of the common stock of its then wholly-owned subsidiary, Lone Pine, which held Forest s ownership interests in its Canadian operations. In May 2011, as part of a corporate restructuring in anticipation of Lone Pine s initial public offering, Lone Pine Resources Canada Ltd. (LPR Canada), Forest s former Canadian subsidiary, declared a stock dividend to Forest immediately before Forest s contribution of LPR Canada to Lone Pine, with such stock dividend resulting in Forest incurring a dividend tax payable to Canadian federal tax authorities of $28.9 million, which Forest paid in June 2011. This dividend tax is classified within the Income tax (benefit) expense line item in the Consolidated Statement of Operations. The net proceeds from the initial public offering received by Lone Pine, after deducting underwriting discounts and commissions and offering expenses, were approximately $178.2 million. Lone Pine used the net proceeds to pay $29.2 million to Forest as partial consideration for Forest s contribution to Lone Pine of Forest s direct and indirect interests in its Canadian operations. Additionally, Lone Pine used the remaining net proceeds and borrowings under its credit facility to repay its outstanding indebtedness owed to Forest, consisting of a note payable, intercompany advances, and accrued interest, of $400.5 million. On September 30, 2011, Forest distributed, or spun-off, its remaining 82% ownership in Lone Pine to Forest s shareholders, by means of a special stock dividend whereby Forest shareholders received .61248511 of a share of Lone Pine common stock for every share of Forest common stock held. In accordance with applicable authoritative accounting guidance, Forest accounted for the spin-off based on the carrying value of Lone Pine.

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The table below sets forth the effects of changes in Forest s ownership interest in Lone Pine on Forest s equity, during the 2011 period in which Forest had an ownership interest in Lone Pine up to its spin-off on September 30, 2011.

	Nine Months Ended September 30, 2011 (In Thousands)
Net earnings attributable to Forest Oil Corporation common shareholders	$ 118,375
Transfers from (to) the noncontrolling interest:	
Increase in Forest Oil Corporation s capital surplus for sale of 15 million Lone Pine Resources Inc. common shares	112,610
Decrease in Forest Oil Corporation s capital surplus for spin-off of 70 million Lone Pine Resources Inc. common shares	(333,568)
Change from net earnings attributable to Forest Oil Corporation common shareholders and transfers from (to) noncontrolling interest	$ (102,583)

(6) STOCK-BASED COMPENSATION:

Stock-based Compensation Plans

In 2001, the Company adopted the Forest Oil Corporation 2001 Stock Incentive Plan (the 2001 Plan) and in 2007, the Company adopted the Forest Oil Corporation 2007 Stock Incentive Plan (the 2007 Plan, and together with the 2001 Plan, the Stock-based Compensation Plans) under which qualified and non-qualified stock options, restricted stock, performance units, phantom stock units, and other awards may be granted to employees, consultants, and non-employee directors. The aggregate number of shares of common stock that the Company may issue under the 2007 Plan may not exceed 9.5 million shares. As of December 31, 2013, the Company had 4.0 million shares available to be issued under the 2007 Plan. The aggregate number of shares of common stock that the Company could issue under the 2001 Plan was 5.0 million, of which there are no remaining shares to be issued at December 31, 2013.

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Compensation Costs

The table below sets forth stock-based compensation related to Forest s continuing operations for the years ended December 31, 2013, 2012, and 2011, and the remaining unamortized amounts and weighted average amortization period as of December 31, 2013.

	Stock Options	Restricted Stock	Performance Units	Phantom Stock Units	Total[1][2]
			(In Thousands)		
Year ended December 31, 2013:					
Total stock-based compensation costs	$	$ 12,149	$ 2,288	$ 3,946	$ 18,383
Less: stock-based compensation costs capitalized		(5,355)	(431)	(2,022)	(7,808)
Stock-based compensation costs expensed	$	$ 6,794	$ 1,857	$ 1,924	$ 10,575
Unamortized stock-based compensation costs as of December 31, 2013[3]	$	$ 9,611	$ 3,517	$ 4,662	$ 17,790
Weighted average amortization period remaining as of December 31, 2013		1.5 years	1.9 years	1.8 years	1.6 years
Year ended December 31, 2012:					
Total stock-based compensation costs	$	$ 14,621	$ 6,838	$ 859	$ 22,318
Less: stock-based compensation costs capitalized		(5,219)	(1,565)	(569)	(7,353)
Stock-based compensation costs expensed	$	$ 9,402	$ 5,273	$ 290	$ 14,965
Year ended December 31, 2011:					
Total stock-based compensation costs	$ 1,536	$ 30,234	$ 3,178	$ 156	$ 35,104
Less: stock-based compensation costs capitalized	(663)	(13,113)	(957)	(134)	(14,867)
Stock-based compensation costs expensed	$ 873	$ 17,121	$ 2,221	$ 22	$ 20,237

(1) The Company also maintains an employee stock purchase plan (which is not included in the table) under which $.2 million, $.4 million, and $.5 million of compensation costs were recognized for the years ended December 31, 2013, 2012, and 2011, respectively.

(2) In connection with the 2013 divestitures of the South Texas and Texas Panhandle oil and natural gas properties, Forest incurred $4.9 million ($2.1 million net of capitalized amounts) in stock-based compensation costs due to accelerated vesting of involuntarily terminated employees awards. See Note 2 for more information regarding these divestitures.

(3) The unamortized stock-based compensation costs for liability-based awards are based on the closing price of Forest s common stock at the reporting period end.

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Stock Options

The following table summarizes stock option activity in the Stock-based Compensation Plans for the years ended December 31, 2013, 2012, and 2011.

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (In Thousands)[1]	Number of Options Exercisable
Outstanding at January 1, 2011	1,327,695	$ 21.67	$ 22,531	1,283,232
Granted				
Exercised	(29,711)	18.55	331	
Cancelled	(13,273)	25.11		
Spin-off adjustment[2]	673,189			
Outstanding at September 30, 2011	1,957,900	14.29	187	1,957,900
Granted				
Exercised	(161,834)	11.32	634	
Cancelled	(29,479)	14.86		
Outstanding at December 31, 2011	1,766,587	14.55	2,731	1,766,587
Granted				
Exercised				
Cancelled	(895,771)	11.33		
Outstanding at December 31, 2012	870,816	17.86		870,816
Granted				
Exercised				
Cancelled	(239,610)	19.55		
Outstanding at December 31, 2013	631,206	$ 17.21	$	631,206

(1) The intrinsic value of a stock option is the amount by which the market value of the underlying stock, as of the date outstanding or exercised, exceeds the exercise price of the option.

(2) In conjunction with the spin-off of Lone Pine, both the number of options outstanding and the option exercise prices were adjusted in accordance with antidilution provisions provided in the Stock-based Compensation Plans.

Stock options are granted at the fair market value of one share of common stock on the date of grant and have a term of ten years. Options granted to non-employee directors vest immediately and options granted to officers and other employees vest in increments of 25% on each of the first four anniversary dates of the grant.

The following table summarizes information about options outstanding at December 31, 2013:

	Stock Options Outstanding and Exercisable			
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (In Thousands)
$11.02 - 12.20	131,223	0.18	$ 11.12	$
12.21 - 13.47	27,383	0.30	12.80	
13.48 - 13.68	205,508	0.76	13.56	
13.69 - 24.30	128,565	2.02	19.54	
24.31 - 27.90	138,527	2.76	27.11	
$11.02 - 27.90	631,206	1.31	$ 17.21	$

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Restricted Stock, Performance Units, and Phantom Stock Units

The following table summarizes the restricted stock, performance unit, and phantom stock unit activity in the Stock-based Compensation Plans for the years ended December 31, 2013, 2012, and 2011.

	Restricted Stock			Performance Units			Phantom Stock Units		
	Number of Shares	Weighted Average Grant Date Fair Value	Vest Date Fair Value (In Thousands)	Number of Units	Weighted Average Grant Date Fair Value	Vest Date Fair Value (In Thousands)	Number of Units	Weighted Average Grant Date Fair Value	Vest Date Fair Value (In Thousands)
Unvested at January 1, 2011	2,272,321	$ 32.71		264,500	$ 31.63		510,609	$ 24.79	
Awarded	1,025,782	27.30		226,000	27.53		500	28.24	
Vested	(610,681)	61.33	$ 18,416			$	(52,587)	60.04	$ 1,449
Forfeited	(131,330)	23.51		(41,000)	29.98		(25,737)	19.12	
Spin-off adjustment[1]				233,740			225,004		
Vested due to spin-off[2]				(19,000)	20.81		(342,765)	15.15	3,246
Unvested at September 30, 2011	2,556,092	24.18		664,240	19.52		315,024	12.15	
Awarded	25,700	15.19					941,300	15.08	
Vested	(48,560)	28.84	595				(3,505)	17.07	43
Forfeited	(59,120)	23.93		(9,120)	20.81		(14,002)	16.21	
Unvested at December 31, 2011	2,474,112	24.00		655,120	19.50		1,238,817	14.32	
Awarded	1,743,757	9.95		789,500	13.40		718,500	6.73	
Vested	(956,547)	19.51	7,667	(323,760)	18.18		(608,543)	14.15	4,511
Forfeited	(539,685)	18.65		(181,680)	17.55		(187,037)	13.10	
Unvested at December 31, 2012	2,721,637	17.64		939,180	15.20		1,161,737	9.91	
Awarded	2,163,877	6.04		1,182,500	5.47		1,808,701	6.28	
Vested	(1,286,322)	18.07	6,911	(203,240)	19.60		(577,201)	10.60	2,881
Forfeited	(808,650)	11.47		(407,300)	9.68		(468,418)	8.03	
Unvested at December 31, 2013	2,790,542	$ 10.23		1,511,140	$ 8.48		1,924,819	$ 6.75	

(1) In conjunction with the spin-off of Lone Pine, the number of performance units and phantom stock units outstanding was adjusted in accordance with antidilution provisions provided in the Stock-based Compensation Plans. In addition, the initial stock prices used to measure Forest s total shareholder returns over the performance periods of the performance units were adjusted in accordance with the antidilution provisions provided in the Stock-based Compensation Plans. The number of restricted stock awards outstanding was not adjusted as a result of the spin-off since holders of restricted stock awards received Lone Pine common shares in the spin-off.

(2) In conjunction with the spin-off of Lone Pine, Lone Pine employees were deemed to have been involuntarily terminated under the terms of their phantom stock and performance unit agreements, and, therefore, all such awards held by Lone Pine employees vested on September 30, 2011. The phantom stock awards were settled in cash by Lone Pine. No shares were deliverable under the performance unit agreement. No Forest restricted stock awards were held by Lone Pine employees at the time of the spin-off.

Restricted Stock

The grant date fair value of restricted stock is determined by averaging the high and low stock price of a share of Forest common stock as published by the New York Stock Exchange on the date of grant. Of the unvested restricted stock as of December 31, 2013, 851,526 shares, which were granted in 2013, vest in increments of one-third on each of the first three anniversary dates of the grant. All other unvested shares of restricted stock cliff vest on the third anniversary of the date of grant. Restricted stock may vest earlier upon a qualifying disability, death, certain involuntary terminations, or a change in control of the Company in accordance with the terms of the underlying agreement.

Performance Units

Forest grants performance units to its officers. Under the terms of the award agreements, each performance unit represents a contractual right to receive either one share of Forest s common stock or the cash value of one

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share of Forest s common stock, depending on the particular agreement, provided that the actual number of shares or cash equivalent amount that may be deliverable under an award will range from 0% to 200% of the number of performance units awarded, depending on Forest s relative total shareholder return in comparison to an identified peer group over a thirty-six month performance period. The grant date fair values of these awards were determined using a process that takes into account probability-weighted shareholder returns assuming a large number of possible stock price paths, which are modeled based on inputs such as volatility and the risk-free interest rate. The cash-based performance units are accounted for as a liability within the Consolidated Financial Statements. Of the unvested performance units at December 31, 2013, 706,000, which were granted in 2013, are cash-based and the remaining 805,140 are share-based. Like restricted stock, performance units may vest earlier due to certain circumstances, as discussed above.

Phantom Stock Units

The grant and reporting date fair values of the phantom stock units are determined by averaging the high and low stock price of a share of Forest common stock as published by the New York Stock Exchange on the applicable date. All of the unvested phantom stock units at December 31, 2013 must be settled in cash and, therefore, are accounted for as a liability within the Consolidated Financial Statements. All of the phantom stock units that vested during 2013 were settled in cash. In 2012, 6,080 phantom stock units were settled in shares of common stock and 602,463 phantom stock units were settled in cash. In 2011, 5,500 phantom stock units were settled in shares of common stock and 393,357 phantom stock units were settled in cash.

Of the unvested phantom stock units at December 31, 2013, (i) 152,393 were granted in 2011 and 851,426 were granted in 2013 and vest in one-third increments on each of the first three anniversaries of the date of grant, (ii) 493,000 were granted in 2013 and cliff vest on the third anniversary of the date of the award, (iii) and 378,000 were granted in 2012 and 50,000 were granted in 2013 and vest over a four-year period in accordance with the following schedule: (a) 10% on the first anniversary of the grant date; (b) 20% on the second anniversary of the grant date; (c) 30% on the third anniversary of the grant date; and (d) 40% on the fourth anniversary of the grant date. Like restricted stock, phantom stock units may vest earlier due to certain circumstances, as discussed above.

Employee Stock Purchase Plan

The Company has a 1999 Employee Stock Purchase Plan (the ESPP), under which it is authorized to issue up to 1.6 million shares of common stock. Employees who are regularly scheduled to work more than 20 hours per week and more than five months in any calendar year may participate in the ESPP. Currently, under the terms of the ESPP, employees may elect each calendar quarter to have up to 15% of their annual base earnings withheld to purchase shares of common stock, up to a limit of $25,000 of common stock per calendar year. The purchase price of a share of common stock purchased under the ESPP is equal to 85% of the lower of the beginning-of-quarter or end-of-quarter market price. ESPP participants are restricted from selling the shares of common stock purchased under the ESPP for a period of six months after purchase. As of December 31, 2013, the Company had .7 million shares available for issuance under the ESPP.

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The fair value of each stock purchase right granted under the ESPP during 2013, 2012, and 2011 was estimated using the Black-Scholes option pricing model. The following assumptions were used to compute the weighted average fair market value of purchase rights granted during the periods presented:

	Year Ended December 31,		
	2013	2012	2011
Expected option life	3 months	3 months	3 months
Risk free interest rates	.02% - .08%	.02% - .10%	.02% - .15%
Estimated volatility	42%	46%	59%
Dividend yield	0%	0%	0%
Weighted average fair market value of purchase rights granted	$1.29	$2.43	$5.00

(7) EMPLOYEE BENEFITS:

Pension Plans and Postretirement Benefits

The Company has a qualified defined benefit pension plan that covers certain employees and former employees in the United States (the Forest Pension Plan). The Company also has a non-qualified unfunded supplementary retirement plan (the SERP) that provides certain retired executives with defined retirement benefits in excess of qualified plan limits imposed by federal tax law. The Forest Pension Plan and the SERP were curtailed and all benefit accruals under both plans were suspended effective May 31, 1991. In addition, as a result of The Wiser Oil Company acquisition in 2004, Forest assumed a noncontributory defined benefit pension plan (the Wiser Pension Plan, and together with the Forest Pension Plan, the Pension Plans). The Wiser Pension Plan was curtailed and all benefit accruals were suspended effective December 11, 1998. The Forest Pension Plan, the Wiser Pension Plan, and the SERP are hereinafter collectively referred to as the Plans.

In addition to the Plans described above, Forest also provides postretirement benefits to certain employees in the U.S. hired on or prior to January 1, 2009, their beneficiaries, and covered dependents. These benefits, which consist primarily of medical benefits payable on behalf of retirees in the U.S., are referred to as the Postretirement Benefits Plan throughout this Note.

Expected Benefit Payments

As of December 31, 2013, it is anticipated that the Company will be required to provide benefit payments from the Forest Pension Plan trust and the Wiser Pension Plan trust and fund benefit payments directly for the SERP and the Postretirement Benefits Plan in the following amounts:

	2014	2015	2016	2017	2018	2019-2023
			(In Thousands)			
Forest Pension Plan[1]	$ 2,336	$ 2,291	$ 2,230	$ 2,159	$ 2,116	$ 9,433
Wiser Pension Plan[1]	867	861	851	837	818	3,833
SERP	133	129	124	120	114	490
Postretirement Benefits Plan	727	713	706	726	734	3,849

(1) Benefit payments expected to be made to participants in the Forest Pension Plan and Wiser Pension Plan are expected to be paid out of funds held in trusts established for each plan.

Forest anticipates that it will make contributions in 2014 totaling $1.7 million to the Plans and $.6 million to the Postretirement Benefits Plan, net of retiree contributions, as applicable.

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Benefit Obligations

The following table sets forth the estimated benefit obligations associated with the Company s Pension Plans and Postretirement Benefits Plan.

	Year Ended December 31,			
	Pension Plans		Postretirement Benefits Plan	
	2013	2012	2013	2012
	(In Thousands)			
Benefit obligation at the beginning of the year	$ 46,017	$ 44,755	$ 17,227	$ 13,498
Service cost			1,094	1,131
Interest cost	1,329	1,554	603	547
Actuarial (gain) loss	(2,983)	2,902	(2,935)	2,613
Benefits paid	(3,285)	(3,194)	(602)	(619)
Retiree contributions			49	57
Benefit obligation at the end of the year	$ 41,078	$ 46,017	$ 15,436	$ 17,227

Fair Value of Plan Assets

The Company s Pension Plans assets measured at fair value on a recurring basis are set forth by level within the fair value hierarchy in the table below as of the dates indicated (see Note 8 for information on the fair value hierarchy). There were no changes to the valuation techniques used during the period. There are no assets set aside under the SERP and the Postretirement Benefits Plan.

	December 31, 2013				December 31, 2012			
	Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Using Significant Other Observable Inputs (Level 2)	Using Significant Unobservable Inputs (Level 3)	Total[1]	Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Using Significant Other Observable Inputs (Level 2)	Using Significant Unobservable Inputs (Level 3)	Total[1]
	(In Thousands)							
Cash and cash equivalents	$ 81	$ 36	$	$ 117	$ 3	$ 148	$	$ 151
Investment funds equities:								
Research equity portfolio[2]		12,159		12,159		10,403		10,403
International stock funds[3]	12,246			12,246	10,503			10,503
Investment funds fixed income:								
Short-term fund[4]	1,939			1,939	1,998			1,998
Bond fund[5]	4,802			4,802	4,813			4,813

Oil and gas royalty interests[6]			153	153			138	138
	$ 19,068	$ 12,195	$ 153	$ 31,416	$ 17,317	$ 10,551	$ 138	$ 28,006

(1) The total fair value of the Pension Plans assets of $31.4 million as of December 31, 2013 does not include net accrued expenses of $.1 million. The total fair value of the Pension Plans assets of $28.0 million as of December 31, 2012 does not include net accrued expenses of $.2 million.

(2) This investment fund s assets are primarily large capitalization U.S. equities. The investment approach of this fund, which typically holds 110 - 130 securities, focuses on diversifying the investment portfolio by delegating the equity selection process to research analysts with expertise in their respective industries.

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Industry weights are kept similar to those of the S&P 500 Index. As of December 31, 2013, the sector weighting of this fund was comprised of the following: information technology (19%), financials (16%), health care (15%), consumer discretionary (11%), industrials (11%), consumer staples (11%), and other (17%). The fair value of this investment fund was determined based on the net asset value per unit provided by the investee. Forest performs procedures to validate the net asset value per unit provided by the investee. Such procedures include verifying a sample of the net asset values of the underlying securities, which are directly observable in the marketplace.

(3) These three investment funds seek long-term growth of principal and income by investing primarily in diversified portfolios of equity securities issued by foreign, medium-to-large companies in international markets including emerging markets. The first fund typically holds 50 - 100 securities and seeks to invest in solid, well-established global leaders with emphasis on strong corporate governance, positive future growth opportunities, and growing return on capital. As of December 31, 2013, the sector weighting of this fund, which seeks diversification across regions, countries, and market sectors, was comprised of the following: financials (24%), health care (16%), information technology (15%), consumer discretionary (13%), industrials (11%), and other (21%). The second fund seeks to obtain growth through long-term appreciation of its holdings, selecting investments based upon their current fundamentals. As of December 31, 2013, the sector weighting of this fund, which invests in Asian (excluding Japanese) growth equities with a focus on domestic demand growth rather than an export orientation, was comprised of the following: financials (27%), information technology (18%), consumer staples (18%), consumer discretionary (11%), and other (26%). The third fund seeks to deliver equity-like returns with significantly less volatility by investing in emerging markets equity securities. As of December 31, 2013, the sector weighting of this fund, which holds approximately 80 positions across the portfolio, with country allocations not exceeding 25%, was comprised of the following: financials (17%), materials (14%), consumer discretionary (14%), information technology (13%), industrials (13%), energy (12%), and other (17%). The fair value of these investment funds was determined based on the funds net asset values per unit, which are directly observable in the marketplace.

(4) This investment fund s assets are high-quality money market instruments and short-term fixed income securities. This fund is actively managed as an enhanced cash strategy, seeking to derive excess returns versus money market fund indices by capturing term, transactional liquidity, credit, and volatility premiums. As of December 31, 2013, the sector weighting of this fund was comprised of the following: government related (28%), investment grade (23%), mortgage (13%), and other (36%). The fair value of this investment fund was determined based on the fund s net asset value per unit, which is directly observable in the marketplace.

(5) These two investment funds consist of diversified portfolios of bonds. The first fund s main investments are intermediate maturity fixed income securities with a duration between three and six years, with a maximum of 10% of the portfolio being invested in securities below Baa grade, and up to 30% of the portfolio being invested in non-U.S. dollar denominated securities. As of December 31, 2013, the sector weighting of this fund was comprised of the following: government-related (42%), mortgage (33%), and other (25%). The second fund seeks to deliver equity-like returns with significantly less volatility by investing in emerging markets debt securities. As of December 31, 2013, the sector weighting of this fund, which holds approximately 80 positions across the portfolio, with country allocations not exceeding 25%, was comprised of the following: sovereign-local (40%), corporates (28%), inflation linked (22%), and sovereign U.S. dollar denominated (10%). The fair value of these investment funds was determined based on the funds net asset values per unit, which are directly observable in the marketplace.

(6) The oil and gas royalty interests are valued at their estimated discounted future cash flows, which approximate fair value.

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The following table sets forth a rollforward of the fair value of the plan assets.

	Year Ended December 31,			
	Pension Plans		Postretirement Benefits Plan	
	2013	2012	2013	2012
	(In Thousands)			
Fair value of plan assets at beginning of the year	$ 27,791	$ 25,957	$	$
Actual return on plan assets	4,736	4,048		
Retiree contributions			49	57
Employer contribution	2,107	980	553	562
Benefits paid	(3,285)	(3,194)	(602)	(619)
Fair value of plan assets at the end of the year	$ 31,349	$ 27,791	$	$

The following table presents a reconciliation of the beginning and ending balances of the Company s Pension Plan assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	Year Ended December 31,	
	2013	2012
	Oil and Gas Royalty Interests	
	(In Thousands)	
Balance at beginning of period	$ 138	$ 198
Actual return on plan assets	51	119
Purchases, sales, and settlements (net)	(36)	(179)
Transfers in and/or out of Level 3		
Balance at end of period	$ 153	$ 138

Investments of the Plans

The Pension Plans assets are invested with a view toward the long term in order to fulfill the obligations promised to participants as well as to control future funding levels. The Company continually reviews the levels of funding and investment strategy for the Pension Plans. Generally, the strategy includes allocating the Pension Plans assets between equity securities and fixed income securities, depending on economic conditions and funding needs, although the strategy does not define any specified minimum exposure for any point in time. The equity and fixed income asset allocation levels in place from time to time are intended to achieve an appropriate balance between capital appreciation, preservation of capital, and current income.

The overall investment goal for the Pension Plans assets is to achieve an investment return that allows the assets to achieve the assumed actuarial interest rate and to exceed the rate of inflation. In order to manage risk, in terms of volatility, the portfolios are designed with the intent of avoiding a loss of 20% during any single year and expressing no more volatility than experienced by the S&P 500 Index. The Pension Plans investment allocation target is up to 75% equity, with discretion to vary the mix temporarily, in response to market conditions.

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The weighted average asset allocations of the Forest Pension Plan and Wiser Pension Plan are set forth in the following table as of the dates indicated:

	December 31,			
	Forest Pension Plan		Wiser Pension Plan	
	2013	2012	2013	2012
Fixed income securities	22%	24%	21%	25%
Equity securities	77%	75%	78%	74%
Other	1%	1%	1%	1%
	100%	100%	100%	100%

Funded Status

The following table sets forth the funded status of the Company s Pension Plans and Postretirement Benefits Plan.

	December 31,			
	Pension Plans		Postretirement Benefits Plan	
	2013	2012	2013	2012
	(In Thousands)			
Excess of benefit obligation over plan assets	$ (9,728)	$ (18,225)	$ (15,436)	$ (17,227)
Unrecognized actuarial loss	18,025	24,811	2,303	5,633
Net amount recognized	$ 8,297	$ 6,586	$ (13,133)	$ (11,594)
Amounts recognized in the balance sheet consist of:				
Accrued benefit liability current	$ (133)	$	$ (641)	$
Accrued benefit liability noncurrent	(9,595)	(18,225)	(14,795)	(17,227)
Accumulated other comprehensive income net actuarial loss	18,025	24,811	2,303	5,633
Net amount recognized	$ 8,297	$ 6,586	$ (13,133)	$ (11,594)

The following table sets forth the projected and accumulated benefit obligations for the Pension Plans compared to the fair value of the plan assets as of the dates indicated.

	December 31,	
	2013	2012
	(In Thousands)	
Projected benefit obligation	$ 41,078	$ 46,017

Accumulated benefit obligation	41,078	46,017
Fair value of plan assets	31,349	27,791

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Annual Periodic Expense and Actuarial Assumptions

The following tables set forth the components of the net periodic cost and the underlying weighted average actuarial assumptions.

	Year Ended December 31,					
	Pension Plans			Postretirement Benefits Plan		
	2013	2012	2011	2013	2012	2011
	(Dollar Amounts In Thousands)					
Service cost	$	$	$	$ 1,094	$ 1,131	$ 825
Interest cost	1,329	1,554	1,836	603	547	529
Expected return on plan assets	(1,912)	(1,744)	(2,014)			
Recognized actuarial loss	979	979	651	395	194	
Total net periodic expense	$ 396	$ 789	$ 473	$ 2,092	$ 1,872	$ 1,354
Assumptions used to determine net periodic expense:						
Discount rate	2.98%	3.58%	4.50%	3.68%	4.14%	5.15%
Expected return on plan assets	7%	7%	7%	n/a	n/a	n/a
Assumptions used to determine benefit obligations:						
Discount rate	3.79%	2.98%	3.58%	4.48%	3.68%	4.14%

The discount rates used to determine benefit obligations were determined by adjusting composite AA bond yields to reflect the difference between the duration of the future estimated cash flows of the Plans and the Postretirement Benefits Plan obligations and the duration of the composite AA bond yields. The expected rate of return on plan assets was determined based on historical returns.

The Company estimates that net periodic expense for the year ended December 31, 2014 for the Pension Plans and for the Postretirement Benefits Plan will include expense of $.7 million and $.1 million, respectively, resulting from the amortization of the related accumulated actuarial loss included in accumulated other comprehensive income at December 31, 2013.

The assumed health care cost trend rate for the next year and thereafter that was used to measure the expected cost of benefits covered by the Postretirement Benefits Plan was 5.5%. Assumed health care cost trend rates can have a significant effect on the amounts reported for the Postretirement Benefits Plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	Year Ended December 31, 2013 Postretirement Benefits Plan	
	1% Increase	1% Decrease

	(In Thousands)	
Effect on service and interest cost components	$ 439	$ (328)
Effect on postretirement benefit obligation	2,983	(2,326)

Other Employee Benefit Plans

Forest sponsors various defined contribution plans under which the Company contributed matching contributions equal to $2.7 million in 2013, $3.7 million in 2012, and $3.7 million in 2011.

Forest also provides life insurance benefits for certain retirees and former executives under split dollar life insurance plans. Under the life insurance plans, the Company is assigned a portion of the benefits. No current employees are covered by these plans. The Company has recognized a liability for the estimated cost of maintaining the insurance policies during the postretirement periods of the retirees and former executives, with

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such liability accreted each period to its present value. The Company s estimate of costs expected to be paid in 2014 to maintain these life insurance policies is $1.0 million. Forest recognized accretion expense related to the split dollar life insurance obligations of $1.1 million, $.9 million, and $1.0 million for the years ended December 31, 2013, 2012, and 2011, respectively. The split dollar life insurance obligation recognized in the Consolidated Balance Sheets was $7.3 million as of December 31, 2013 and 2012. The discount rates used to determine the obligations were 3.44% and 2.57% as of December 31, 2013 and 2012, respectively. The cash surrender value of the split dollar life insurance policies recognized in the Consolidated Balance Sheets was $6.5 million and $3.6 million as of December 31, 2013 and 2012, respectively.

(8) FAIR VALUE MEASUREMENTS:

Forest s assets and liabilities measured at fair value on a recurring basis at December 31, 2013 and 2012 are set forth in the table below.

	December 31,	
	2013	2012
	Using Significant Other Observable Inputs (Level 2)[1]	
	(In Thousands)	
Assets:		
Derivative instruments:[2]		
Commodity	$ 5,592	$ 35,465
Interest rate		13,060
Total Assets	$ 5,592	$ 48,525
Liabilities:		
Derivative instruments:[2]		
Commodity	$ 4,542	$ 16,551
Total Liabilities	$ 4,542	$ 16,551

(1) The authoritative accounting guidance regarding fair value measurements for assets and liabilities measured at fair value establishes a three-tier fair value hierarchy, which prioritizes the inputs used to measure fair value. These tiers consist of: Level 1, defined as unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for use when relevant observable inputs are not available. There were no transfers between levels of the fair value hierarchy during 2013. Forest s policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period in which the event or change in circumstances caused the transfer.

(2) Forest s currently outstanding derivative assets and liabilities are commodity price derivatives (see Note 9 for more information on these instruments). Forest utilizes present value techniques and option-pricing models for

valuing its derivatives. Inputs to these valuation techniques include published forward prices, volatilities, and credit risk considerations, including the incorporation of published interest rates and credit spreads. All of the significant inputs are observable, either directly or indirectly; therefore, Forest s derivative instruments are included within the Level 2 fair value hierarchy.

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The fair values and carrying amounts of the Forest s financial instruments are summarized below as of the dates indicated.

	December 31, 2013			
	Carrying Amount	Total Fair Value[1]	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
	(In Thousands)			
Assets:				
Derivative instruments	$ 5,592	$ 5,592	$	$ 5,592
Liabilities:				
Derivative instruments	4,542	4,542		4,542
7 ¼% senior notes due 2019	578,092	568,147	568,147	
7 ½% senior notes due 2020	222,087	224,030	224,030	

(1) Forest used various assumptions and methods in estimating the fair values of its financial instruments. The fair values of the senior notes were estimated based on quoted market prices. The methods used to determine the fair values of the derivative instruments are discussed above. See also Note 9 for more information on the derivative instruments.

	December 31, 2012			
	Carrying Amount	Total Fair Value[1]	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
	(In Thousands)			
Assets:				
Derivative instruments	$ 48,525	$ 48,525	$	$ 48,525
Liabilities:				
Derivative instruments	16,551	16,551		16,551
Credit facility	65,000	65,000		65,000
8 ½% senior notes due 2014	296,723	321,000	321,000	
7 ¼% senior notes due 2019	1,000,365	1,006,850	1,006,850	
7 ½% senior notes due 2020	500,000	526,250	526,250	

(1)

Forest used various assumptions and methods in estimating the fair values of its financial instruments. The fair values of the senior notes were estimated based on quoted market prices. The carrying amount of the Credit Facility approximated fair value due to the short original maturities of the borrowings and because the borrowings bear interest at variable market rates. The methods used to determine the fair values of the derivative instruments are discussed above. See also Note 9 for more information on the derivative instruments.

(9) DERIVATIVE INSTRUMENTS:

Commodity Derivatives

Forest periodically enters into commodity derivative instruments as an attempt to moderate the effects of wide fluctuations in commodity prices on Forest s cash flow and to manage the exposure to commodity price risk. Forest s commodity derivative instruments generally serve as effective economic hedges of commodity price exposure; however, Forest has elected not to designate its derivatives as hedging instruments for accounting

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purposes. As such, Forest recognizes all changes in fair value of its derivative instruments as unrealized gains or losses on derivative instruments in the line item Realized and unrealized losses (gains) on derivative instruments, net in the Consolidated Statement of Operations.

The table below sets forth Forest s outstanding commodity swaps as of December 31, 2013.

	Commodity Swaps			
	Natural Gas (NYMEX HH)		Oil (NYMEX WTI)	
Swap Term	Bbtu Per Day	Weighted Average Hedged Price per MMBtu	Barrels Per Day	Weighted Average Hedged Price per Bbl
Calendar 2014	70	$ 4.38	3,500	$ 95.34
Calendar 2015	20	4.20		

In connection with several natural gas and oil swaps entered into, Forest granted option instruments (several swaptions and puts) to the swap counterparties in exchange for Forest receiving premium hedged prices on the natural gas and oil swaps. Under the terms of the swaption agreements, the counterparties have the option to enter into future swaps with Forest. The swaptions may not be exercised until their expiration dates. Under the terms of the put agreements, the counterparties have the option to put specified quantities of oil to Forest at specified prices. The puts may be exercised monthly by the counterparties. The table below sets forth the outstanding commodity options as of December 31, 2013.

		Commodity Options			
		Natural Gas (NYMEX HH)		Oil (NYMEX WTI)	
Underlying Term	Option Expiration	Underlying Bbtu Per Day	Underlying Hedged Price per MMBtu	Underlying Barrels Per Day	Underlying Hedged Price per Bbl
Gas Swaptions:					
Calendar 2016	December 2014	10	$ 4.18		$
Oil Swaptions:					
Calendar 2015	December 2014			3,000	100.00
Calendar 2015	December 2014			1,000	106.00
Calendar 2015	December 2014			1,000	99.75
Calendar 2015	December 2014			1,000	99.00
Oil Put Options:					
Monthly Calendar 2014	Monthly Calendar 2014			2,000	70.00

Derivative Instruments Entered Into Subsequent to December 31, 2013

Subsequent to December 31, 2013, through February 19, 2014, Forest entered into the following derivative instruments:

Commodity Collars

	Natural Gas (NYMEX HH)	
Collar Term	**Bbtu Per Day**	**Hedged Price per MMBtu**
January 2015 - March 2015	20	$ 4.50/5.31[(1)]

(1) Represents the hedged floor and ceiling price per MMBtu.

Interest Rate Derivatives

Forest voluntarily terminated its interest rate swaps in June 2013 for proceeds of $11.4 million, which are included as realized gains in the line item Realized and unrealized losses (gains) on derivative instruments, net in the Consolidated Statement of Operations for the year ended December 31, 2013. The original maturity date of the interest rate swaps was February 2014.

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Fair Value and Gains and Losses

The table below summarizes the location and fair value amounts of Forest s derivative instruments reported in the Consolidated Balance Sheets as of the dates indicated. These derivative instruments are not designated as hedging instruments for accounting purposes. For financial reporting purposes, Forest does not offset asset and liability fair value amounts recognized for derivative instruments with the same counterparty under its master netting arrangements. See *Credit Risk* below for more information regarding Forest s master netting arrangements and gross and net presentation of derivative instruments. See also Note 8 for more information on the fair values of Forest s derivative instruments.

	December 31,	
	2013	2012
	(In Thousands)	
Current assets:		
Derivative instruments:		
Commodity	$ 5,192	$ 28,690
Interest rate		11,500
Total current assets	$ 5,192	$ 40,190
Long-term assets:		
Derivative instruments:		
Commodity	$ 400	$ 6,775
Interest rate		1,560
Total long-term assets	$ 400	$ 8,335
Current liabilities:		
Derivative instruments:		
Commodity	$ 4,542	$ 9,347
Long-term liabilities:		
Derivative instruments:		
Commodity	$	$ 7,204

The table below summarizes the amount of derivative instrument gains and losses reported in the Consolidated Statements of Operations as realized and unrealized (gains) losses on derivative instruments, net, for the periods indicated. Realized gains and losses represent cash settlements on derivative instruments and unrealized gains and losses represent changes in fair value of derivative instruments. These derivative instruments are not designated as hedging instruments for accounting purposes.

	Year Ended December 31,		
	2013	2012	2011
	(In Thousands)		

Commodity derivatives:			
Realized gains	$ (14,252)	$ (100,420)	$ (37,535)
Unrealized losses (gains)	17,863	31,630	(37,542)
Interest rate derivatives:			
Realized gains	(12,885)	(11,352)	(11,442)
Unrealized losses (gains)	13,060	7,496	(1,545)
Realized and unrealized losses (gains) on derivative instruments, net	$ 3,786	$ (72,646)	$ (88,064)

Due to the volatility of oil and natural gas prices, the estimated fair values of Forest s commodity derivative instruments are subject to large fluctuations from period to period. Forest has experienced the effects of these commodity price fluctuations and expects that volatility in commodity prices will continue.

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Credit Risk

Forest executes with each of its derivative counterparties an International Swap and Derivatives Association, Inc. (ISDA) Master Agreement, which is a standard industry form contract containing general terms and conditions applicable to many types of derivative transactions. Additionally, Forest executes, with each of its derivative counterparties, a Schedule, which modifies the terms and conditions of the ISDA Master Agreement according to the parties requirements and the specific types of derivatives to be transacted. As of December 31, 2013, all but one of Forest s derivative counterparties are lenders, or affiliates of lenders, under the Credit Facility. The terms of the Credit Facility provide that any security granted by Forest thereunder shall also extend to and be available to those lenders that are counterparties to derivative transactions. None of these counterparties requires collateral beyond that already pledged under the Credit Facility. The remaining counterparty, a purchaser of Forest s natural gas production, generally owes money to Forest and therefore does not require collateral under the ISDA Master Agreement and Schedule it has executed with Forest.

The ISDA Master Agreements and Schedules contain cross-default provisions whereby a default under the Credit Facility will also cause a default under the derivative agreements. Such events of default include non-payment, breach of warranty, non-performance of the financial covenant, default on other indebtedness, certain pension plan events, certain adverse judgments, change of control events, and a failure of the liens securing the Credit Facility. In addition, bankruptcy and insolvency events with respect to Forest or certain of its U.S. subsidiaries will result in an automatic acceleration of the indebtedness under the Credit Facility. None of these events of default is specifically credit-related, but some could arise if there were a general deterioration of Forest s credit. The ISDA Master Agreements and Schedules contain a further credit-related termination event that would occur if Forest were to merge with another entity and the creditworthiness of the resulting entity was materially weaker than that of Forest.

The majority of Forest s derivative counterparties are financial institutions that are engaged in similar activities and have similar economic characteristics that, in general, could cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Forest does not require the posting of collateral for its benefit under its derivative agreements. However, the ISDA Master Agreements and Schedules generally contain netting provisions whereby if on any date amounts would otherwise be payable by each party to the other, then on such date, the party that owes the larger amount will pay the excess of that amount over the smaller amount owed by the other party, thus satisfying each party s obligations. These provisions generally apply to all derivative transactions, or all derivative transactions of the same type (e.g., commodity, interest rate, etc.), with the particular counterparty. If all counterparties failed, Forest would be exposed to a risk of loss equal to this net amount owed to Forest, the fair value of which was $4.5 million at December 31, 2013. If Forest suffered an event of default, each counterparty could demand immediate payment, subject to notification periods, of the net obligations due to it under the derivative agreements. At December 31, 2013, Forest owed a net derivative liability to its counterparties, the fair value of which was $3.5 million. In the absence of netting provisions, at December 31, 2013, Forest would be exposed to a risk of loss of $5.6 million under its derivative agreements, and Forest s derivative counterparties would be exposed to a risk of loss of $4.5 million.

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For financial reporting purposes, Forest has elected to not offset asset and liability fair value amounts recognized for derivative instruments with the same counterparty under its master netting arrangements, although such derivative instruments are subject to enforceable master netting arrangements. The following tables disclose information regarding the potential effect of netting arrangements on Forest s Consolidated Balance Sheets as of the dates indicated.

	Derivative Assets	
	December 31, 2013	December 31, 2012
	(In Thousands)	
Gross amounts of recognized assets	$ 5,592	$ 48,525
Gross amounts offset in the balance sheet		
Net amounts of assets presented in the balance sheet	5,592	48,525
Gross amounts not offset in the balance sheet:		
Derivative instruments	(1,049)	(13,537)
Cash collateral received		
Net amount	$ 4,543	$ 34,988

	Derivative Liabilities	
	December 31, 2013	December 31, 2012
	(In Thousands)	
Gross amounts of recognized liabilities	$ 4,542	$ 16,551
Gross amounts offset in the balance sheet		
Net amounts of liabilities presented in the balance sheet	4,542	16,551
Gross amounts not offset in the balance sheet:		
Derivative instruments	(1,049)	(13,537)
Cash collateral pledged		
Net amount	$ 3,493	$ 3,014

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was enacted, which included derivatives reform as part of a broader financial regulatory reform. Congress delegated many of the details of the Dodd-Frank Act to federal regulatory agencies. Forest currently expects that the Dodd-Frank Act and related rules will have little impact on its existing derivative transactions under its outstanding ISDA Master Agreements and Schedules. However, the legislation could have a substantial impact on Forest s counterparties and increase the cost of Forest s derivative agreements in the future.

(10) COMMITMENTS AND CONTINGENCIES:

The table below sets forth Forest s future payments under non-cancelable operating leases and unconditional purchase obligations as of December 31, 2013.

	2014	2015	2016	2017	2018	After 2018	Total
	(In Thousands)						
Operating leases[1]	$ 22,655	$ 15,823	$ 15,190	$ 8,174	$ 2,083	$ 7,873	$ 71,798
Unconditional purchase obligations[2]	5,840	5,805	5,700				17,345
	$ 28,495	$ 21,628	$ 20,890	$ 8,174	$ 2,083	$ 7,873	$ 89,143

(1) Includes future rental payments for office facilities and equipment, drilling rigs, and compressors under the remaining terms of non-cancelable operating leases with initial terms in excess of one year. In January 2014,

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Forest terminated certain drilling rig operating leases for a net loss of approximately $5.0 million, which will reduce the operating lease obligations shown in the table above by $12.4 million in 2014, $10.8 million in 2015, $10.8 million in 2016, and $6.1 million in 2017.

(2) Includes unconditional purchase obligations for drilling commitments and voice and data services. Payments made under these unconditional purchase obligations were $5.8 million in 2013, $.4 million in 2012, and $.4 million in 2011.

Net rental payments under non-cancelable operating leases applicable to exploration and development activities and capitalized to oil and natural gas properties approximated $10.4 million in 2013, $15.6 million in 2012, and $21.0 million in 2011. Net rental payments under non-cancelable operating leases, including drilling rigs and compressor rentals, charged to expense approximated $24.5 million in 2013, $22.0 million in 2012, and $16.5 million in 2011. Forest has no leases that are accounted for as capital leases.

Forest, in the ordinary course of business, is a party to various lawsuits, claims, and proceedings. While the Company believes that the amount of any potential loss upon resolution of these matters would not be material to its consolidated financial position, the ultimate outcome of these matters is inherently difficult to predict with any certainty. In the event of an unfavorable outcome, the potential loss could have an adverse effect on Forest s results of operations and cash flow. Forest is also involved in a number of governmental proceedings in the ordinary course of business, including environmental matters.

(11) COSTS, EXPENSES, AND OTHER:

The table below sets forth the components of Other, net in the Consolidated Statements of Operations for the periods indicated.

	Year Ended December 31,		
	2013	2012	2011
	(In Thousands)		
Gain on asset dispositions, net	$ (202,023)	$	$
Loss on debt extinguishment, net	48,725	36,312	
Legal proceeding liabilities		29,251	6,500
Accretion of asset retirement obligations	2,982	6,663	6,082
Other, net	7,710	11,180	4,582
	$ (142,606)	$ 83,406	$ 17,164

Gain on Asset Dispositions, Net

Forest recognized a $193.0 million net gain on its Panhandle divestiture and a $9.0 million net gain on the disposition of its Block 2C Exploration Right in South Africa. See Note 2 for more information regarding Forest s asset divestitures.

Loss on Debt Extinguishment, Net

In November 2013, Forest redeemed $422.1 million in principal amount of 7 ¼% senior notes at 102.77% of par, recognizing a net loss of $14.7 million upon redemption due to the $11.7 million early tender premium and write-off

of $3.0 million of unamortized debt issue costs and premium, net. Also in November 2013, Forest redeemed $277.9 million in principal amount of 7 ½% senior notes at 101.50% of par, recognizing a loss of $8.8 million upon redemption due to the $4.2 million early tender premium and write-off of $4.6 million of unamortized debt issue costs.

In March 2013, Forest redeemed $300.0 million in principal amount of 8 ½% senior notes at 107.11% of par, recognizing a loss of $25.2 million upon redemption due to the $21.3 million call premium and write-off of $3.9 million of unamortized debt issue costs and discount.

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In October 2012, Forest redeemed $300.0 million in principal amount of 8 ½% senior notes at 110.24% of par, recognizing a loss of $36.3 million upon redemption due to the $30.7 million call premium and write-off of $5.6 million of unamortized debt issue costs and discount.

Legal Proceeding Liabilities

Legal proceeding liabilities for the year ended December 31, 2012 includes $22.8 million for the previously-disclosed arbitration award against Forest in *Forest Oil Corp., et al. v. El Rucio Land & Cattle Co., et al*. Forest is seeking to have this award reversed on appeal and believes it has meritorious arguments in support thereof. However, Forest is unable to predict the final outcome in this matter and has accrued a liability, which is classified within Other liabilities in the Consolidated Balance Sheet, of $24.2 million, which includes accrued interest, for this matter. Also included in legal proceeding liabilities for the year ended December 31, 2012 is a $7.0 million settlement payment that Forest paid to the plaintiff in exchange for the plaintiff releasing Forest from all claims, indemnifying Forest with respect to all decommissioning and abandonment liabilities associated with Trading Bay, and dismissing the complaint in the previously-disclosed matter *Union Oil Company of California v. Forest Oil Corporation*.

Legal proceeding liabilities for the year ended December 31, 2011 consists of a $6.5 million settlement payment that Forest paid to the plaintiffs in exchange for the plaintiffs releasing Forest from all claims and dismissing the complaint against Forest in the previously-disclosed matter involving the Alaska assets that Forest sold to Pacific Energy Resources Ltd.

Accretion of Asset Retirement Obligations

Accretion of asset retirement obligations is the expense recognized to increase the carrying amount of the liability associated with Forest s asset retirement obligations as a result of the passage of time. See Note 1 for more information on Forest s asset retirement obligations.

(12) SELECTED QUARTERLY FINANCIAL DATA (unaudited):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In Thousands, Except Per Share Amounts)			
2013				
Oil, natural gas, and natural gas liquids sales	$ 118,042	$ 116,786	$ 118,028	$ 88,485
Costs and expenses associated directly with products sold[1]	$ 75,482	$ 69,514	$ 69,881	$ 57,299
Earnings (loss) before income taxes[2]	$ (67,611)	$ 33,227	$ 1,627	$ 105,974
Net earnings (loss)[2]	$ (67,948)	$ 33,439	$ 2,214	$ 106,219
Basic and diluted earnings (loss) per share	$ (.59)	$ .28	$ .02	$ .89
2012				
Oil, natural gas, and natural gas liquids sales	$ 158,901	$ 135,694	$ 156,014	$ 154,914
Costs and expenses associated directly with products sold[1]	$ 110,110	$ 110,996	$ 114,304	$ 104,048
Earnings (loss) before income taxes[2]	$ (31,758)	$ (344,099)	$ (451,272)	$ (288,365)
Net earnings (loss)[2]	$ (32,673)	$ (511,173)	$ (458,552)	$ (286,533)

Basic and diluted earnings (loss) per share	$ (.29)	$ (4.44)	$ (3.97)	$ (2.48)

(1) Costs and expenses associated directly with products sold is comprised of lease operating expenses, production and property taxes, transportation and processing costs, depletion expense, and accretion of asset retirement obligations.

(2) Earnings (loss) before income taxes and net earnings (loss) have been impacted by non-cash ceiling test write-downs in every quarter of 2012 and the fourth quarter of 2013, as discussed in Note 1, and are also

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subject to large fluctuations due to Forest s election not to use cash flow hedge accounting for derivative instruments as discussed in Note 9. Also impacting the fourth quarter of 2013 is a $193.0 million net gain on the Panhandle divestiture, as discussed in Note 2.

(13) DISCONTINUED OPERATIONS:

Lone Pine was a component of Forest, representing Forest s entire Canadian cost center, with operations and cash flows clearly distinguishable, both operationally and for financial reporting purposes, from those of Forest. As a result of the spin-off of Lone Pine on September 30, 2011, Lone Pine s operations and cash flows were eliminated from the ongoing operations of Forest, and Forest did not have any significant continuing involvement in the operations of Lone Pine. Accordingly, Forest has presented Lone Pine s results of operations as discontinued operations in the Consolidated Statement of Operations for the year ended December 31, 2011. For more information regarding the spin-off see Note 5.

The table below presents the major components of earnings from discontinued operations for the period presented.

	Nine Months Ended September 30, 2011 (In Thousands)
Total revenues	$ 137,834
Production expenses	40,350
General and administrative	8,846
Depreciation, depletion, and amortization	60,780
Interest expense	3,866
Realized and unrealized gains on derivative instruments, net	(33,628)
Realized foreign currency exchange gains	(33,869)
Unrealized foreign currency exchange losses, net	28,488
Other, net	1,328
Earnings from discontinued operations before tax	61,673
Income tax expense	17,104
Net earnings from discontinued operations	$ 44,569

(14) SUPPLEMENTAL FINANCIAL DATA OIL AND GAS PRODUCING ACTIVITIES (unaudited):
Supplemental unaudited information regarding Forest s oil and gas producing activities is presented in this Note. This supplemental information excludes amounts for all periods presented related to Forest s discontinued operations.

Estimated Proved Reserves

Proved reserves are those quantities of oil, natural gas liquids, and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior

to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price for oil, natural gas liquids, and natural gas during the twelve

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month period prior to the end of the reporting period, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. Prices do not include the effects of commodity derivatives. Existing economic conditions include year-end cost estimates.

Proved developed reserves are proved reserves that can be expected to be recovered (i) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared with the cost of a new well or (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Proved undeveloped reserves are proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

The following table sets forth the Company s estimates of its net proved, net proved developed, and net proved undeveloped oil, natural gas liquids, and natural gas reserves as of December 31, 2013, 2012, and 2011 and changes in its net proved reserves for the years then ended. For the years presented, the Company engaged DeGolyer and MacNaughton, an independent petroleum engineering firm, to perform reserve audit services.

	Oil (MBbls)			Natural Gas Liquids (MBbls)			Natural Gas (MMcf)				
	United States	Italy	Total	United States	Italy	Total	United States	Italy	Total	Total MMcfe[1]	Total MBoe[1]
Balance at January 1, 2011	20,318		20,318	43,384		43,384	1,433,731	51,738	1,485,469	1,867,681	311,280
Revisions of previous estimates	(1,061)		(1,061)	(3,716)		(3,716)	(91,721)		(91,721)	(120,383)	(20,064)
Extensions and discoveries	17,816		17,816	8,262		8,262	144,094		144,094	300,562	50,094
Production	(2,491)		(2,491)	(3,154)		(3,154)	(88,497)		(88,497)	(122,367)	(20,395)
Sales of reserves in place	(2,989)		(2,989)	(347)		(347)	(1,091)		(1,091)	(21,107)	(3,518)
Purchases of reserves in place											
Balance at December 31, 2011	31,593		31,593	44,429		44,429	1,396,516	51,738	1,448,254	1,904,386	317,398
Revisions of previous estimates	(6,151)		(6,151)	(6,023)		(6,023)	(479,009)	(51,738)	(530,747)	(603,791)	(100,632)
	16,574		16,574	6,929		6,929	93,643		93,643	234,661	39,110

Extensions and discoveries									
Production	(3,146)	(3,146)	(3,489)	(3,489)	(81,008)		(81,008)	(120,818)	(20,136)
Sales of reserves in place	(5,168)	(5,168)	(591)	(591)	(17,309)		(17,309)	(51,863)	(8,644)
Purchases of reserves in place									
Balance at December 31, 2012	33,702	33,702	41,255	41,255	912,833		912,833	1,362,575	227,096
Revisions of previous estimates	(3,394)	(3,394)	(1,973)	(1,973)	22,032		22,032	(10,170)	(1,695)
Extensions and discoveries	11,617	11,617	4,602	4,602	51,105		51,105	148,419	24,737
Production	(2,271)	(2,271)	(2,521)	(2,521)	(46,676)		(46,676)	(75,428)	(12,571)
Sales of reserves in place	(22,980)	(22,980)	(29,652)	(29,652)	(484,703)		(484,703)	(800,495)	(133,416)
Purchases of reserves in place									
Balance at December 31, 2013	16,674	16,674	11,711	11,711	454,591		454,591	624,901	104,150
Proved developed reserves at:									
January 1, 2011	13,421	13,421	24,120	24,120	886,644	25,869	912,513	1,137,759	189,627
December 31, 2011	14,149	14,149	23,170	23,170	814,160		814,160	1,038,074	173,012
December 31, 2012	12,315	12,315	25,518	25,518	710,288		710,288	937,286	156,214
December 31, 2013	6,151	6,151	6,855	6,855	336,342		336,342	414,378	69,063
Proved undeveloped reserves at:									
January 1, 2011	6,897	6,897	19,264	19,264	547,087	25,869	572,956	729,922	121,654
December 31, 2011	17,444	17,444	21,259	21,259	582,356	51,738	634,094	866,312	144,385
	21,387	21,387	15,737	15,737	202,545		202,545	425,289	70,882

December 31, 2012								
December 31, 2013	10,523	10,523	4,856	4,856	118,249	118,249	210,523	35,087

(1) Oil and natural gas liquids are converted to gas-equivalents using a conversion of six Mcf equivalent per barrel of oil or natural gas liquids. Likewise, natural gas is converted to oil-equivalents using a conversion of one barrel of oil equivalent per six Mcf of natural gas. These conversions are based on energy equivalence and not price equivalence.

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Revisions of Previous Estimates

In 2013, net negative revisions of 10 Bcfe were comprised of (i) the reclassification of 41 Bcfe of proved undeveloped reserves (PUDs) to probable undeveloped reserves for PUDs that are not expected to be developed five years from the time the reserves were initially disclosed, (ii) negative performance revisions of 9 Bcfe, and positive pricing revisions of 40 Bcfe due primarily to the increase in price of natural gas used in calculating proved reserves. In 2012, net negative revisions of 604 Bcfe were primarily associated with lower natural gas and natural gas liquids prices, which caused certain natural gas-weighted projects to no longer meet economic investment criteria based on the unweighted arithmetic average of the first-day-of-the-month commodity prices utilized in calculating the reserve estimates. In addition, lower natural gas prices also delayed Forest s initial expected development time frame for drilling certain of its proved undeveloped natural gas locations beyond five years from the time the associated reserves were originally recorded. Accordingly, these PUDs were reclassified to probable undeveloped reserves in 2012. Additionally, all 52 Bcfe of the Company s Italian PUDs were reclassified to probable due to an Italian regional regulatory body s 2012 denial of the Company s environmental impact assessment associated with the Company s proposal to commence natural gas production from wells that it drilled and completed in 2007. The Company is currently appealing the region s denial; however, until the region s denial is reversed or overturned, the Company determined that it could no longer conclude with reasonable certainty that its Italian natural gas reserves are producible. In 2011, the net negative revisions of 120 Bcfe were primarily the result of the write-off of PUDs pursuant to the five year limitation and the write-off of natural gas reserves associated with a deep gas project in South Louisiana.

Extensions and Discoveries

In 2013, the Company had 148 Bcfe of extensions and discoveries, which were primarily due to exploration and development activities in the Eagle Ford in South Texas and Cotton Valley in East Texas. In 2012, the Company had 235 Bcfe of extensions and discoveries, which were primarily due to exploration and development activities in the Texas Panhandle and Eagle Ford in South Texas. In 2011, the Company had 301 Bcfe of extensions and discoveries, which were also primarily due to exploration and development activities in the Texas Panhandle and Eagle Ford in South Texas.

Sales of Reserves in Place

Sales of reserves in place for each of the years presented in the table above represent the sale of oil and natural gas property interests. See Note 2 for a description of these asset divestitures.

Aggregate Capitalized Costs

The aggregate capitalized costs relating to oil and gas producing activities were as follows as of the dates indicated:

	December 31,	
	2013	2012
	(In Thousands)	
Costs related to proved properties	$ 9,213,668	$ 9,696,498
Costs related to unproved properties	53,645	277,798
	9,267,313	9,974,296
Less accumulated depletion[1]	(8,460,589)	(8,237,186)

	$ 806,724	$ 1,737,110

(1) Includes inception-to-date ceiling test write-downs.

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Costs Incurred in Oil and Gas Property Acquisition, Exploration, and Development Activities

The following costs were incurred in oil and gas property acquisition, exploration, and development activities during the years ended December 31, 2013, 2012, and 2011:

	United States	Italy	Total
		(In Thousands)	
2013			
Property acquisition costs:			
Proved properties	$	$	$
Unproved properties	7,117		7,117
Exploration costs	129,946		129,946
Development costs	213,127		213,127
Total costs incurred[(1)]	$ 350,190	$	$ 350,190
2012			
Property acquisition costs:			
Proved properties	$	$	$
Unproved properties	64,123		64,123
Exploration costs	268,153	700	268,853
Development costs	398,941	182	399,123
Total costs incurred[(1)]	$ 731,217	$ 882	$ 732,099
2011			
Property acquisition costs:			
Proved properties	$	$	$
Unproved properties	204,484		204,484
Exploration costs	286,412	1,003	287,415
Development costs	417,469	366	417,835
Total costs incurred[(1)]	$ 908,365	$ 1,369	$ 909,734

(1) Includes amounts relating to changes in estimated asset retirement obligations of $8.6 million, $6.1 million, and $3.1 million recorded during the years ended December 31, 2013, 2012, and 2011, respectively.

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Results of Operations from Oil and Gas Producing Activities

Results of operations from oil and gas producing activities for the years ended December 31, 2013, 2012, and 2011 are presented below.

	United States	Italy	Total
	(In Thousands, except per Mcfe amounts)		
2013			
Oil, natural gas, and natural gas liquids sales	$ 441,341	$	$ 441,341
Expenses:			
Production expense	103,427		103,427
Depletion expense	165,767		165,767
Ceiling test write-down of oil and natural gas properties	57,636		57,636
Accretion of asset retirement obligations	2,760	74	2,834
Income tax benefit	(707)		(707)
Total expenses	328,883	74	328,957
Results of operations from oil and gas producing activities	$ 112,458	$ (74)	$ 112,384
Depletion rate per Mcfe	$ 2.20	$	$ 2.20
2012			
Oil, natural gas, and natural gas liquids sales	$ 605,523	$	$ 605,523
Expenses:			
Production expense	156,909		156,909
Depletion expense	275,886		275,886
Ceiling test write-down of oil and natural gas properties	957,587	34,817	992,404
Accretion of asset retirement obligations	6,487	62	6,549
Income tax expense	173,437		173,437
Total expenses	1,570,306	34,879	1,605,185
Results of operations from oil and gas producing activities	$ (964,783)	$ (34,879)	$ (999,662)
Depletion rate per Mcfe	$ 2.28	$	$ 2.28
2011			
Oil, natural gas, and natural gas liquids sales	$ 703,531	$	$ 703,531
Expenses:			
Production expense	153,518		153,518
Depletion expense	213,866		213,866
Accretion of asset retirement obligations	5,973	44	6,017

Income tax expense	89,135		89,135
Total expenses	462,492	44	462,536
Results of operations from oil and gas producing activities	$ 241,039	$ (44)	$ 240,995
Depletion rate per Mcfe	$ 1.75	$	$ 1.75

Standardized Measure of Discounted Future Net Cash Flows

Future oil, natural gas, and NGL sales are calculated applying the prices used in estimating the Company s proved oil, natural gas, and NGL reserves to the year-end quantities of those reserves. Future price changes were considered only to the extent provided by contractual arrangements in existence at each year-end. Future production and development costs, which include costs related to plugging of wells, removal of facilities and equipment, and site restoration, are calculated by estimating the expenditures to be incurred in producing and

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developing the proved reserves at the end of each year, based on year-end costs and assuming continuation of existing economic conditions. Future income tax expenses are computed by applying the appropriate year-end statutory tax rates to the estimated future pretax net cash flows relating to proved reserves, less the tax bases of the properties involved. The future income tax expenses give effect to tax deductions, credits, and allowances relating to the proved reserves. All cash flow amounts, including income taxes, are discounted at 10%.

Changes in the demand for oil, natural gas, and NGLs, inflation, and other factors make such estimates inherently imprecise and subject to substantial revision. This table should not be construed to be an estimate of the current market value of the Company s proved reserves. Management does not rely upon the information that follows in making investment decisions.

	December 31, 2013		
	United States	Italy	Total
	(In Thousands)		
Future oil, natural gas, and natural gas liquids sales	$ 3,459,749	$	$ 3,459,749
Future production costs	(1,165,344)		(1,165,344)
Future development costs	(676,684)		(676,684)
Future income taxes	(18,441)		(18,441)
Future net cash flows	1,599,280		1,599,280
10% annual discount for estimated timing of cash flows	(864,672)		(864,672)
Standardized measure of discounted future net cash flows	$ 734,608	$	$ 734,608

	December 31, 2012		
	United States	Italy	Total
	(In Thousands)		
Future oil, natural gas, and natural gas liquids sales	$ 6,929,652	$	$ 6,929,652
Future production costs	(2,166,681)		(2,166,681)
Future development costs	(1,444,144)		(1,444,144)
Future income taxes	(142,383)		(142,383)
Future net cash flows	3,176,444		3,176,444
10% annual discount for estimated timing of cash flows	(1,779,347)		(1,779,347)
Standardized measure of discounted future net cash flows	$ 1,397,097	$	$ 1,397,097

	December 31, 2011		
	United States	Italy	Total

		(In Thousands)	
Future oil, natural gas, and natural gas liquids sales	$ 10,427,716	$ 576,364	$ 11,004,080
Future production costs	(2,692,993)	(199,054)	(2,892,047)
Future development costs	(2,008,824)	(18,692)	(2,027,516)
Future income taxes	(940,526)	(130,836)	(1,071,362)
Future net cash flows	4,785,373	227,782	5,013,155
10% annual discount for estimated timing of cash flows	(2,499,631)	(125,783)	(2,625,414)
Standardized measure of discounted future net cash flows	$ 2,285,742	$ 101,999	$ 2,387,741

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Changes in the Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves

An analysis of the changes in the standardized measure of discounted future net cash flows during each of the last three years is as follows**:**

	December 31, 2013 United States (In Thousands)
Standardized measure of discounted future net cash flows relating to proved oil, natural gas, and NGL reserves, at beginning of year	$ 1,397,097
Changes resulting from:	
Sales of oil, natural gas, and NGL net of production costs	(337,914)
Net changes in prices and future production costs	222,516
Net changes in future development costs	50,568
Extensions, discoveries, and improved recovery	295,585
Development costs incurred during the period	128,482
Revisions of previous quantity estimates	(114,712)
Changes in production rates, timing, and other	19,321
Sales of reserves in place	(1,099,372)
Purchases of reserves in place	
Accretion of discount on reserves at beginning of year	143,432
Net change in income taxes	29,605
Total change for year	(662,489)
Standardized measure of discounted future net cash flows relating to proved oil, natural gas, and NGL reserves, at end of year	$ 734,608

The computation of the standardized measure of discounted future net cash flows relating to proved reserves at December 31, 2013 was based on average prices and year-end costs. The Henry Hub average natural gas price and West Texas Intermediate average oil price during the twelve-month period prior to December 31, 2013 were $3.67 per MMBtu and $97.33 per barrel, respectively.

	December 31, 2012		
	United States	Italy (In Thousands)	Total
Standardized measure of discounted future net cash flows relating to proved oil, natural gas, and NGL reserves, at beginning of year	$ 2,285,742	$ 101,999	$ 2,387,741
Changes resulting from:			
Sales of oil, natural gas, and NGL net of production costs	(448,614)		(448,614)
Net changes in prices and future production costs	(1,226,494)	(9,264)	(1,235,758)
Net changes in future development costs	(4,188)		(4,188)

Extensions, discoveries, and improved recovery	572,516		572,516
Development costs incurred during the period	140,111		140,111
Revisions of previous quantity estimates	(203,987)	(151,578)	(355,565)
Changes in production rates, timing, and other	(34,665)		(34,665)
Sales of reserves in place	(213,683)		(213,683)
Purchases of reserves in place			
Accretion of discount on reserves at beginning of year	259,393	3,923	263,316
Net change in income taxes	270,966	54,920	325,886
Total change for year	(888,645)	(101,999)	(990,644)
Standardized measure of discounted future net cash flows relating to proved oil, natural gas, and NGL reserves, at end of year	$ 1,397,097	$	$ 1,397,097

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The computation of the standardized measure of discounted future net cash flows relating to proved reserves at December 31, 2012 was based on average prices and year-end costs. The Henry Hub average natural gas price and West Texas Intermediate average oil price during the twelve-month period prior to December 31, 2012 were $2.76 per MMBtu and $94.79 per barrel, respectively.

	December 31, 2011		
	United States	Italy	Total
	(In Thousands)		
Standardized measure of discounted future net cash flows relating to proved oil, natural gas, and NGL reserves, at beginning of year	$ 1,964,920	$ 205,526	$ 2,170,446
Changes resulting from:			
Sales of oil, natural gas, and NGL net of production costs	(550,013)		(550,013)
Net changes in prices and future production costs	272,027	(153,313)	118,714
Net changes in future development costs	(55,725)	(697)	(56,422)
Extensions, discoveries, and improved recovery	667,323		667,323
Development costs incurred during the period	231,270		231,270
Revisions of previous quantity estimates	(220,389)		(220,389)
Changes in production rates, timing, and other	(132,714)	(40,508)	(173,222)
Sales of reserves in place	(107,742)		(107,742)
Purchases of reserves in place			
Accretion of discount on reserves at beginning of year	226,354	31,949	258,303
Net change in income taxes	(9,569)	59,042	49,473
Total change for year	320,822	(103,527)	217,295
Standardized measure of discounted future net cash flows relating to proved oil, natural gas, and NGL reserves, at end of year	$ 2,285,742	$ 101,999	$ 2,387,741

The computation of the standardized measure of discounted future net cash flows relating to proved reserves at December 31, 2011 was based on average prices and year-end costs. The Henry Hub average natural gas price and West Texas Intermediate average oil price during the twelve-month period prior to December 31, 2011 were $4.12 per MMBtu and $96.08 per barrel, respectively.

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FOREST OIL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In Thousands, Except Share Amounts)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,582	$ 66,192
Accounts receivable	25,981	35,654
Derivative instruments	395	5,192
Other current assets	8,894	6,756
Total current assets	49,852	113,794
Property and equipment, at cost:		
Oil and natural gas properties, full cost method of accounting:		
Proved, net of accumulated depletion of $8,575,255 and $8,460,589	737,260	753,079
Unproved	49,146	53,645
Net oil and natural gas properties	786,406	806,724
Other property and equipment, net of accumulated depreciation and amortization of $45,265 and $50,058	9,376	11,845
Net property and equipment	795,782	818,569
Deferred income taxes	444	2,230
Goodwill	134,434	134,434
Derivative instruments	363	400
Other assets	15,950	48,525
	$ 996,825	$ 1,117,952
LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 129,744	$ 141,107
Accrued interest	6,653	6,654
Derivative instruments	13,503	4,542
Deferred income taxes	444	2,230
Other current liabilities	4,864	12,201
Total current liabilities	155,208	166,734
Long-term debt	800,163	800,179

Asset retirement obligations	21,821	22,629
Derivative instruments	1,940	
Other liabilities	63,332	73,941
Total liabilities	1,042,464	1,063,483
Shareholders equity (deficit):		
Preferred stock, none issued and outstanding		
Common stock, 119,347,173 and 119,399,983 shares issued and outstanding	11,935	11,940
Capital surplus	2,558,271	2,554,997
Accumulated deficit	(2,605,794)	(2,502,070)
Accumulated other comprehensive loss	(10,051)	(10,398)
Total shareholders equity (deficit)	(45,639)	54,469
	$ 996,825	$ 1,117,952

See accompanying Notes to Condensed Consolidated Financial Statements.

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FOREST OIL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In Thousands, Except Per Share Amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Oil, natural gas, and natural gas liquids sales	$ 60,106	$ 116,786	$ 124,563	$ 234,828
Interest and other	329	28	1,066	160
Total revenues	60,435	116,814	125,629	234,988
Costs, expenses, and other:				
Lease operating expenses	14,295	19,167	28,805	40,371
Production and property taxes	2,740	5,029	5,965	7,245
Transportation and processing costs	2,379	3,098	4,894	6,378
General and administrative	8,260	13,114	16,500	33,128
Depreciation, depletion, and amortization	20,303	43,804	41,718	92,347
Ceiling test write-down of oil and natural gas properties	77,176		77,176	
Interest expense	15,738	29,392	31,749	65,520
Realized and unrealized losses (gains) on derivative instruments, net	11,641	(31,610)	24,492	(6,030)
Other, net	(9,302)	1,593	(654)	30,413
Total costs, expenses, and other	143,230	83,587	230,645	269,372
Earnings (loss) before income taxes	(82,795)	33,227	(105,016)	(34,384)
Income tax (benefit) expense	(78)	(212)	(1,292)	125
Net earnings (loss)	$ (82,717)	$ 33,439	$ (103,724)	$ (34,509)
Basic earnings (loss) per common share	$ (.71)	$ .28	$ (.89)	$ (.30)
Diluted earnings (loss) per common share	$ (.71)	$ .28	$ (.89)	$ (.30)

See accompanying Notes to Condensed Consolidated Financial Statements.

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FOREST OIL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Net earnings (loss)	$ (82,717)	$ 33,439	$ (103,724)	$ (34,509)
Other comprehensive income:				
Defined benefit postretirement plans - amortization of actuarial losses, net of tax	174	345	347	687
Total other comprehensive income	174	345	347	687
Total comprehensive income (loss)	$ (82,543)	$ 33,784	$ (103,377)	$ (33,822)

See accompanying Notes to Condensed Consolidated Financial Statements.

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FOREST OIL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY (DEFICIT)

(Unaudited)

(In Thousands)

	Common Stock Shares	Common Stock Amount	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders Equity (Deficit)
Balances at December 31, 2013	119,400	$ 11,940	$ 2,554,997	$ (2,502,070)	$ (10,398)	$ 54,469
Employee stock purchase plan	74	7	113			120
Restricted stock issued, net of forfeitures	109	11	(11)			
Amortization of stock-based compensation			3,824			3,824
Other, net	(236)	(23)	(652)			(675)
Net loss				(103,724)		(103,724)
Other comprehensive income					347	347
Balances at June 30, 2014	119,347	$ 11,935	$ 2,558,271	$ (2,605,794)	$ (10,051)	$ (45,639)

See accompanying Notes to Condensed Consolidated Financial Statements.

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FOREST OIL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In Thousands)

	Six Months Ended June 30,	
	2014	**2013**
Operating activities:		
Net loss	$ (103,724)	$ (34,509)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion, and amortization	41,718	92,347
Unrealized losses on derivative instruments, net	15,736	15,398
Ceiling test write-down of oil and natural gas properties	77,176	
Stock-based compensation expense	2,294	6,479
Loss on debt extinguishment		25,223
Gain on asset dispositions, net	(21,391)	
Other, net	3,034	2,903
Changes in operating assets and liabilities:		
Accounts receivable	9,042	(4,168)
Other current assets	(2,165)	(269)
Accounts payable and accrued liabilities	(27,957)	17,956
Accrued interest and other	19,970	(10,948)
Net cash provided by operating activities	13,733	110,412
Investing activities:		
Capital expenditures for property and equipment:		
Exploration, development, and leasehold acquisition costs	(94,786)	(205,099)
Other property and equipment	(4,794)	(1,115)
Proceeds from sales of assets	24,145	338,977
Net cash (used) provided by investing activities	(75,435)	132,763
Financing activities:		
Proceeds from bank borrowings		320,000
Repayments of bank borrowings		(255,000)
Redemption of senior notes		(321,327)
Change in bank overdrafts	11,111	13,523
Other, net	(1,019)	(1,006)
Net cash provided (used) by financing activities	10,092	(243,810)
Net decrease in cash and cash equivalents	(51,610)	(635)
Cash and cash equivalents at beginning of period	66,192	1,056

Cash and cash equivalents at end of period	$ 14,582	$ 421
Cash paid during the period for:		
Interest (net of capitalized amounts)	$ 29,910	$ 70,428
Income taxes (net of refunded amounts)	(21,312)	1,070
Non-cash investing activities:		
Increase (decrease) in accrued capital expenditures	$ 1,449	$ (4,259)

See accompanying Notes to Condensed Consolidated Financial Statements.

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FOREST OIL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) ORGANIZATION AND BASIS OF PRESENTATION

Organization

Forest Oil Corporation is an independent oil and gas company engaged in the acquisition, exploration, development, and production of oil, natural gas, and natural gas liquids (NGLs) 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 holds assets in several exploration and producing areas in the United States and has exploratory and development interests in one other country. Unless the context indicates otherwise, the terms Forest, the Company, we, our, and us, as used in this Annex B, refer to Forest Oil Corporation and its subsidiaries.

Basis of Presentation

The Condensed Consolidated Financial Statements included herein are unaudited and include the accounts of Forest and its consolidated subsidiaries. All intercompany balances and transactions have been eliminated. In the opinion of management, all adjustments, which are of a normal recurring nature, have been made that are necessary for a fair presentation of the financial position of Forest at June 30, 2014, and the results of its operations, its comprehensive income (loss), its cash flows, and changes in its shareholders equity (deficit) for the periods presented. Interim results are not necessarily indicative of expected annual results because of various factors including the impact of fluctuations in the prices of oil, natural gas, and NGLs and the impact the prices have on Forest s revenues and the fair values of its derivative instruments.

In the course of preparing the Condensed Consolidated Financial Statements, management makes various assumptions, judgments, and estimates to determine the reported amounts of assets, liabilities, revenues, and expenses, and in the disclosures of commitments and contingencies. Changes in these assumptions, judgments, and estimates will occur as a result of the passage of time and the occurrence of future events and, accordingly, actual results could differ from amounts previously established.

The more significant areas requiring the use of assumptions, judgments, and estimates relate to volumes of oil, natural gas, and NGL reserves used in calculating depletion, the amount of future net revenues used in computing the ceiling test limitations, and the amount of future capital costs and abandonment obligations used in such calculations, assessing investments in unproved properties and goodwill for impairment, determining the need for and the amount of deferred tax asset valuation allowances, and estimating fair values of financial instruments, including derivative instruments.

For a more complete understanding of Forest s operations, financial position, and accounting policies, reference is made to the consolidated financial statements of Forest, and related notes thereto, included in Forest s Annual Report on Form 10-K for the year ended December 31, 2013, previously filed with the Securities and Exchange Commission (SEC).

Pending Merger

On May 5, 2014, Forest entered into an Agreement and Plan of Merger with Sabine Oil & Gas LLC (Sabine), under which Forest and Sabine will combine their businesses in an all-stock transaction. This agreement was amended on July 9, 2014 primarily to change the structure of the transaction, in which Forest now will be the surviving entity. The revised transaction structure does not change the economic terms of the transaction. Under the terms of the amended merger agreement, the owners of Sabine will contribute their interests in Sabine to Forest in exchange for Forest common and preferred stock. Upon closing of the combination transaction, Forest s shareholders will own common shares that represent an approximate 26.5% economic interest in the combined company and approximately 20% of the total voting power, and Sabine s equity holders will own common shares

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and preferred shares that represent an approximate 73.5% economic interest and approximately 80% of the total voting power in the combined company. Consummation of the transaction is subject to approval by Forest shareholders, regulatory approvals, and other customary closing conditions. The combined entity will change its name to Sabine Oil & Gas Corporation and be headquartered in Houston.

In connection with entering into the amended merger agreement, Forest also adopted a shareholder rights agreement (the Rights Agreement), and on July 10, 2014 declared a dividend of one preferred share purchase right (a Right) on each outstanding share of Forest s common stock. This dividend was issued on July 21, 2014. Each Right allows its holder to purchase from Forest one one-hundredth of a share of Series A Junior Participating Preferred Stock for $10, once the Rights become exercisable. This portion of a preferred share will give the shareholder approximately the same dividend and liquidation rights as would one Forest common share. Prior to exercise, the Rights do not give their holders any dividend, voting, or liquidation rights. The Rights will expire on December 31, 2014.

The Rights will not be exercisable until ten days after the public announcement that a person or group has become an Acquiring Person by obtaining beneficial ownership (as defined in the Rights Agreement) of 5% or more of Forest s outstanding common shares; *provided* that a stockholder will not become an Acquiring Person if such stockholder certifies to Forest that (i) such stockholder, together with all affiliates and associates of such stockholder, does not and will not at any time prior to December 31, 2014 own or have any beneficial interest in any transaction, security, or derivative or synthetic arrangements having the characteristics of a short position in or with respect to any Forest indebtedness or that would increase in value as a result of a decline in the value of any Forest indebtedness or decline in Forest s credit rating and (ii) such stockholder will continue to satisfy clause (i) for so long as the Rights would otherwise become exercisable.

The Rights Agreement is intended to prevent persons from acquiring beneficial ownership of 5% or more of Forest s common stock or, for investors that owned in excess of 5% as of July 10, 2014, from increasing their beneficial ownership, but only to the extent such a person has a short equivalent position with respect to Forest s debt. This is to prevent certain hedge funds from rejecting the proposed transaction in order to profit from their short positions in Forest s debt (and similar derivative positions).

Subsequent Event Going Concern and Management s Plan

The financial statements included in this Annex B have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. Forest previously disclosed in its unreviewed Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, that by year end 2014 the ratio of its total debt to EBITDA may exceed the maximum allowed under its bank credit facility unless it undertakes certain mitigating actions. Absent such actions, a resultant breach of the financial covenant could cause a default under the credit facility, potentially resulting in an acceleration of all amounts outstanding under the credit facility as well as Forest s senior unsecured notes due 2019 and 2020. As of September 30, 2014, Forest had approximately $13.0 million outstanding under the credit facility and $800.0 million in principal amount outstanding under the notes.

The Company obtained amendments to the credit facility as recently as September 2013 and March 2014 in order to avoid breaching the debt to EBITDA covenant. Forest believes that it could seek, and the lenders under the credit facility would provide, another amendment, or a waiver, of the covenant. Failing an amendment or waiver, Forest believes it could sell assets to avoid breaching the financial covenant. Alternatively, Forest could obtain a new credit facility or other sources of financing. Forest may yet undertake some or all of these actions prior to year end, if necessary, though there is no assurance Forest could complete any such actions as each involves factors that are

outside its control. However, inasmuch as Forest has not obtained a waiver or amendment to the credit facility, or pursued any of the other alternatives, there presently exists substantial doubt as to Forest s ability to continue as a going concern through December 31, 2014.

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(2) EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed using the two-class method by dividing net earnings (loss) attributable to common stock by the weighted average number of common shares outstanding during each period. The two-class method of computing earnings (loss) per share is required to be used since Forest has participating securities. The two-class method is an earnings allocation formula that determines earnings (loss) per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. Holders of restricted stock issued under Forest s stock incentive plans have the right to receive non-forfeitable cash and certain non-cash dividends, participating on an equal basis with common stock. Holders of phantom stock units issued to directors under Forest s stock incentive plans also have the right to receive non-forfeitable cash and certain non-cash dividends, participating on an equal basis with common stock, while phantom stock units issued to employees do not participate in dividends. Stock options and cash-settled performance units issued under Forest s stock incentive plans do not participate in dividends. Share-settled performance units issued under Forest s stock incentive plans do not participate in dividends in their current form. Holders of these performance units participate in dividends paid during the performance units vesting period only after the performance units vest and common shares are deliverable under the terms of the performance unit awards. Share-settled performance units may vest with no common shares being deliverable, depending on Forest s shareholder return over the performance units vesting period in relation to the shareholder returns of specified peers. See Note 3 for more information on Forest s stock-based incentive awards. In summary, restricted stock issued to employees and directors and phantom stock units issued to directors are participating securities, and earnings are allocated to both common stock and these participating securities under the two-class method. However, these participating securities do not have a contractual obligation to share in Forest s losses. Therefore, in periods of net loss, none of the loss is allocated to these participating securities.

Diluted earnings (loss) per share is computed by dividing net earnings (loss) attributable to common stock by the weighted average number of common shares outstanding during each period, increasing the denominator to include the number of additional common shares that would have been outstanding if the dilutive potential common shares (e.g. stock options, unvested restricted stock, unvested share-settled phantom stock units, and unvested share-settled performance units) had been issued. Additionally, the numerator is also adjusted for certain contracts that provide the issuer or holder with a choice between settlement methods. Diluted earnings per share is computed using the more dilutive of the treasury stock method or the two-class method. Under the treasury stock method, the dilutive effect of potential common shares is computed by assuming common shares are issued for these securities at the beginning of the period, with the assumed proceeds from exercise, which include average unamortized stock-based compensation costs, assumed to be used to purchase common shares at the average market price for the period, and the incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) included in the denominator of the diluted earnings per share computation. The number of contingently issuable shares pursuant to the outstanding share-settled performance units is included in the denominator of the computation of diluted earnings per share based on the number of shares, if any, that would be issuable if the end of the reporting period were the end of the contingency period and if the result would be dilutive. Under the two-class method, the dilutive effect of non-participating potential common shares is determined and undistributed earnings are reallocated between common shares and participating securities. No potential common shares are included in the computation of any diluted per share amount when a net loss exists, as was the case for the three and six months ended June 30, 2014 and the six months ended June 30, 2013. Unvested restricted stock grants were not included in the calculation of diluted earnings per share for the three months ended June 30, 2013 as their inclusion would have an antidilutive effect.

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The following reconciles net earnings (loss) as reported in the Condensed Consolidated Statements of Operations to net earnings (loss) used for computing basic and diluted earnings (loss) per share for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In Thousands)			
Net earnings (loss)	$ (82,717)	$ 33,439	$ (103,724)	$ (34,509)
Less: net earnings attributable to participating securities		(1,014)		
Net earnings (loss) for basic and diluted earnings (loss) per share	$ (82,717)	$ 32,425	$ (103,724)	$ (34,509)

The following reconciles basic weighted average common shares outstanding to diluted weighted average common shares outstanding for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In Thousands)			
Weighted average common shares outstanding during the period for basic earnings (loss) per share	117,117	116,033	116,979	115,845
Dilutive effects of potential common shares				
Weighted average common shares outstanding during the period, including the effects of dilutive potential common shares, for diluted earnings (loss) per share	117,117	116,033	116,979	115,845

(3) STOCK-BASED COMPENSATION

Stock-based Compensation Plans

Forest maintains the 2001 and 2007 Stock Incentive Plans (the Plans) under which qualified and non-qualified stock options, restricted stock, performance units, phantom stock units, and other awards may be granted to employees, consultants, and non-employee directors of Forest and its subsidiaries.

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Compensation Costs

The table below sets forth stock-based compensation for the three and six months ended June 30, 2014 and 2013, and the remaining unamortized amounts and weighted average amortization period as of June 30, 2014.

	Restricted Stock	Performance Units	Phantom Stock Units	Total[1][2]
		(In Thousands)		
Three Months Ended June 30, 2014:				
Total stock-based compensation costs	$ 1,605	$ 598	$ 428	$ 2,631
Less: stock-based compensation costs capitalized	(604)	(122)	(158)	(884)
Stock-based compensation costs expensed	$ 1,001	$ 476	$ 270	$ 1,747
Six Months Ended June 30, 2014:				
Total stock-based compensation costs	$ 3,176	$ 600	$ 603	$ 4,379
Less: stock-based compensation costs capitalized	(1,403)	(128)	(272)	(1,803)
Stock-based compensation costs expensed	$ 1,773	$ 472	$ 331	$ 2,576
Unamortized stock-based compensation costs[3]	$ 5,887	$ 2,294	$ 2,113	$ 10,294
Weighted average amortization period remaining	1.2 years	1.5 years	1.6 years	1.3 years
Three Months Ended June 30, 2013:				
Total stock-based compensation costs	$ 3,210	$ 1,105	$ 513	$ 4,828
Less: stock-based compensation costs capitalized	(1,172)	(241)	(218)	(1,631)
Stock-based compensation costs expensed	$ 2,038	$ 864	$ 295	$ 3,197
Six Months Ended June 30, 2013:				
Total stock-based compensation costs	$ 7,445	$ 2,733	$ 1,775	$ 11,953
Less: stock-based compensation costs capitalized	(2,994)	(714)	(887)	(4,595)
Stock-based compensation costs expensed	$ 4,451	$ 2,019	$ 888	$ 7,358

(1) Forest also maintains an employee stock purchase plan (which is not included in the table) under which $.02 million and $.1 million of compensation cost was recognized for the three and six months ended June 30, 2014, respectively, and $.1 million and $.2 million of compensation cost was recognized for the three and six months ended June 30, 2013, respectively.

(2) In connection with the divestiture of the South Texas oil and natural gas properties in the first quarter of 2013, Forest incurred $2.0 million ($1.0 million net of capitalized amounts) in stock-based compensation costs due to accelerated vesting of involuntarily terminated employees awards. See Note 5 for more information regarding this divestiture.

(3) The unamortized stock-based compensation costs for liability-based awards are based on the closing price of Forest s common stock at the reporting period end.

Stock Options

The following table summarizes stock option activity in the Plans for the six months ended June 30, 2014.

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (In Thousands)[1]	Number of Options Exercisable
Outstanding at January 1, 2014	631,206	$ 17.21	$	631,206
Granted				
Exercised				
Cancelled	(237,100)	13.86		
Outstanding at June 30, 2014	394,106	$ 19.23	$	394,106

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(1) The intrinsic value of a stock option is the amount by which the market value of the underlying stock, as of the date outstanding or exercised, exceeds the exercise price of the option.

Restricted Stock, Performance Units, and Phantom Stock Units

The following table summarizes the restricted stock, performance unit, and phantom stock unit activity in the Plans for the six months ended June 30, 2014.

	Restricted Stock			Performance Units			Phantom Stock Units		
	Number of Shares[1]	Weighted Average Grant Date Fair Value	Vest Date Fair Value (In Thousands)	Number of Units[2]	Weighted Average Grant Date Fair Value	Vest Date Fair Value (In Thousands)	Number of Units[3]	Weighted Average Grant Date Fair Value	Vest Date Fair Value (In Thousands)
Unvested at January 1, 2014	2,790,542	$ 10.23		1,511,140	$ 8.48		1,924,819	$ 6.75	
Awarded	407,202	2.22					67,000	3.51	
Vested	(905,882)	14.41	$ 2,455	(63,840)	18.11	$	(343,583)	7.07	$ 1,127
Forfeited	(297,954)	10.29		(170,300)	9.33		(184,139)	7.54	
Unvested at June 30, 2014	1,993,908	$ 6.69		1,277,000	$ 7.89		1,464,097	$ 6.43	

(1) Of the unvested restricted stock as of June 30, 2014, 436,956 shares, which were granted in 2013, vest in one-third increments on each of the first three anniversary dates of the grant. All other unvested shares of restricted stock cliff vest on the third anniversary of the date of grant.

(2) Of the unvested performance units as of June 30, 2014, 598,500, which were granted in 2013, are cash-based and the remaining unvested performance units are share-based. For both cash- and share-based performance units, the actual settlement amount is dependent upon Forest s relative total shareholder return in comparison to a specified peer group over a thirty-six month performance period. The cash-based performance units are accounted for as a liability within the Condensed Consolidated Financial Statements.

(3) All of the unvested phantom stock units as of June 30, 2014 must be settled in cash. The phantom stock units have been accounted for as a liability within the Condensed Consolidated Financial Statements. All of the phantom stock units that vested during the six months ended June 30, 2014 were settled in cash. Of the unvested phantom stock units as of June 30, 2014, (i) 122,509 were granted in 2011 and 466,588 were granted in 2013 and vest in one-third increments on each of the first three anniversaries of the grant date, (ii) 493,000 were granted in 2013 and 67,000 were granted in 2014 and cliff vest on the third anniversary of the grant date, and (iii) 270,000 were granted in 2012 and 45,000 were granted in 2013 and vest over a four-year period in accordance with the following schedule: (a) 10% on the first anniversary of the grant date; (b) 20% on the second anniversary of the grant date; (c) 30% on the third anniversary of the grant date; and (d) 40% on the fourth anniversary of the grant date.

(4) DEBT

The components of debt are as follows:

	June 30, 2014			December 31, 2013		
	Principal	Unamortized Premium	Total	Principal	Unamortized Premium	Total
	(In Thousands)					
Credit facility	$	$	$	$	$	$
7 ¼% senior notes due 2019	577,914	162	578,076	577,914	178	578,092
7 ½% senior notes due 2020	222,087		222,087	222,087		222,087
Total long-term debt	$ 800,001	$ 162	$ 800,163	$ 800,001	$ 178	$ 800,179

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Bank Credit Facility

As of June 30, 2014, the Company had a $500.0 million credit facility (the Credit Facility) with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent), which matures in June 2016. The size of the Credit Facility may be increased by $300.0 million, to a total of $800.0 million, upon agreement between the applicable lenders and Forest.

On March 31, 2014, the Company entered into the Second Amendment to the Credit Facility (the Second Amendment), which was effective as of that date. The Second Amendment amended, among other things, the permitted ratio of total debt to EBITDA and the definition of total debt used in the ratio calculation, and reduced the aggregate lender commitments from $1.5 billion to $500.0 million and the borrowing base, which governs Forest s availability under the Credit Facility, from $400.0 million to $300.0 million, where it remained as of June 30, 2014.

The determination of the Credit Facility borrowing base is made by the lenders in their sole discretion, on a semi-annual basis, taking into consideration the estimated value of Forest s oil and natural gas properties based on pricing models determined by the lenders at such time, in accordance with the lenders customary practices for oil and natural gas loans. The available borrowing amount under the Credit Facility could increase or decrease based on such redetermination. In addition to the scheduled semi-annual redeterminations, Forest and the lenders each have discretion at any time, but not more often than once during a calendar year, to have the borrowing base redetermined. The borrowing base is also subject to automatic adjustments if certain events occur, such as if Forest or any of its Restricted Subsidiaries (as defined in the Credit Facility) issue senior unsecured notes, in which case the borrowing base will immediately be reduced by an amount equal to 25% of the stated principal amount of such issued senior notes, excluding any senior unsecured notes that Forest or any of its Restricted Subsidiaries may issue to refinance senior notes that were outstanding on June 30, 2011. The borrowing base is also subject to automatic adjustment if Forest or any of its Restricted Subsidiaries sell oil and natural gas properties having a fair market value, including any economic loss of unwinding any related hedging agreement, in excess of 10% of the borrowing base then in effect. In this case, the borrowing base will be reduced by an amount equal to either (i) the percentage of the borrowing base attributable to the sold properties, as determined by the Administrative Agent, or (ii) if none of the borrowing base is attributable to the sold properties, a value agreed upon by Forest and the required lenders. The next scheduled semi-annual redetermination of the borrowing base will occur on or about November 1, 2014. A lowering of the borrowing base could require Forest to repay indebtedness in excess of the borrowing base in order to cover the deficiency.

The Credit Facility is collateralized by Forest s assets. Under the Credit Facility, Forest is required to mortgage and grant a security interest in 75% of the present value of the estimated proved oil and natural gas properties and related assets. If Forest s corporate credit ratings issued by Moody s and Standard & Poor s meet pre-established levels, the security requirements would cease to apply and, at Forest s request, the banks would release their liens and security interest on Forest s properties.

The Credit Facility includes terms and covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, asset sales, hedging activities, investments, dividends, mergers, and acquisitions, and also includes a financial covenant. The Second Amendment to the Credit Facility provides that Forest will not permit its ratio of total debt to EBITDA (as adjusted for non-cash charges) calculated for the preceding four consecutive fiscal quarter period then most recently ended to be greater than (i) 5.75 to 1.00 at the end of the calendar quarters ending March 31, 2014, June 30, 2014 and September 30, 2014, (ii) 5.50 to 1.00 at the end of the calendar quarter ending December 31, 2014, (iii) 5.25 to 1.00 at the end of the calendar quarter ending March 31, 2015, (iv) 5.00 to 1.00 at the end of the calendar quarter ending June 30, 2015, (v) 4.75 to 1.00 at the end of the calendar quarter ending September 30, 2015, and (vi) 4.50 to 1.00 at the end of any calendar quarter

ending after September 30, 2015. The Second Amendment also amends the definition of total debt such that, among other things, during any period of four fiscal quarters ending on or before September 30, 2015, any cash proceeds from the sale of any property permitted pursuant to the terms and provisions of the loan documents that are reported on Forest s consolidated

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balance sheet on such date are subtracted from total debt. Depending on Forest s overall level of indebtedness, this covenant may limit Forest s ability to borrow funds as needed under the Credit Facility. Forest s ratio of total debt to EBITDA for the four consecutive fiscal quarter period ended June 30, 2014, as calculated in accordance with the Credit Facility, was 5.07.

Based on Forest s current projections, the ratio of total debt to EBITDA may exceed the maximum allowed under the Credit Facility sometime prior to the end of 2014 if it does not obtain a waiver or an additional amendment to the Credit Facility. Forest believes that it will be able to obtain such a waiver or an amendment prior to the ratio exceeding the maximum amount currently allowed. If Forest fails to obtain a waiver or an amendment, the Credit Facility could be terminated. However, Forest believes it can obtain alternative sources of debt financing sufficient for its needs, including securing liens against its properties or selling additional properties.

At June 30, 2014, there were no outstanding borrowings under the Credit Facility and Forest had used the Credit Facility for $2.2 million in letters of credit.

(5) PROPERTY AND EQUIPMENT

Full Cost Method of Accounting

The Company uses the full cost method of accounting for oil and natural gas properties. Separate cost centers are maintained for each country in which the Company has operations. During the periods presented, the Company s primary oil and natural gas operations were conducted in the United States. All costs incurred in the acquisition, exploration, and development of properties (including costs of surrendered and abandoned leaseholds, delay lease rentals, dry holes, and overhead related to exploration and development activities) and the fair value of estimated future costs of site restoration, dismantlement, and abandonment activities are capitalized. During the three months ended June 30, 2014 and 2013, Forest capitalized $4.9 million and $8.1 million, respectively, of general and administrative costs (including stock-based compensation). During the six months ended June 30, 2014 and 2013, Forest capitalized $9.4 million and $20.4 million, respectively, of general and administrative costs (including stock-based compensation). During the three and six months ended June 30, 2013, Forest capitalized $.9 million and $1.1 million of interest costs attributed to significant unproved acreage positions under development. No interest costs were capitalized during the three and six months ended June 30, 2014.

Investments in unproved properties, including capitalized interest costs, are not depleted pending determination of the existence of proved reserves. Unproved properties are assessed at least annually to ascertain whether impairment has occurred. Unproved properties whose costs are individually significant are assessed individually by considering factors such as the primary lease terms of the properties, the holding period of the properties, geographic and geologic data obtained relating to the properties, market acreage prices, and estimated discounted future net cash flows from the properties. Estimated discounted future net cash flows are based on discounted future net revenues associated with probable and possible reserves, risk adjusted as appropriate. Where it is not practicable to individually assess the amount of impairment of properties for which costs are not individually significant, such properties are grouped for purposes of assessing impairment. The amount of impairment assessed is added to the costs to be amortized, or is reported as a period expense, as appropriate.

The Company performs a ceiling test each quarter on a country-by-country basis under the full cost method of accounting. The ceiling test is a limitation on capitalized costs prescribed by SEC Regulation S-X Rule 4-10. The ceiling test is not a fair value based measurement. Rather, it is a standardized mathematical calculation. The ceiling test provides that capitalized costs less related accumulated depletion and deferred income taxes for each cost center may not exceed the sum of (1) the present value of future net revenue from estimated production of proved oil and

natural gas reserves using current prices, excluding the future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, at a discount factor of 10%; plus

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(2) the cost of properties not being amortized, if any; plus (3) the lower of cost or estimated fair value of unproved properties included in the costs being amortized, if any; less (4) income tax effects related to differences in the book and tax basis of oil and natural gas properties. Should the net capitalized costs for a cost center exceed the sum of the components noted above, a ceiling test write-down would be recognized to the extent of the excess capitalized costs.

At June 30, 2014, Forest recorded a $77.2 million ceiling test write-down of its United States cost center. This ceiling test write-down was primarily a result of (i) a reduction in the estimated reserves attributable to a portion of Forest s proved undeveloped locations in the Eagle Ford and (ii) a reduction in the total number of proved undeveloped locations in the Eagle Ford to properly align the number of future drilling locations with Forest s current development pace relative to the SEC five year limitation on the age of proved undeveloped locations. Additional ceiling test write-downs may be required in future periods if, among other things, the unweighted arithmetic average of the first-day-of-the-month oil, natural gas, or NGL prices used in the calculation of the present value of future net revenues from estimated production of proved oil and natural gas reserves declines compared to prices used as of June 30, 2014, unproved properties are impaired, estimated proved reserve volumes are revised downward, or costs incurred in exploration, development, or acquisition activities exceed the discounted future net cash flows from the additional reserves, if any, attributable to the cost center.

Gain or loss is not recognized on the sale of oil and natural gas properties unless the sale significantly alters the relationship between capitalized costs and estimated proved oil and natural gas reserves attributable to a cost center. A significant alteration would not ordinarily be expected to occur for sales involving less than 25% of the reserve quantities of a given cost center.

Depletion of proved oil and natural gas properties is computed on the units-of-production method, whereby capitalized costs, as adjusted for future development costs and asset retirement obligations, are amortized over the total estimated proved reserves. The Company uses its quarter-end reserves estimates to calculate depletion for the current quarter.

Divestitures

Texas Panhandle

In October 2013, Forest entered into an agreement to sell all of its oil and natural gas properties located in the Texas Panhandle for $1.0 billion in cash. This divestiture closed on November 25, 2013 and Forest has received proceeds of $985.3 million through June 2014, with the purchase price having been adjusted to, among other things, reflect an economic effective date of October 1, 2013. The proceeds received include $20.2 million that Forest received in May 2014 from the final settlement of the escrow account that had been established for this transaction. Forest used a portion of the Panhandle divestiture proceeds to repay the balance outstanding at the time of the closing on its credit facility and to redeem $700.0 million aggregate principal amount of its 7 ¼% senior notes due 2019 and 7 ½% senior notes due 2020 in November 2013.

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In connection with the Panhandle divestiture, Forest incurred exit costs consisting of $4.7 million of one-time employee termination benefits and $8.1 million of other associated costs. No further significant exit costs are expected to be incurred for this divestiture. A reconciliation of the beginning and ending liability balances for these exit costs for the six months ended June 30, 2014 is set forth in the table below.

	One-Time Employee Termination Benefits	Other Associated Costs[1]	Total
		(In Thousands)	
Liability balance as of December 31, 2013	$ 1,095	$ 5,840	$ 6,935
Costs incurred[2]	687	116	803
Costs paid	(1,782)	(5,840)	(7,622)
Liability balance as of June 30, 2014[3]	$	$ 116	$ 116

(1) Other associated costs consist of financial advisor fees and retention bonuses paid to certain employees.

(2) Of the $.8 million costs incurred during the six months ended June 30, 2014, (i) $.7 million was recognized as an expense in General and administrative expense, $.5 million during the quarter ended March 31, 2014 and $.1 million during the quarter ended June 30, 2014, and (ii) $.1 million was recognized as an expense in Other, net during the quarter ended June 30, 2014. During the year ended December 31, 2013, $12.0 million of costs were incurred, with (i) $5.0 million recognized as an expense in General and administrative expense, (ii) $5.8 million recognized as an expense in Other, net , and (iii) $1.1 million capitalized in Oil and natural gas properties pursuant to the full cost method of accounting.

(3) The June 30, 2014 estimated liability balance is included in Accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheet, and Forest expects it will be paid in the third quarter of 2014.

The proved reserves associated with the Panhandle divestiture represented more than 25% of Forest s total proved reserves at the time the divestiture closed. Forest concluded that accounting for the divestiture as an adjustment of capitalized costs would significantly alter the relationship between capitalized costs and proved reserves. Therefore, a gain was recognized on the divestiture. The net gain recognized on the divestiture for the year ended December 31, 2013 was $193.0 million. Net gains of $19.0 million and $18.2 million were recognized on the divestiture for the three and six months ended June 30, 2014, respectively, as customary post-closing purchase price adjustments were made and additional proceeds were received. These gains are included in Other, net in the Condensed Consolidated Statements of Operations.

South Texas

In January 2013, Forest entered into an agreement to sell all of its oil and natural gas properties located in South Texas, excluding its Eagle Ford oil properties, for $325.0 million in cash. This transaction closed on February 15, 2013, and Forest has received proceeds of $320.9 million, after customary purchase price adjustments. Forest used the proceeds from this divestiture to redeem the remaining $300.0 million of its 8 ½% senior notes due 2014. In connection with this divestiture, Forest incurred one-time employee termination benefit costs of $7.5 million ($5.7 million net of capitalization), which are included in General and administrative expense in the Condensed Consolidated Statement of Operations for the six months ended June 30, 2013 and were paid in full during 2013.

South Africa

In December 2012, Forest entered into an agreement with a third-party to sell its South African subsidiary which holds a production right related to Block 2A in South Africa. Following approval of the sale by the government of South Africa, the sale closed and Forest received a payment of $1.0 million during the three months ended June 30, 2014. This sale completes Forest s exit from South Africa, though certain regulatory matters are delaying transfer of physical possession of the subsidiary s shares to the purchaser. As a result of this

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closing, Forest recorded a net gain of $3.2 million in other income within the Other, net line item in the Condensed Consolidated Statement of Operations. Forest may receive future payments depending on the purchaser s success in obtaining natural gas sales contracts and commencing development operations.

Acquisition and Development Agreement

In April 2013, Forest entered into an Acquisition and Development Agreement (ADA) with a third-party for the future development of Forest s Eagle Ford acreage in Gonzales County, Texas. Under the terms of the ADA, the third-party will pay a $90.0 million drilling carry in the form of future drilling and completion services and related development capital in exchange for a 50% working interest in Forest s Eagle Ford acreage position. Upon completion of the phased contribution of the drilling carry, Forest and the third-party will participate in future drilling on a 50/50 basis. The ADA applies to wells spud on or subsequent to November 28, 2012, none of which had been placed on production prior to April 1, 2013, and Forest retained all of its interests in wells that were spud prior to November 28, 2012 and production from those wells. Forest is the operator of the drilling program. As of June 30, 2014, Forest had realized $70.4 million of the drilling carry.

Asset Retirement Obligations

Forest records the fair value of a liability for an asset retirement obligation in the period in which it is incurred with a corresponding increase in the carrying amount of the related long-lived asset. Subsequent to initial measurement, the asset retirement obligation is required to be accreted each period to its present value. Capitalized costs are depleted as a component of the full cost pool using the units-of-production method. Forest s asset retirement obligations consist of costs related to the plugging of wells, the removal of facilities and equipment, and site restoration on oil and natural gas properties.

(6) INCOME TAXES

The significant differences between Forest s blended federal and state statutory income tax rate of 36% and its effective income tax rates of .1% and 1.2% for the three and six months ended June 30, 2014, respectively, and (.6)% and (.4)% for the three and six months ended June 30, 2013, respectively, were primarily due to changes in the valuation allowance on Forest s deferred tax assets.

In assessing the need for a valuation allowance, Forest considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. In making this assessment, Forest considers the scheduled reversal of deferred tax liabilities, available taxes in carryback periods, tax planning strategies, and projected future taxable income. If the ultimate realization of deferred tax assets is dependent upon future book income, assessing the need for, or the sufficiency of, a valuation allowance requires the evaluation of all available evidence, both negative and positive, as to whether it is more likely than not that a deferred tax asset will be realized.

Negative evidence considered by Forest included a three-year cumulative book loss driven primarily by the ceiling test write-downs. Positive evidence considered by Forest included forecasted book income in future periods based on expected future oil, natural gas, and NGL production and expected commodity prices based on NYMEX oil and natural gas futures. Based upon the evaluation of what was determined to be relevant evidence, Forest has recorded a valuation allowance against its deferred tax assets.

As of December 31, 2013, Forest had a non-current income tax receivable of $20.7 million, which was included in Other assets . During the three months ended March 31, 2014, Forest received a refund of $6.6 million, including interest income of $.7 million, and during the three months ended June 30, 2014, Forest received a refund of $15.8

million, including interest income of $.3 million, for a total refund received during the six months ended June 30, 2014 of $22.3 million, including $1.0 million of interest income. Credits to current income tax expense of $.6 million and $.1 million were recorded for the three months ended March 31, 2014 and June 30, 2014, respectively, as a result of these refunds.

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(7) FAIR VALUE MEASUREMENTS

Forest s assets and liabilities measured at fair value on a recurring basis at June 30, 2014 and December 31, 2013 are set forth in the table below.

	June 30, 2014	December 31, 2013
	Using Significant Other Observable Inputs (Level 2)[1]	
	(In Thousands)	
Assets:		
Derivative instruments[2]:		
Commodity	$ 758	$ 5,592
Liabilities:		
Derivative instruments[2]:		
Commodity	$ 15,443	$ 4,542

(1) The authoritative accounting guidance regarding fair value measurements for assets and liabilities measured at fair value establishes a three-tier fair value hierarchy, which prioritizes the inputs used to measure fair value. These tiers consist of: Level 1, defined as unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for use when relevant observable inputs are not available. There were no transfers between levels of the fair value hierarchy during the three and six months ended June 30, 2014. Forest s policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period in which the event or change in circumstances caused the transfer.

(2) Forest s currently outstanding derivative assets and liabilities include commodity derivatives (see Note 8 for more information on these instruments). Forest utilizes present value techniques and option-pricing models for valuing its derivatives. Inputs to these valuation techniques include published forward prices, volatilities, and credit risk considerations, including the incorporation of published interest rates and credit spreads. All of the significant inputs are observable, either directly or indirectly; therefore, Forest s derivative instruments are included within the Level 2 fair value hierarchy.

The fair values and carrying amounts of Forest s financial instruments are summarized below as of the dates indicated.

	June 30, 2014			
			Fair Value Measurements	
	Carrying Amount	Total Fair Value[1]	Using Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Using Significant Other Observable Inputs (Level 2)

		(In Thousands)		
Assets:				
Derivative instruments	$ 758	$ 758	$	$ 758
Liabilities:				
Derivative instruments	15,443	15,443		15,443
7 ¼% senior notes due 2019	578,076	572,499	572,499	
7 ½% senior notes due 2020	222,087	221,116	221,116	

(1) Forest used various assumptions and methods in estimating the fair values of its financial instruments. The fair values of the senior notes were estimated based on quoted market prices. The methods used to determine the fair values of the derivative instruments are discussed above. See also Note 8 for more information on the derivative instruments.

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	December 31, 2013			
	Carrying Amount	Total Fair Value[1]	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Using Significant Other Observable Inputs (Level 2)
	(In Thousands)			
Assets:				
Derivative instruments	$ 5,592	$ 5,592	$	$ 5,592
Liabilities:				
Derivative instruments	4,542	4,542		4,542
7 ¼% senior notes due 2019	578,092	568,147	568,147	
7 ½% senior notes due 2020	222,087	224,030	224,030	

(1) Forest used various assumptions and methods in estimating the fair values of its financial instruments. The fair values of the senior notes were estimated based on quoted market prices. The methods used to determine the fair values of the derivative instruments are discussed above. See also Note 8 for more information on the derivative instruments.

(8) DERIVATIVE INSTRUMENTS

Commodity Derivatives

Forest periodically enters into commodity derivative instruments in order to moderate the effects of wide fluctuations in commodity prices on Forest s cash flow and to manage its exposure to commodity price risk. Forest s commodity derivative instruments generally serve as effective economic hedges of commodity price exposure; however, Forest has elected not to designate its derivatives as hedging instruments for accounting purposes. As such, Forest recognizes all changes in fair value of its derivative instruments as unrealized gains or losses on derivative instruments in the line item Realized and unrealized losses (gains) on derivative instruments, net in the Condensed Consolidated Statement of Operations.

The table below sets forth Forest s outstanding commodity swaps as of June 30, 2014.

	Commodity Swaps			
	Natural Gas (NYMEX HH)		Oil (NYMEX WTI)	
Remaining Swap Term	Bbtu Per Day	Weighted Average Hedged Price per MMBtu	Barrels Per Day	Weighted Average Hedged Price per Bbl
July 2014 December 2014	70	$ 4.38	3,500	$ 95.34
Calendar 2015	50	4.21	1,000	89.25

The table below sets forth Forest s outstanding commodity collars as of June 30, 2014.

Commodity Collars

Collar Term		Natural Gas (NYMEX HH) Bbtu Per Day	Natural Gas (NYMEX HH) Hedged Floor and Ceiling Price per MMBtu
January 2015	March 2015	20	$ 4.50/5.31
Calendar 2015		10	4.10/4.30

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In connection with several of its natural gas and oil swaps, Forest granted option instruments (swaptions and puts) to the swap counterparties in exchange for Forest receiving premium hedged prices on the natural gas and oil swaps. Under the terms of the swaption agreements, the counterparties have the option to enter into future swaps with Forest. The swaptions may not be exercised until their expiration dates. Under the terms of the put agreements, the counterparties have the option to put specified quantities of oil to Forest at specified prices. The puts may be exercised monthly by the counterparties. The table below sets forth the outstanding options as of June 30, 2014.

		Commodity Options			
		Natural Gas (NYMEX HH)		Oil (NYMEX WTI)	
Underlying Term	Option Expiration	Underlying Bbtu Per Day	Underlying Hedged Price per MMBtu	Underlying Barrels Per Day	Underlying Hedged Price per Bbl
Natural Gas Swaptions:					
Calendar 2016	December 2014	10	$ 4.18		$
Oil Swaptions:					
Calendar 2015	December 2014			3,000	100.00
Calendar 2015	December 2014			1,000	106.00
Calendar 2015	December 2014			1,000	99.00
Calendar 2016	December 2015			1,000	98.00
Oil Put Options:					
Monthly Calendar 2014	Monthly Calendar 2014			2,000	70.00

Fair Value and Gains and Losses

The table below summarizes the location and fair value amounts of Forest s derivative instruments reported in the Condensed Consolidated Balance Sheets as of the dates indicated. These derivative instruments are not designated as hedging instruments for accounting purposes. For financial reporting purposes, Forest does not offset asset and liability fair value amounts recognized for derivative instruments with the same counterparty under its master netting arrangements. See *Credit Risk* below for more information regarding Forest s master netting arrangements and gross and net presentation of derivative instruments. See also Note 7 for more information on the fair values of Forest s derivative instruments.

	June 30, 2014	December 31, 2013
	(In Thousands)	
Current assets:		
Derivative instruments:		
Commodity	$ 395	$ 5,192
Long-term assets:		
Derivative instruments:		
Commodity	$ 363	$ 400
Current liabilities:		
Derivative instruments:		

Commodity	$ 13,503	$ 4,542
Long-term liabilities:		
Derivative instruments:		
Commodity	$ 1,940	$

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The table below summarizes the amount of derivative instrument gains and losses reported in the Condensed Consolidated Statements of Operations as realized and unrealized losses (gains) on derivative instruments, net, for the periods indicated. Realized gains and losses represent cash settlements on derivative instruments and unrealized gains and losses represent changes in the fair value of derivative instruments. These derivative instruments are not designated as hedging instruments for accounting purposes.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In Thousands)			
Commodity derivatives:				
Realized losses (gains)	$ 4,296	$ 1,106	$ 8,756	$ (8,543)
Unrealized losses (gains)	7,345	(32,823)	15,736	2,338
Interest rate derivatives:				
Realized gains		(9,803)		(12,885)
Unrealized losses		9,910		13,060
Realized and unrealized losses (gains) on derivative instruments, net	$ 11,641	$ (31,610)	$ 24,492	$ (6,030)

Due to the volatility of oil and natural gas prices, the estimated fair values of Forest s commodity derivative instruments are subject to large fluctuations from period to period. Forest has experienced the effects of these commodity price fluctuations and expects that volatility in commodity prices will continue.

Credit Risk

Forest executes with each of its derivative counterparties an International Swap and Derivatives Association, Inc. (ISDA) Master Agreement, which is a standard industry form contract containing general terms and conditions applicable to many types of derivative transactions. Additionally, Forest executes, with each of its derivative counterparties, a Schedule, which modifies the terms and conditions of the ISDA Master Agreement according to the parties requirements and the specific types of derivatives to be transacted. As of June 30, 2014, all but one of Forest s derivative counterparties are lenders, or affiliates of lenders, under the Credit Facility. The terms of the Credit Facility provide that any security granted by Forest thereunder shall also extend to and be available to those lenders that are counterparties to derivative transactions. None of these counterparties requires collateral beyond that already pledged under the Credit Facility. The remaining counterparty, a purchaser of Forest s natural gas production, generally owes money to Forest and therefore does not require collateral under the ISDA Master Agreement and Schedule it has executed with Forest.

The ISDA Master Agreements and Schedules contain cross-default provisions whereby a default under the Credit Facility will also cause a default under the derivative agreements. Such events of default include non-payment, breach of warranty, non-performance of the financial covenant, default on other indebtedness, certain pension plan events, certain adverse judgments, change of control events, and a failure of the liens securing the Credit Facility. In addition, bankruptcy and insolvency events with respect to Forest or certain of its U.S. subsidiaries will result in an automatic acceleration of the indebtedness under the Credit Facility. None of these events of default is specifically credit-related, but some could arise if there were a general deterioration of Forest s credit. The ISDA Master Agreements and

Schedules contain a further credit-related termination event that would occur if Forest were to merge with another entity and the creditworthiness of the resulting entity was materially weaker than that of Forest.

The majority of Forest s derivative counterparties are financial institutions that are engaged in similar activities and have similar economic characteristics that, in general, could cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Forest does not require the posting of collateral for its benefit under its derivative agreements. However, the ISDA Master Agreements and

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Schedules generally contain netting provisions whereby if on any date amounts would otherwise be payable by each party to the other, then on such date, the party that owes the larger amount will pay the excess of that amount over the smaller amount owed by the other party, thus satisfying each party s obligations. These provisions generally apply to all derivative transactions, or all derivative transactions of the same type (e.g., commodity, interest rate, etc.), with the particular counterparty. If all counterparties failed, Forest would be exposed to a risk of loss equal to this net amount owed to Forest, the fair value of which was $.1 million at June 30, 2014. If Forest suffered an event of default, each counterparty could demand immediate payment, subject to notification periods, of the net obligations due to it under the derivative agreements. At June 30, 2014, Forest owed a net derivative liability to its counterparties, the fair value of which was $14.8 million. In the absence of netting provisions, at June 30, 2014, Forest would be exposed to a risk of loss of $.8 million under its derivative agreements, and Forest s derivative counterparties would be exposed to a risk of loss of $15.4 million.

For financial reporting purposes, Forest has elected not to offset asset and liability fair value amounts recognized for derivative instruments with the same counterparty under its master netting arrangements, although such derivative instruments are subject to enforceable master netting arrangements. The following tables disclose information regarding the potential effect of netting arrangements on Forest s Condensed Consolidated Balance Sheets as of the dates indicated.

	Derivative Assets	
	June 30, 2014	December 31, 2013
	(In Thousands)	
Gross amounts of recognized assets	$ 758	$ 5,592
Gross amounts offset in the balance sheet		
Net amounts of assets presented in the balance sheet	758	5,592
Gross amounts not offset in the balance sheet:		
Derivative instruments	(641)	(1,049)
Cash collateral received		
Net amount	$ 117	$ 4,543

	Derivative Liabilities	
	June 30, 2014	December 31, 2013
	(In Thousands)	
Gross amounts of recognized liabilities	$ 15,443	$ 4,542
Gross amounts offset in the balance sheet		
Net amounts of liabilities presented in the balance sheet	15,443	4,542
Gross amounts not offset in the balance sheet:		
Derivative instruments	(641)	(1,049)
Cash collateral pledged		
Net amount	$ 14,802	$ 3,493

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was enacted, which included derivatives reform as part of a broader financial regulatory reform. Congress delegated many of the details of the Dodd-Frank Act to federal regulatory agencies. Forest currently expects that the Dodd-Frank Act and related rules will have little impact on its existing derivative transactions under its outstanding ISDA Master Agreements and Schedules. However, the legislation could have a substantial impact on Forest s counterparties and increase the cost of Forest s derivative agreements in the future.

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(9) COSTS, EXPENSES, AND OTHER

The table below sets forth the components of Other, net in the Condensed Consolidated Statements of Operations for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In Thousands)			
Accretion of asset retirement obligations	$ 381	$ 549	$ 894	$ 1,793
Write-off of debt issuance costs			3,323	
Loss on debt extinguishment				25,223
Gain on asset dispositions, net	(22,185)		(21,391)	
Merger-related costs	10,202		10,202	
Rig stacking/lease termination	3,075	1,258	8,259	4,296
Other, net	(775)	(214)	(1,941)	(899)
	$ (9,302)	$ 1,593	$ (654)	$ 30,413

Accretion of Asset Retirement Obligations

Accretion of asset retirement obligations is the expense recognized to increase the carrying amount of the liability associated with Forest s asset retirement obligations as a result of the passage of time. Forest s asset retirement obligations consist of costs related to the plugging of wells, the removal of facilities and equipment, and site restoration on oil and natural gas properties.

Write-off of Debt Issuance Costs

On March 31, 2014 Forest entered into the Second Amendment to the Credit Facility, which was effective as of that date. The Second Amendment reduced aggregate lender commitments from $1.5 billion to $500.0 million, necessitating a proportionate write-off of $3.3 million in unamortized debt issuance costs associated with the Credit Facility prior to the Second Amendment.

Loss on Debt Extinguishment

In March 2013, Forest redeemed $300.0 million in principal amount of 8 ½% senior notes at 107.11% of par, recognizing a loss of $25.2 million upon redemption due to the $21.3 million call premium and write-off of $3.9 million of unamortized debt issuance costs and discount.

Gain on Asset Dispositions, Net

In October 2013, Forest entered into an agreement to sell all of its oil and natural gas properties located in the Texas Panhandle for $1.0 billion in cash. This divestiture closed in November 2013 and Forest has received proceeds of $985.3 million through June 2014, after customary purchase price adjustments. Net gains of $19.0 million and $18.2 million were recognized on the divestiture for the three and six months ended June 30, 2014, respectively, as customary post-closing purchase price adjustments were made and additional proceeds were received, including the

$20.2 million received in May 2014. Also included in the gain on asset disposition line item is a $3.2 million gain recognized on the sale of Forest s South African subsidiary. See Note 5 for more information on these divestitures.

Merger-Related Costs

In connection with the pending merger with Sabine, Forest has incurred expenses that are comprised primarily of legal and financial advisor costs. See Note 1 for more information on the pending merger.

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Rig Stacking/Lease Termination

Rig stacking comprises the expenses incurred to operate and maintain drilling rigs, which Forest has historically leased under operating leases, that were not being utilized on capital projects. Rig stacking expenses for the three and six months ended June 30, 2014 were $1.6 million and $4.4 million, respectively. Rig stacking expenses for the three and six months ended June 30, 2013 were $1.3 million and $4.3 million, respectively.

During the three months ended March 31, 2014, Forest terminated the operating leases on seven drilling rigs and during the three months ended June 30, 2014, Forest terminated the operating leases on two additional drilling rigs. In connection with these lease terminations, Forest recognized expense of $1.4 million and $3.9 million during the three and six months ended June 30, 2014, respectively.

As of June 30, 2014, Forest has six rigs remaining under non-cancelable operating leases which are scheduled to terminate in September 2014. Lease payments under the remaining operating leases are $.4 million per month.

(10) COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is a term used to refer to net earnings (loss) plus other comprehensive income (loss). Other comprehensive income (loss) is comprised of revenues, expenses, gains, and losses that, under generally accepted accounting principles, are reported as separate components of shareholders equity instead of net earnings (loss). Forest s other comprehensive income during the three and six months ended June 30, 2014 consists of actuarial losses reclassified from accumulated other comprehensive loss and included in net periodic benefit cost, which is included in the line item General and administrative in the Condensed Consolidated Statements of Operations.

The components of other comprehensive income, both before-tax and net-of-tax, for the three and six months ended June 30, 2014 are as follows:

	Before-Tax	Tax (Expense) / Benefit[1] (In Thousands)	Net-of-Tax
Three Months Ended June 30, 2014:			
Defined benefit postretirement plans			
Actuarial losses reclassified from accumulated other comprehensive loss and included in net periodic benefit cost	$ 174	$	$ 174
Other comprehensive income	$ 174	$	$ 174
Six Months Ended June 30, 2014:			
Defined benefit postretirement plans			
Actuarial losses reclassified from accumulated other comprehensive loss and included in net periodic benefit cost	$ 347	$	$ 347
Other comprehensive income	$ 347	$	$ 347

(1) Tax expense is offset by an equal decrease in the valuation allowance.

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The change in the accumulated balance of other comprehensive loss during the six months ended June 30, 2014 is as follows:

	Accumulated Other Comprehensive Loss[1] (In Thousands)
Defined benefit postretirement plans	
Balance at December 31, 2013	$ (10,398)
Amounts reclassified from accumulated other comprehensive loss	347
Other comprehensive income	347
Balance at June 30, 2014	$ (10,051)

(1) All amounts are net of tax.

(11) RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). ASU 2014-09 is the result of a joint project with the International Accounting Standards Board intended to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. generally accepted accounting principles and International Financial Reporting Standards. The guidance is expected to enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Entities must adopt ASU 2014-09 using either a full retrospective approach or a modified retrospective approach with a cumulative effect of adoption recognized in the opening balance of retained earnings at the date of adoption. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. Forest has not yet determined the effect that adoption of ASU 2014-09 will have on its financial statements, nor has Forest determined which transition method it will use upon adoption.

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08). ASU 2014-08 changes the requirements for reporting discontinued operations and requires expanded disclosures for discontinued operations and individually significant components of an entity that either have been disposed of or are classified as held for sale, but do not qualify for discontinued operations reporting. Only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity s operations and financial results will be reported as discontinued operations in the financial statements. ASU 2014-08 is effective for annual periods, and interim periods within those years, beginning on or after December 15, 2014 and is applied prospectively. Early

adoption is permitted, but only for disposals or classifications as held for sale that have not been reported in financial statements previously issued or available for issuance. Forest adopted ASU 2014-08 during the quarter ended March 31, 2014 and there was no impact to its consolidated financial statements.

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GLOSSARY OF OIL AND NATURAL GAS TERMS

The terms defined in this section are used throughout this Annex B. Certain definitions, including the definitions of proved reserves, proved developed reserves, and proved undeveloped reserves, have been abbreviated from the applicable definitions contained in Rule 4-10(a) of Regulation S-X under the Securities Exchange Act of 1934.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, of crude oil or liquid hydrocarbons.

Bcf. Billion cubic feet of natural gas.

Bcfe. Billion cubic feet equivalent, determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate, or natural gas liquids.

Bbtu. One billion British Thermal Units.

Btu. A British Thermal Unit, or the amount of heat necessary to raise the temperature of one pound of water one degree Fahrenheit.

Condensate. A mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface temperature and pressure.

Developed acreage. Acreage that is held by producing wells or wells capable of production.

Development well. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry hole; dry well. A well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well. Also referred to as a non-productive well.

Equivalent volumes. Equivalent volumes are computed with oil and natural gas liquid quantities converted to Mcf on an energy equivalent ratio of one barrel to six Mcf.

Exploratory well. A well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well.

Farmout. An assignment of an interest in a drilling location and related acreage conditional upon the drilling of a well on that location or the undertaking of other work obligations.

Field. An area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

Full cost pool. The full cost pool consists of all costs associated with property acquisition, exploration, and development activities for a company using the full cost method of accounting. Additionally, any internal costs that can be directly identified with acquisition, exploration, and development activities are included. Any costs related to production, general and administrative expense, or similar activities are not included.

Gross acres or gross wells. The total acres or wells, as the case may be, in which a working interest is owned.

HH or Henry Hub. Henry Hub is the major exchange for pricing natural gas futures on the NYMEX.

Hydraulic fracturing. A process used to stimulate production of hydrocarbons. The process involves the injection of water, sand, and chemicals under pressure into the formation to fracture the surrounding rock and stimulate production.

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Lease operating expenses. The expenses of lifting oil or gas from a producing formation to the surface, constituting part of the current operating expenses of a working interest, and also including labor, superintendence, supplies, repairs, short-lived assets, maintenance, allocated overhead costs, and other expenses incidental to production, but not including lease acquisition or drilling or completion expenses.

Liquids. Oil, condensate, and natural gas liquids.

MBbls. Thousand barrels of crude oil or other liquid hydrocarbons.

MBoe. Thousand barrels of crude oil equivalent determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate, or natural gas liquids.

Mcf. Thousand cubic feet of natural gas.

Mcfe. Thousand cubic feet equivalent determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate, or natural gas liquids.

MMBtu. One million British Thermal Units.

MMcf. Million cubic feet of natural gas.

MMcfe. Million cubic feet equivalent determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate, or natural gas liquids.

NGL or natural gas liquids. Liquid hydrocarbons found in natural gas which may be extracted as separate components, including ethane, propane, butanes, and natural gasoline.

Net acres or net wells. The sum of the fractional working interest owned in gross acres or gross wells expressed in whole numbers and fractions of whole numbers.

NYMEX. New York Mercantile Exchange.

Productive wells. Producing wells and wells that are mechanically capable of production.

Proved developed reserves. Estimated proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved reserves. Quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the twelve-month period prior to the end of the reporting period, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Proved undeveloped reserves or PUDs. Estimated proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

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Reservoir. A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

Standardized measure or present value of estimated future net revenues. An estimate of the present value of the estimated future net revenues from proved oil and gas reserves at a date indicated after deducting estimated production and property taxes, future capital costs, operating expenses, and estimated future income taxes. The estimated future net revenues are discounted at an annual rate of 10%, in accordance with the SEC s requirements, to determine their present value. The present value is shown to indicate the effect of time on the value of the revenue stream and should not be construed as being the fair market value of the properties. Estimates of future net revenues are made using oil and natural gas prices and operating costs at the estimation date in accordance with the SEC s regulations and are held constant for the life of the reserves.

Undeveloped acreage. Acreage on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or natural gas, regardless of whether such acreage contains proved reserves.

Working interest. An operating interest which gives the owner the right to drill, produce, and conduct operating activities on the property, and to receive a share of production.

WTI or West Texas Intermediate. A grade of crude oil used as a benchmark in oil pricing.

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RISK FACTORS

We are subject to certain risks and hazards due to the nature of the business activities we conduct. The risks discussed below, any of which could materially and adversely affect our business, financial condition, cash flows, and results of operations, are not the only risks we face. We may experience additional risks and uncertainties not currently known to us; or, as a result of developments occurring in the future, conditions that we currently deem to be immaterial may also materially and adversely affect our business, financial condition, cash flows, and results of operations. Except where the context otherwise indicates, references to oil and natural gas in this section include natural gas liquids.

In considering the merger and the other matters described in this document, you should carefully review and consider the following risk factors and the other information contained in this document, including the annexes. See Cautionary Statement Regarding Forward-Looking Statements.

Risks Related to the Transaction Between Forest and Sabine

The pendency of the transaction between Forest and Sabine could materially adversely affect our future business and operations or result in a loss of our respective employees.

Uncertainty about the effect of the transaction on employees, customers, and suppliers may have an adverse effect on Forest s business. These uncertainties may impair our ability to attract, retain, and motivate key personnel until the transaction is consummated and for a period of time thereafter, and could cause customers, suppliers, and others who deal with Forest to change their existing business relationships, which could negatively affect revenues, earnings, and cash flows of Forest, as well as the market price of Forest common shares, regardless of whether the transaction is completed. Employee retention may be particularly challenging during the pendency of the transaction because employees may experience uncertainty about their future roles with the combined company. If, despite Forest s retention efforts, key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company, Forest s business could be seriously harmed. Similar risks could affect Sabine, and therefore the combined company if the transaction is completed.

The transaction with Sabine is subject to conditions, including certain conditions that may not be satisfied on a timely basis, if at all. Failure to complete the transaction, or significant delays in completing the transaction, could negatively affect our share price and our future business and financial results.

The completion of the transaction is subject to a number of conditions, including approval of the issuance of shares to Sabine and an amendment to our certificate of incorporation to increase our outstanding shares, which make the completion and timing of the transaction uncertain. Also, either Forest or Sabine may terminate the agreement if the merger has not been completed on or before December 31, 2014.

If the agreement is terminated, or if there are significant delays in completing the merger, there may be various consequences, including:

- our business may have been adversely affected by the failure to pursue other beneficial opportunities due to the focus of management on the transaction and certain restrictions under the agreement, without realizing any of the anticipated benefits of completing the transaction;

we will have paid certain costs relating to the transaction, such as legal, accounting, financial advisor and printing fees, without realizing any of the anticipated benefits of completing the transaction;

the market price of our common shares might decline to the extent that the current market price reflects a market assumption that the transaction will be completed;

we may experience negative reactions from the financial markets and from our customers and employees and/or could be subject to litigation related to a failure to complete the transaction or to enforce our obligations under the agreement;

we might have to consider future asset dispositions and other transactions;

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if the agreement is terminated under certain circumstances, we may be required to pay a termination fee of $15.0 million to Sabine; and

if our board seeks out another merger or business combination following termination of the agreement, our common shareholders cannot be certain that we will be able to find a party willing to enter into a more or equally favorable arrangement than the terms provided for in the agreement.

The agreement with Sabine includes restrictions relating to the conduct of our business while the transaction is pending, which could adversely affect our business and operations.

Under the terms of the agreement, we are subject to certain restrictions on the conduct of our business prior to completing the transaction, which may adversely affect our ability to execute certain of our business strategies, including, subject to certain exceptions, to acquire or dispose of assets, incur capital expenditures, enter into contracts, incur indebtedness or settle claims and lawsuits, unless we obtain the prior written consent of Sabine. Such limitations could negatively affect our business and operations prior to the completion of the transaction.

The transaction with Sabine, if completed, will result in a default under our credit agreement and will trigger a mandatory repurchase offer under our existing indentures.

The transaction, if completed, will also result in a change of control as defined in our credit agreement. The occurrence of a change of control is an event of default under our credit agreement. If our credit agreement is not refinanced or amended in connection with the transaction with Sabine, the counterparties may exercise their rights and remedies under such credit agreement.

The transaction, if completed, will result in a change of control as defined in our indentures. The occurrence of a change of control triggers an obligation for us to make a change of control offer for the outstanding notes at 101% of their principal amount, plus accrued and unpaid interest to the purchase date pursuant to the terms of the relevant indenture. If, following the occurrence of the change of control, each change of control offer is not made pursuant to the terms of the relevant indenture, the bondholders may exercise their rights and remedies under such indenture to accelerate the notes and all obligations in respect thereof. In addition, we may not be able to repurchase the notes upon a change of control because we may not have sufficient financial resources to purchase all of the debt securities that are tendered upon a change of control and repay other indebtedness that will become due.

Pending litigation against us related to the transaction with Sabine could prevent or delay completion of the merger, require payment of damages in the event that the transaction is completed and/or may adversely affect the combined company s business, financial condition or results of operations following the merger.

Purported shareholder class actions have been filed against, among others, Forest and the members of our board. These actions seek, among other things, an injunction barring or rescinding the merger, and damages in the event the merger is consummated. Although we believe that the claims asserted in the lawsuits are without merit, we can provide no assurance as to the outcome of these claims. An adverse judgment for monetary damages could have a material adverse effect on the operations of Forest after the completion of the transaction. A preliminary injunction could delay or jeopardize the completion of the transaction, and an adverse judgment granting injunctive relief could permanently enjoin the completion of the transaction.

Risks Related to Forest

Oil and natural gas prices are volatile. Declines in commodity prices have adversely affected, and in the future may adversely affect, our results of operations, cash flows, financial condition, access to the capital markets, the economic viability of our reserves, and our ability to reinvest in order to maintain or grow our asset base.

Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to a variety of factors that are beyond our control. Approximately 73% of our estimated proved reserves at December 31, 2013 were natural gas, causing us to be particularly dependent on prices for natural gas. Low commodity prices may mean that it will not be economical to drill or produce oil and natural gas from some of

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our existing properties, and we may be required to curtail, or stop completely, our production activities in those areas. A decline in commodity prices may have numerous effects on our business, including the following:

- impairing our financial condition, liquidity, or ability to fund planned capital expenditures;
- limiting our access to sources of capital, such as equity and debt;
- prohibiting us from developing our current properties, or from growing our asset base; or
- making it more difficult to pay interest and principal on our indebtedness and satisfy our other obligations.

We have substantial indebtedness, and we may incur more debt in the future. Our leverage may materially adversely affect our operations and financial condition.

As of December 31, 2013 and February 19, 2014, we had a principal amount of long-term indebtedness of $800 million.

Our level of debt may have several important effects on our business and operations; among other things, it may:

- require us to use a significant portion of our cash flows to service the obligations, which could limit our flexibility in planning for and reacting to changes in our business, and reduce the amount available to reinvest in order to maintain or grow our asset base;
- adversely affect the credit ratings assigned by third-party rating agencies, which have in the past, and may in the future, downgrade their ratings of our debt and other obligations;
- limit our access to the capital markets;
- increase our borrowing costs, and impact the terms, conditions, and restrictions contained in our debt agreements, including the addition of more restrictive covenants;
- place us at a disadvantage compared to companies in our industry that have less debt and other financial obligations; and
- make us more vulnerable to economic downturns, volatile oil, natural gas, and natural gas liquids prices, and adverse developments in our business.

A higher level of debt increases the risk that we may default on our financial obligations. Our ability to meet our debt obligations and other expenses will depend on our future performance. Our future performance will be affected by oil, natural gas, and natural gas liquids prices, financial, business, domestic, and global economic conditions, governmental regulations and environmental regulations, and other factors, including the mix and quality of our assets and our ability to develop and produce them. Many of these factors are beyond our control.

Over the past few years we have sold a significant amount of developed and undeveloped assets, and used the proceeds to reduce outstanding indebtedness. Despite these efforts, our debt remains relatively high in comparison to our remaining operating cash flows and assets. Our cash flows from our remaining assets may not be sufficient to service our debt and other obligations or to meet the financial or other restrictive covenants contained in our bank credit facility and the indentures governing our outstanding senior notes. As a result, we may be required, if possible, to refinance or restructure the debt, sell additional assets, or sell shares of our common or preferred equity securities all on terms that we do not find attractive. We also may be required to reduce expenses by curtailing operations.

The governing documents of our debt instruments contain covenants and restrictions that require us to meet certain financial tests and place restrictions on the incurrence of additional indebtedness. A failure on our part to comply with the financial and other restrictive covenants contained in our bank credit facility and the indentures governing our outstanding senior notes could result in a default under these agreements. Any default under our bank credit facility or indentures could adversely affect our business and our financial condition and results of operations, and would impact our ability to obtain financing in the future. In addition, if not waived by the relevant lenders, a default could lead to foreclosure of our assets, which in turn could result in bankruptcy.

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We may not be able to obtain funding under our current bank credit facility because of a decrease in our borrowing base or obtain funding in the capital markets on terms we find acceptable.

Historically, we have used our cash flows from operations and borrowings under our bank credit facility to fund our capital expenditures and have relied on the capital markets and asset monetization transactions to provide us with additional capital for large or exceptional transactions or to refinance debt obligations. We currently have a bank credit facility with lender commitments totaling $1.5 billion. The borrowing base is determined by the lenders periodically and is based on the estimated value of our properties using pricing models determined by the lenders at such time. The current borrowing base was set at $400 million in connection with the closing of the sale of our assets in the Texas Panhandle on November 25, 2013. The next scheduled redetermination of the borrowing base will occur on or before May 1, 2014, at which time our borrowing base may be further reduced. Also, under the terms of our bank credit facility, our borrowing base will be immediately decreased by an amount equal to 25% of the stated principal amount of senior notes issued in the future (excluding any senior notes that we may issue to refinance senior notes that were outstanding on June 30, 2011). In the future, we may not be able to access adequate funding under our bank credit facility as a result of (i) a decrease in our borrowing base due to the outcome of a subsequent borrowing base redetermination, or (ii) an unwillingness or inability on the part of our lending counterparties to meet their funding obligations. Since the process for determining the borrowing base under our bank credit facility involves evaluating the estimated value of our oil and natural gas properties using pricing models determined by the lenders at that time, a decline in those prices used, or further downward reductions of our reserves, likely will result in a redetermination of our borrowing base and a decrease in the available borrowing amount at the time of the next scheduled redetermination. In such case, we would be required to repay any indebtedness in excess of the borrowing base.

Volatility in the public and private capital markets may make it more difficult to obtain funding. There is a risk that the cost of obtaining money from the credit markets may increase in the future as lenders and institutional investors may increase interest rates, impose tighter lending standards, refuse to refinance existing debt at maturity on terms similar to existing debt or at all, or reduce or cease to provide any new funding. Due to these factors, we cannot be certain that funding, if needed, will be available to the extent required, or on acceptable terms. If we are unable to access funding when needed on acceptable terms, we may not be able to fully implement our business plans, take advantage of business opportunities, respond to competitive pressures, or refinance our debt obligations as they come due, any of which could have a material adverse effect on our operations and financial results.

Our debt agreements contain restrictive covenants that may limit our ability to respond to changes in market conditions or pursue business opportunities.

Our bank credit facility and the indentures governing our senior notes contain restrictive covenants that limit our ability and the ability of certain of our subsidiaries 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; and

sell assets or merge or consolidate with another company.

Complying with the restrictions contained in some of these covenants will require us to meet certain financial ratios and tests, notably with respect to consolidated interest coverage, total assets, net debt, equity, and net income. For example, our bank credit facility provides that we will not permit our ratio of total debt to EBITDA (as adjusted for non-cash charges) calculated for the preceding four consecutive fiscal quarter period then most recently ended to

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be greater than a specified amount. In September 2013, we amended the facility to increase the permitted ratio to 5.0 to 1.0 for any time after September 11, 2013 up to and including March 31, 2014, and to 4.75 to 1.0 for any time after April 1, 2014 up to and including June 30, 2014. After June 30, 2014, the ratio would have returned to the original 4.5 to 1.0. In March 2014, we again amended the facility to increase the permitted ratio even further. Under the second amendment, Forest shall not permit, as of the last day of any fiscal quarter, the ratio of total debt as of such date to EBITDA to be greater than (i) at the end of any calendar quarters ending on March 31, 2014, June 30, 2014, and September 30, 2014, 5.75 to 1.0, (ii) at the end of the calendar quarter ending December 31, 2014, 5.50 to 1.0, (iii) at the end of the calendar quarter ending March 31, 2015, 5.25 to 1.0, (iv) at the end of the calendar quarter ending June 30, 2015, 5.00 to 1.0, (e) at the end of the calendar quarter ending September 30, 2015, 4.75 to 1.0, and (f) at the end of any calendar quarter ending after September 30, 2015, 4.50 to 1.0.

Our ratio of total debt to EBITDA for the four consecutive fiscal quarter period ending June 30, 2014, as calculated in accordance with our bank credit facility, was 5.07. Based on our current projections, absent an amendment or waiver to the bank credit facility, the ratio of total debt to EBITDA may exceed the maximum allowed sometime prior to the end of 2014. Non-compliance with the terms of our debt covenants or other credit provisions could result in all amounts outstanding under our bank credit facility and, potentially, our indentures, becoming due and payable immediately, and the resultant termination of our bank credit facility. This would result, at a minimum, in the need to slow or cease the incurrence of capital and operational expenditures, which would have a negative impact on our expected production, revenues and, potentially, on our reserves. At worst, it could also result in foreclosure of our assets and potential bankruptcy. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for a more complete discussion of our debt obligations and liquidity.

We are a relatively small company and therefore may not be able to compete effectively.

Compared to many of our competitors in the oil and gas industry, we are a very small company. We face difficulties in competing with larger companies. The costs of doing business in the exploration and production industry, including such costs as those required to explore new oil and natural gas plays, to acquire new acreage, and to develop attractive oil and natural gas projects, are significant. We face intense competition in all areas of our business from companies with greater and more productive assets, substantially larger staffs, and greater financial and operating resources than we have. In addition, legacy costs associated with our relatively long period of existence may result in our operating costs being greater than competitors of similar size. Our limited size has placed us at a disadvantage with respect to funding our operating costs, and means that we are more vulnerable to commodity price volatility and overall industry cycles, are less able to absorb the burden of changes in laws and regulations, and that poor results in any single exploration, development, or production play can have a disproportionately negative impact on us.

We also compete for people, including experienced geologists, geophysicists, engineers, and other professionals. Our limited size has placed us at a disadvantage with respect to attracting and retaining management and other professionals with the technical abilities necessary to successfully operate our business. For instance, since the beginning of 2013 alone, three executive officers resigned their positions with Forest, and Forest s employee resignation rate was 16% per annum versus the historic norm of 10%. Continued difficulty in retaining quality personnel may have a negative impact on our operations.

Our estimates of oil and natural gas reserves involve inherent uncertainty, which could materially affect the quantity and value of our reported reserves and our financial condition.

The proved oil and natural gas reserves information and the related future net revenues information included in this proxy statement represent only estimates, which are prepared by our internal staff of engineers and the majority of which are audited by DeGolyer and MacNaughton, an independent petroleum engineering firm. Estimating quantities

of proved oil and natural gas reserves is a complex, inexact process and depends on a number of interpretations of technical data and various factors and assumptions, including assumptions required by the SEC as to oil, natural gas, and natural gas liquids prices, drilling and operating expenses, capital

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expenditures, taxes, and availability of funds. As a result, these estimates are inherently imprecise. Any significant inaccuracies or changes in our assumptions or changes in operating conditions could cause the estimated quantities and net present value of the estimated reserves to be significantly different.

At December 31, 2013, approximately 34% of our estimated proved reserves (by volume) were undeveloped. Recovery of undeveloped reserves generally requires significant capital expenditures and successful drilling operations. Our reserves estimates include the assumption that we will make significant capital expenditures to develop these undeveloped reserves and the actual costs, development schedule, and results associated with these properties may not be as estimated.

Our estimated proved reserves as of December 31, 2013 were based on a NYMEX HH price of $3.67 per MMBtu for natural gas and a NYMEX WTI price of $97.33 per barrel for oil, each of which represents the unweighted arithmetic average of the first-day-of-the month prices during the twelve-month period prior to December 31, 2013, and an average realization for a barrel of natural gas liquids during that period equal to approximately 31% of the NYMEX WTI price or $29.93. For the year ended December 31, 2012, the comparable prices used to calculate our estimated proved reserves were $2.76 per MMBtu for natural gas, $94.79 per barrel for oil, and an average realization for a barrel of natural gas liquids equal to approximately 36% of the oil price or $33.83. Despite the increase in prices from those used to estimate proved reserves as of December 31, 2012, which resulted in positive reserve revisions of 40 Bcfe during 2013, we revised our estimated proved reserves downward during 2013 by 41 Bcfe due to the reclassification of proved undeveloped reserves (PUDs) to probable undeveloped reserves for PUDs that are not expected to be developed five years from the time the reserves were initially disclosed and by 9 Bcfe due to negative performance revisions. We may be required to make further downward revisions in our proved reserves in the future. You should not assume that any present value of future net cash flows from our estimated proved reserves as set forth in this proxy statement represents the market value of our oil and natural gas reserves.

Lower oil, natural gas, and natural gas liquids prices and other factors have resulted, and in the future may result, in ceiling test write-downs and other impairments of our asset carrying values.

We use the full cost method of accounting to report our oil and natural gas activities. Under this method, we capitalize the cost to acquire, explore for, and develop oil and natural gas properties. Under full cost accounting rules, the net capitalized costs of proved oil and natural gas properties may not exceed a ceiling limit, which is based upon the present value of estimated future net cash flows from proved reserves, discounted at 10%. If net capitalized costs of proved oil and natural gas properties exceed the ceiling limit, we must charge the amount of the excess to earnings. This is called a ceiling test write-down. Under the accounting rules, we are required to perform a ceiling test each quarter. A ceiling test write-down does not impact cash flows from operating activities, but it does reduce our shareholders equity.

Investments in unproved properties also are assessed periodically to ascertain whether impairment has occurred. Unproved properties whose costs are individually significant are assessed individually by considering the primary lease terms of the properties, the holding period of the properties, and geographic and geologic data obtained relating to the properties. The amount of impairment assessed, if any, is added to the costs to be amortized, or is reported as a period expense, as appropriate. If an impairment of unproved properties is added to the costs to be amortized, the amount by which the ceiling limit exceeds the capitalized costs of proved oil and natural gas properties is reduced.

We also assess the carrying amount of goodwill in the second quarter of each year and at other periods when events occur that may indicate an impairment exists. These events include, for example, a decline in our market capitalization relative to our net asset values or other adverse economic or qualitative factors.

The risk that we will be required to write-down the carrying value of our oil and natural gas properties increases when oil, natural gas, and natural gas liquids prices are low. In addition, write-downs may occur if we experience downward adjustments to our estimated proved reserves or our unproved property values, or if estimated future development or operating costs increase. For example, during 2013 we incurred a ceiling test

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write-down of $58 million. Additional write-downs of the United States cost center may be required in subsequent periods if, among other things, the unweighted arithmetic average of the first-day-of-the-month oil, natural gas, and natural gas liquids prices used in the calculation of the present value of future net revenue from estimated production of estimated proved reserves decline compared to prices used as of December 31, 2013, unproved property values are impaired, estimated proved reserve volumes are revised downward, or costs incurred in exploration, development, or acquisition activities exceed the discounted future net cash flows from the additional reserves, if any, attributable to the cost center.

If we are not able to replace reserves, we will not be able to sustain or grow production.

In general, the volume of production from oil and natural gas properties declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. Unless we replace the reserves we produce through successful development, exploration or acquisition, our proved reserves and production will decline over time.

We do not always find commercially productive reserves through our drilling operations. The seismic data and other technologies that we use when drilling wells do not allow us to determine conclusively prior to drilling a well whether oil or natural gas is present or can be produced economically. Moreover, the costs of drilling, completing, and operating wells are often uncertain. Our drilling activities, therefore, may result in the total loss of our investment or a return on investment significantly below expectation.

Much of our undeveloped leasehold acreage is subject to leases that will expire over the next several years unless production is established on units containing the acreage.

Approximately 43% of our net acreage located in the United States is currently undeveloped. Unless production in paying quantities is established on units containing certain of these leases during their terms, the leases will expire. If our leases expire, we will lose our right to develop the related properties. Our drilling plans are subject to change based upon various factors, including drilling results, oil and natural gas prices, cash flow, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, gathering system and pipeline transportation constraints, and regulatory approvals. We cannot be sure that we will be able to maintain all of our leased properties by initiating production. Any such loss of properties could reduce our access to capital and have a negative impact on our operations.

The marketability of our production is dependent upon gathering, transportation, and processing facilities over which we may have no control.

We deliver the majority of our oil and natural gas through gathering facilities that we do not own or operate. As a result, we are subject to the risk that these facilities may be temporarily unavailable due to mechanical reasons or market conditions, or may not be available to us in the future. These issues can result in wells being shut in or in us receiving lower prices for our production. If we experience interruptions or loss of pipeline capacity or access to gathering systems that impact a substantial amount of our production, it could have an adverse impact on our operations and cash flow. We are subject to similar risks with respect to processing facilities and other midstream infrastructure and services.

Drilling is a high-risk activity that could result in substantial losses for us.

Drilling activities are subject to many risks, including well blow-outs, cratering and explosions, pipe failures, fires, uncontrollable flows of oil, natural gas, brine, or well fluids, other environmental hazards, and risks outside of our control, including, among other things, the risk of natural gas leaks, oil spills, pipeline ruptures, and discharges of

toxic gases. Substantial losses may be caused by injury or loss of life, severe damage to or destruction of property, natural resources, and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties, and suspension of operations. We maintain insurance against some, but not all, of the risks described above. Generally, pollution-related environmental risks are not fully insurable. We do not insure against business interruption. We cannot assure that our insurance will be fully adequate to cover other losses or liabilities. Also, we cannot predict the continued availability of insurance at premium levels that justify its purchase.

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Our use of hedging transactions could reduce our cash flow and/or result in reported losses.

We periodically enter into hedging agreements for a portion of our anticipated oil, natural gas, and natural gas liquids production. Our commodity hedging agreements are limited in duration, usually for periods of one year or less; however, we sometimes enter into hedges for longer periods. Should commodity prices increase after we have entered into a hedging transaction, our cash flows will be lower than they would have been without the hedging transaction.

For financial reporting purposes, we do not use hedge accounting, thus we are required to record changes in the fair value of our hedging instruments through our earnings rather than through other comprehensive income, as would be the case had we elected to use hedge accounting. As a consequence, we may report material changes in fair value, or unrealized losses or gains, on our hedging agreements prior to their expiry. The amount of the actual cash settlements, or realized losses or gains, will differ and will be based on the actual prices of the commodities on the settlement dates as compared to the hedged prices contained in the hedging agreements. As a result, our periodic financial results will be subject to fluctuations related to our derivative instruments.

Moreover, our hedging program may be limited due to certain regulatory constraints. The Dodd-Frank Wall Street Reform and Consumer Protection Act, among other things, imposes requirements and oversight on hedging transactions, including clearing and margin requirements under certain circumstances. While certain of the implementing regulations are yet to be finalized by the relevant federal agencies, to the extent that they are applicable to us or our counterparties, we may incur increased costs and cash collateral requirements that could affect our ability to hedge risks associated with our business.

We may incur significant costs related to environmental and other governmental laws and regulations, including those related to hydraulic fracturing, that may materially affect our operations.

Our oil and natural gas operations are subject to various U.S. federal, state, and local laws and regulations, and local and national laws and regulations in Italy and South Africa. Many of the laws and regulations to which our operations are subject include those relating to the protection of the environment. We could incur material costs, including clean-up costs, fines, and civil and criminal sanctions and third-party claims for property damage and personal injury as a result of violations of, or liabilities under, present or future environmental laws and regulations.

We routinely utilize hydraulic fracturing, which is an important and common practice used to stimulate production of hydrocarbons from tight or low-permeability formations. State oil and gas commissions typically regulate the process. However, several federal entities, including the EPA, have also recently asserted potential regulatory authority over hydraulic fracturing. Most notably, the EPA is conducting a comprehensive research study on the potential adverse impacts that hydraulic fracturing may have on water quality and public health. A draft report is expected sometime in 2014. Some states, such as Texas, have adopted, and some states, including others in which we operate, are considering adopting, regulations that could impose more stringent permitting, disclosure, and well construction requirements on hydraulic fracturing operations. Some local governmental bodies have adopted or are considering adopting similar regulations. If new laws or regulations that significantly restrict hydraulic fracturing are adopted, such laws could make it more difficult or costly for us to operate. Restrictions on, or increased costs of, hydraulic fracturing could also reduce the amount of oil and natural gas that we are ultimately able to produce from our reserves.

Recently proposed or finalized rules and guidance imposing more stringent requirements on the oil and gas exploration and production industry could cause us to incur increased capital expenditures and operating costs as well as decrease our levels of production.

Federal, state, and local regulatory developments could adversely impact our operations in a variety of ways, including by causing us to incur increased capital expenditures and costs. For example, on April 17, 2012, the EPA approved final regulations under the Clean Air Act that, among other things, require additional emissions controls for natural gas and natural gas liquids production, including New Source Performance

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Standards to address emissions of sulfur dioxide and volatile organic compounds (VOCs) and a separate set of emission standards to address hazardous air pollutants frequently associated with such production activities. The final regulations require, among other things, the reduction of VOC emissions from natural gas wells through the use of reduced emission completions or green completions on all hydraulically fractured wells constructed or refractured after January 1, 2015. For well completion operations occurring at such well sites before January 1, 2015, the final regulations allow operators to capture and direct flowback emissions to completion combustion devices, such as flares, in lieu of performing green completions. These regulations also establish specific new requirements regarding emissions from dehydrators, storage tanks, and other production equipment. The EPA currently is reconsidering parts of these air rules, with expected finalization in November 2014. Compliance with these requirements could increase our costs of development and production, which costs may be significant.

In addition, federal agencies have recently announced at least two other regulatory initiatives regarding certain aspects of hydraulic fracturing that could further increase our costs to operate and decrease our levels of production. On May 4, 2012, the U.S. Department of the Interior (DOI) announced proposed rules that, if adopted, would require disclosure of chemicals used in hydraulic fracturing activities upon federal and Indian lands and also would strengthen standards for well-bore integrity and the management of fluids that return to the surface during and after fracturing operations on federal and Indian lands. The DOI has not yet finalized these rules. Also on May 4, 2012, the EPA issued draft guidance for federal Safe Drinking Water Act permits issued to oil and natural gas exploration and production operators using diesel during hydraulic fracturing. The EPA has not yet finalized this guidance. The adoption or implementation of these regulatory initiatives could cause us to incur increased expenditures and decrease our levels of production.

The credit risk of financial institutions could adversely affect us.

We have entered into transactions with counterparties in the financial services industry, including commercial banks, insurance companies, and their affiliates. These transactions expose us to credit risk in the event of default of our counterparty, principally with respect to hedging agreements but also insurance contracts and bank lending commitments. Deterioration in the credit markets may impact the credit ratings of our current and potential counterparties and affect their ability to fulfill their existing obligations to us and their willingness to enter into future transactions with us. See Note 9 to the Consolidated Financial Statements included in this Annual Report for a more complete discussion of credit risk with respect to our derivative instruments.

We may not be able to continue as a going concern.

The financial statements included in proxy statement have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. Forest previously disclosed in its unreviewed Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed on August 18, 2014, that by year end 2014 the ratio of its total debt to EBITDA may exceed the maximum allowed under its bank credit facility unless it undertakes certain mitigating actions. Absent such actions, a resultant breach of the financial covenant could cause a default under the Credit Facility, potentially resulting in an acceleration of all amounts outstanding under the Credit Facility as well as our senior unsecured notes due 2019 and 2020. As of September 30, 2014, we had approximately $13 million outstanding under the Credit Facility and $800 million in principal amount outstanding under the notes. Acceleration of debt of this magnitude likely would result in our bankruptcy or other restructuring.

On May 5, 2014, we entered into an Agreement and Plan of Merger with Sabine under which Forest and Sabine are expected to combine their businesses in an all-stock transaction. This agreement was amended on July 9, 2014

primarily to change the structure of the transaction. If the transaction is completed, Forest s credit facility will be terminated before any breach of the covenant occurs. Accordingly, we have elected to defer seeking an amendment or waiver to address a potential breach rather than incurring the expense of doing so at the present time solely to avoid a going concern audit opinion. If, prior to year end, it appears the combination transaction will not be completed, Forest will again evaluate the likelihood of a breach of the financial covenant

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and, based on that evaluation, attempt to undertake mitigating actions with respect to the bank credit facility that it feels are most appropriate. However, there can be no assurance that any particular actions will be available to Forest, or that even if available, Forest will be able to complete them. If the combination transaction is not completed, failure to take appropriate mitigating actions in the event we are in breach of the covenant may have severely negative effects on our financial condition including, potentially, bankruptcy.

If the combination transaction is completed, the new credit facility is expected to contain a total net debt to EBITDA ratio test. Based on current expectations of the results of the combined company, by the end of the first quarter of 2015 the leverage of the combined company may exceed the maximum amount anticipated to be permitted under the new combined credit facility unless certain mitigating actions are taken. The combined company may seek, and the lenders under such facility could provide, for a higher than currently expected maximum leverage or a waiver of the covenant. The combined company also could sell assets prior to the end of the first quarter of 2015 in order to avoid breaching the financial covenant. The combined company may undertake some or all of these actions, if necessary, though there is no assurance it could complete any such actions as each involves factors that are outside its control. There can be no assurance that any particular actions will be available to the combined company, or that even if available, it will be able to complete them. Failure to take appropriate mitigating actions in the event the combined company breaches its covenant may have severely negative effects on its financial condition including, potentially, bankruptcy.

We have identified material weakness in our internal control over financial reporting at December 31, 2013. Our failure to establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements, and our failure to meet our reporting and financial obligations, which in turn could have a negative impact on our financial condition.

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial statements. As more fully disclosed in Controls and Procedures, subsequent to the filing of our Original 10-K, the Public Company Accounting Oversight Board (the PCAOB) conducted an inspection of audits conducted by EY of our internal control over financial reporting as of December 31, 2013, and the financial statements included in the Original 10-K. Following this inspection, EY requested a reevaluation of certain control deficiencies that had been previously identified. In addition, EY and Forest s management conducted additional analyses of other issues relating to Forest s internal controls. We have now concluded that certain material weaknesses existed in Forest s internal control over financial reporting as of December 31, 2013.

Under standards established by the PCAOB, a material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Under the criteria set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework), a material weakness in the design of monitoring controls indicates that we have not sufficiently developed and/or documented (i.e. designed) internal controls by which management can review and oversee (i.e. monitor) our financial information to detect and correct material errors or that the personnel responsible for performing the review did not have the sufficient skill set or knowledge of the subject matter to perform a proper assessment.

We have adopted and partially implemented a plan to remediate the material weaknesses that have been identified. However, we can give no assurance that the measures we take will remediate the material weaknesses or that additional material weaknesses will not arise in the future. Any failure to remediate the material weaknesses, or the development of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements and cause us to fail to meet our reporting and financial obligations, which in

turn could have a negative impact on our financial condition.

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DeGolyer and MacNaughton

5001 Spring Valley Road

Suite 800 East

Dallas, Texas 75244

January 24, 2014

Forest Oil Corporation

707 Seventeenth Street

Suite 3600

Denver, Colorado 80202

Ladies and Gentlemen:

Pursuant to your request, we have conducted a reserves audit of the net proved crude oil, condensate, and natural gas reserves, as of December 31, 2013, of certain properties that Forest Oil Corporation (Forest) has represented it owns. This evaluation was completed on January 24, 2014. The properties appraised consist of working and royalty interests located in Arkansas, Louisiana, and Texas. Forest has represented that these properties account for 87.9 percent on a present worth at 10 percent basis and 82.6 percent on a net equivalent barrel basis of Forest s net proved reserves as of December 31, 2013, and that the net proved reserves estimates have been prepared in accordance with the reserves definitions of Rules 4 10(a) (1) (32) of Regulation S X of the Securities and Exchange Commission (SEC) of the United States. We have reviewed information provided to us by Forest that it represents to be Forest s estimates of the net reserves, as of December 31, 2013, for the same properties as those which we evaluated. This report was prepared in accordance with guidelines specified in Item 1202 (a)(8) of Regulation S-K and is to be used for inclusion in certain SEC filings by Forest.

Reserves included herein are expressed as net reserves as represented by Forest. Gross reserves are defined as the total estimated petroleum to be produced from these properties after December 31, 2013. Net reserves are defined as that portion of the gross reserves attributable to the interests owned by Forest after deducting all interests owned by others.

Estimates of oil, condensate, and natural gas should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Data used in this audit were obtained from reviews with Forest personnel, Forest files, from records on file with the appropriate regulatory agencies, and from public sources. Additionally, this information includes data supplied by IHS Global Inc.; Copyright 2013 IHS Global Inc. In the preparation of this report we have relied, without independent verification, upon such information furnished by Forest with respect to property interests, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. A field examination of the properties was not considered necessary for the purposes of this report.

Methodology and Procedures

Estimates of reserves were prepared by the use of appropriate geologic, petroleum engineering, and evaluation principles and techniques that are in accordance with practices generally recognized by the petroleum industry as presented in the publication of the Society of Petroleum Engineers entitled Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information (Revision as of February 19, 2007). The

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method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

Estimates of ultimate recovery were based on consideration of the type of energy inherent in the reservoirs, analyses of the petroleum, the structural positions of the properties, and the production histories. In such cases, an analysis of reservoir performance, including production rate, reservoir pressure, and gas-oil ratio behavior, was used in the estimation of reserves.

For depletion-type reservoirs or those whose performance disclosed a reliable decline in producing-rate trends or other diagnostic characteristics, reserves were estimated by the application of appropriate decline curves or other performance relationships. In the analyses of production-decline curves, reserves were estimated only to the limits of economic production.

Gas quantities estimated herein are expressed as sales gas. Sales gas is defined as that portion of the total gas to be delivered into a gas pipeline for sale after separation, processing, fuel use, and flare. Gas reserves are expressed at a temperature base of 60 degrees Fahrenheit (°F) and at the legal pressure base of the state in which the interest is located. Condensate reserves estimated herein are those to be recovered by conventional lease separation.

Definition of Reserves

Petroleum reserves estimated by Forest included in this report are classified as proved. Only proved reserves have been evaluated for this report. Reserves classifications used by Forest in this report are in accordance with the reserves definitions of Rules 4 10(a) (1) (32) of Regulation S X of the SEC. Reserves are judged to be economically producible in future years from known reservoirs under existing economic and operating conditions and assuming continuation of current regulatory practices using conventional production methods and equipment. In the analyses of production-decline curves, reserves were estimated only to the limit of economic rates of production under existing economic and operating conditions using prices and costs consistent with the effective date of this report, including consideration of changes in existing prices provided only by contractual arrangements but not including escalations based upon future conditions. The petroleum reserves are classified as follows:

Proved oil and gas reserves Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

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(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Developed oil and gas reserves Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Undeveloped oil and gas reserves Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in [section 210.4 10 (a) Definitions], or by other evidence using reliable technology establishing reasonable certainty.

Primary Economic Assumptions

The following economic assumptions were used for estimating existing and future prices and costs:

Oil, Condensate, and NGL Prices

Forest has represented that the oil, condensate, and NGL prices were based on a reference price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period, unless prices are defined by contractual arrangements. Forest supplied differentials by field to a West Texas Intermediate reference price of $97.33 per barrel and the prices were held constant thereafter. The volume-weighted average price for oil and condensate attributable to estimated proved reserves was $93.83 per barrel. The volume-weighted average price for NGL was $29.93 per barrel.

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Natural Gas Prices

Forest has represented that the natural gas prices were based on a reference price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period, unless prices are defined by contractual arrangements. The gas prices were calculated for each property using differentials to the Henry Hub reference price of $3.67 per million British thermal units (MMBtu) furnished by Forest and held constant thereafter. The volume-weighted average price attributable to estimated proved reserves was $3.40 per thousand cubic feet (Mcf).

Operating Expenses and Capital Costs

Operating expenses and capital costs, based on information provided by Forest, were used in estimating future costs required to operate the properties. In certain cases, future costs, either higher or lower than existing costs, may have been used because of anticipated changes in operating conditions. These costs were not escalated for inflation.

While the oil and gas industry may be subject to regulatory changes from time to time that could affect an industry participant s ability to recover its oil and gas reserves, we are not aware of any such governmental actions which would restrict the recovery of the December 31, 2013, estimated oil and gas reserves. The reserves estimated in this report can be produced under current regulatory guidelines

Forest has represented that its estimated net proved reserves attributable to the reviewed properties are based on the definition of proved reserves of the SEC. Forest represents that its estimates of the net proved reserves attributable to these properties which represent 87.9 percent of Forest s present worth at 10 percent and 82.6 percent of Forest s reserves on a net equivalent basis are as follows, expressed in thousands of barrels (Mbbl), millions of cubic feet (MMcf), and millions of cubic feet of gas equivalent (MMcfe):

	Estimated by Forest Net Proved Reserves as of December 31, 2013			
	Oil and Condensate (Mbbl)	**Natural Gas Liquids (Mbbl)**	**Natural Gas (MMcf)**	**Gas Equivalent (MMcfe)**
Fields Audited by DeGolyer and MacNaughton	16,060	9,109	365,243	516,260
Not Audited by DeGolyer and MacNaughton	614	2,602	89,348	108,644
Total Reserves	**16,674**	**11,711**	**454,591**	**624,904**

Note: Liquids are converted to gas equivalent using a factor of 1 barrel per 6,000 cubic feet of gas. equivalent

In our opinion, the information relating to estimated proved reserves of oil, condensate, natural gas liquids, and gas contained in this report has been prepared in accordance with Paragraphs 932-235-50-4, 932-235-50-6, 932-235-50-7, and 932-235-50-9 of the Accounting Standards Update 932-235-50, *Extractive Industries Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures* (January 2010) of the Financial Accounting Standards Board and Rules 4 10(a) (1) (32) of Regulation S X and Rules 302(b), 1201, 1202(a) (1), (2), (3), (4), (8), and 1203(a) of Regulation S K of the Securities and Exchange Commission; provided, however, that estimates of proved developed and proved undeveloped reserves are not presented at the beginning of the year.

To the extent the above-enumerated rules, regulations, and statements require determinations of an accounting or legal nature, we, as engineers, are necessarily unable to express an opinion as to whether the above-described information is in accordance therewith or sufficient therefor.

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In comparing the detailed net proved reserves estimates prepared by us and by Forest, we have found differences, both positive and negative resulting in an aggregate difference of 2.3 percent when compared on the basis of net equivalent gas basis. It is our opinion that the net proved reserves estimates prepared by Forest on the properties reviewed by us and referred to above do not differ materially from those prepared by us.

DeGolyer and MacNaughton is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world since 1936. DeGolyer and MacNaughton does not have any financial interest, including stock ownership, in Forest. Our fees were not contingent on the results of our evaluation. This letter report has been prepared at the request of Forest. DeGolyer and MacNaughton has used all assumptions, data, procedures, and methods that it considers necessary and appropriate to prepare this report.

Submitted,

/s/ DeGOLYER and MacNAUGHTON

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

/s/ Paul J. Szatkowski, P.E.
Paul J. Szatkowski, P.E.
Senior Vice President
DeGolyer and MacNaughton

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CERTIFICATE of QUALIFICATION

I, Paul J. Szatkowski, Petroleum Engineer with DeGolyer and MacNaughton, 5001 Spring Valley Road, Suite 800 East, Dallas, Texas, 75244 U.S.A., hereby certify:

1. That I am a Senior Vice President with DeGolyer and MacNaughton, which company did prepare the letter report addressed to Forest dated January 24, 2014, and that I, as Senior Vice President, was responsible for the preparation of this report.

2. That I attended Texas A&M University and that I graduated with a Bachelor of Science degree in Petroleum Engineering in the year 1974; that I am a Registered Professional Engineer in the State of Texas; that I am a member of the International Society of Petroleum Engineers and the American Association of Petroleum Geologists; and that I have in excess of 39 years of experience in oil and gas reservoir studies and reserves evaluations.

/s/ Paul J. Szatkowski, P.E.
Paul J. Szatkowski, P.E.
Senior Vice President
DeGolyer and MacNaughton

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Annex C

AMENDED AND RESTATED

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

SABINE INVESTOR HOLDINGS LLC,

SABINE OIL & GAS HOLDINGS LLC,

SABINE OIL & GAS HOLDINGS II LLC,

SABINE OIL & GAS LLC,

FOREST OIL CORPORATION,

AND

FR XI ONSHORE AIV, LLC

Dated as of May 5, 2014

Amended and Restated as of July 9, 2014

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AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER

This **AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER** is dated as of May 5, 2014 (the "Original Execution Date") and amended and restated as of July 9, 2014 (the "Amended Execution Date"), by and among Sabine Investor Holdings LLC, a Delaware limited liability company ("Sabine Investor Holdings"), Sabine Oil & Gas Holdings LLC, a Delaware limited liability company ("Sabine Holdings"), Sabine Oil & Gas Holdings II LLC, a Delaware limited liability company ("SOGH II"), Sabine Oil & Gas LLC, a Delaware limited liability company ("Sabine O&G" and, together with Sabine Investor Holdings, Sabine Holdings and SOGH II, the "Sabine Parties"), Forest Oil Corporation, a New York corporation ("Forest") and FR XI Onshore AIV, LLC, a Delaware limited liability company ("AIV Holdings"). Capitalized terms used and not otherwise defined in this Agreement have the meanings set forth in Article IX.

R E C I T A L S

WHEREAS, the Sabine Parties, Forest, New Forest Oil Inc. ("New Forest"), a Delaware corporation, and Forest Oil Merger Sub Inc., a New York corporation, entered into that certain Agreement and Plan of Merger (the "Original Agreement"), dated as of the Original Execution Date, pursuant to which, Sabine Investor Holdings and Forest agreed to combine their businesses under New Forest;

WHEREAS, the Sabine Parties, AIV Holdings and Forest desire to amend and restate the Original Agreement in the form of this Agreement in order to, among other things, amend the approval required by Forest stockholders to approve the Transactions;

WHEREAS, each of Sabine Investor Holdings and AIV Holdings desires, following the satisfaction or waiver of the conditions set forth in Article VII, to effect a contribution upon the terms and subject to the conditions set forth in this Agreement, whereby (i) Sabine Investor Holdings shall contribute its limited liability company interests in Sabine Holdings (the "Contributed LLC Interests") to Forest (such contribution of the Contributed LLC Interests, the "LLC Interest Contribution") and (ii) AIV Holdings shall contribute all of the issued and outstanding stock in FR NFR Holdings, Inc., a Delaware corporation, and all of the issued and outstanding stock in FR NFR PI, Inc., a Delaware corporation (FR NFR PI, Inc., together with FR NFR Holdings, Inc., the "Contributed Corporations," and all shares in the Contributed Corporations so contributed, the "Contributed Stock Interests") to Forest (such contribution of the Contributed Stock Interests, the "Stock Contribution," and together with the LLC Interest Contribution, the "Contribution"), with Sabine Holdings becoming a wholly owned subsidiary of Forest and the Contributed Corporations becoming direct wholly owned subsidiaries of Forest;

WHEREAS, each of Forest and AIV Holdings desires, following the Contribution, to merge the Contributed Corporations with and into Forest, with Forest as the surviving entity in the mergers (the "Contributed Corporations Mergers");

WHEREAS, each of Forest and Sabine Investor Holdings desires, following the Contributed Corporations Mergers, to merge each of Sabine Holdings, SOGH II and Sabine O&G with and into Forest, with Forest as the surviving entity in each merger (together, the "Sabine Mergers," and together with the Contribution and the Contributed Corporations Mergers, the "Transactions");

WHEREAS, the board of directors of Sabine Investor Holdings has irrevocably approved this Agreement and the transactions contemplated by this Agreement, including the LLC Interest Contribution;

WHEREAS, the sole member of AIV Holdings has irrevocably approved this Agreement and the transactions contemplated by this Agreement, including the Stock Contribution;

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WHEREAS, (a) the board of directors of Sabine O&G has determined the Transactions and the other transactions contemplated by this Agreement are in the best interests of Sabine O&G and its sole member and has unanimously approved this Agreement and the transactions contemplated by this Agreement, including the Sabine Mergers and the other Transactions, and (b) SOGH II, as the sole member of Sabine O&G, has approved and adopted this Agreement and approved the Transactions contemplated hereby, including the Sabine Mergers;

WHEREAS, the members of Sabine Holdings (a) have determined the Transactions and the other transactions contemplated by this Agreement are in the best interests of Sabine Holdings and each of its members and have unanimously approved this Agreement and the transactions contemplated by this Agreement, including the Sabine Mergers and the other Transactions, and (b) have determined, on behalf of Sabine Holdings, in its capacity as the sole member of SOGH II, that the Transactions and the other transactions contemplated by this Agreement are in the best interests of SOGH II and its sole member and have unanimously approved and adopted this Agreement and approved the transactions contemplated by this Agreement, including the Sabine Mergers and the other Transactions;

WHEREAS, the board of directors of Forest (the Forest Board) has determined that the Transactions and the other transactions contemplated by this Agreement are in the best interests of Forest and its stockholders and (a) has approved and declared advisable this Agreement and the transactions contemplated by this Agreement and (b) has determined to recommend that the Forest stockholders approve the issuance of the Sabine Contribution Consideration and the transactions contemplated by this Agreement;

WHEREAS, immediately prior to the execution and delivery of this Agreement, and as a condition and inducement to the willingness of the parties to enter into this Agreement, Sabine Investor Holdings, AIV Holdings and Forest have executed an Amended and Restated Registration Rights Agreement (the Registration Rights Agreement) and an Amended and Restated Stockholder s Agreement (the Stockholder s Agreement), each of which will become effective at the Closing;

WHEREAS, substantially concurrently with the execution of this Agreement, the Forest Board is adopting the stockholder rights plan in the form attached hereto as Exhibit E (the Rights Plan) and declaring a dividend distribution of the junior preferred stock of Forest, par value $0.01 per share (Forest Junior Preferred Stock) related thereto;

WHEREAS, for U.S. federal income tax purposes, the parties intend that (a) the LLC Interest Contribution, the Stock Contribution and the Contributed Corporations Mergers, taken together, qualifies as a transaction described in Section 351(a) of the Internal Revenue Code of 1986, as amended (the Code), (b) either (x) each of the Contributed Corporations Mergers, taken together with the Stock Contribution, qualifies as a reorganization within the meaning of Section 368(a) of the Code or (y) (i) the Stock Contribution, taken together with the LLC Interest Contribution, qualifies as a transaction described in Section 351(a) of the Code and (ii) the Contributed Corporations Mergers qualify as transactions described in Section 332 of the Code, (c) each of the Sabine Mergers be treated as a transaction that is disregarded, and (d) this Agreement constitute a plan of reorganization within the meaning of the Code and the Treasury Regulation § 1.368-2(g);

WHEREAS, each of the parties intends to make certain representations, warranties, covenants and agreements in connection with this Agreement; and

WHEREAS, the parties intend that (a) all references in this Agreement to the date hereof or the date of this Agreement shall refer to the Original Execution Date, and (b) the date on which the representations, warranties and covenants made by any party to this Agreement shall not change as a result of the execution of this Agreement and shall be made as of such dates as they were in the Original Agreement, in each of cases (a) and (b), except as otherwise expressly indicated in this Agreement (including in Sections 3.2 and 4.2).

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NOW, THEREFORE, in consideration of the premises, representations and warranties and mutual covenants contained in this Agreement and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, do hereby agree as follows:

ARTICLE I

THE TRANSACTIONS

1.1 ***The Transactions***.

(a) The Contribution.

(i) Upon the terms and subject to satisfaction or waiver of the conditions set forth in this Agreement, (A) Sabine Investor Holdings shall contribute the Contributed LLC Interests to Forest in exchange for the Contributed LLC Interests Consideration and (B) AIV Holdings shall contribute the Contributed Stock Interests to Forest in exchange for the Contributed Stock Interests Consideration (the shares issued pursuant to clauses (A) and (B), collectively, the Sabine Contribution Consideration), and Forest shall accept such contribution. The date and time the Contribution becomes effective shall be the Effective Time.

(ii) At the Closing, to effect the Contribution, (A) Sabine Investor Holdings and Forest shall execute and deliver an assignment evidencing the contribution, transfer and delivery from Sabine Investor Holdings to Forest of the Contributed LLC Interests, in the form attached as Exhibit B-1 hereto, (B) AIV Holdings and Forest shall execute and deliver an assignment evidencing the contribution, transfer and delivery from AIV Holdings to Forest of the Contributed Stock Interests, in the form attached as Exhibit B-2 hereto and (C) Forest shall deliver to Sabine Investor Holdings and AIV Holdings the Sabine Contribution Consideration, in book entry form, together with an executed certificate of the transfer agent of Forest Series A Senior Preferred Stock, Forest Common Stock and, if applicable, Forest Series B Senior Preferred Stock, certifying as to the book entry issuance thereof and any other evidence of issuance reasonably requested by Sabine Investor Holdings or AIV Holdings, or, if requested by Sabine Investor Holdings or AIV Holdings, certificates of the Forest Senior Preferred Stock or Forest Common Stock representing the Sabine Contribution Consideration.

(iii) Upon consummation of the Contribution, Forest shall be the sole shareholder of each of the Contributed Corporations, and Forest and the Contributed Corporations shall be the sole members of Sabine Holdings.

(iv) If, between the Original Execution Date and the Effective Time, the outstanding shares of Forest Common Stock shall have been changed into a different number of shares or a different class of shares by reason of any stock dividend, subdivision, reorganization, reclassification, recapitalization, stock split, reverse stock split, combination or exchange of shares, or any issuance of shares (other than the Rights) pursuant to the Rights Plan, or any Rights shall have become exercisable pursuant to the Rights Plan, or any similar event shall have occurred, then the Sabine Contribution Consideration shall be equitably adjusted, without duplication, to proportionally reflect such change, but in all events preserving voting rights in the Sabine Contribution Consideration no less favorable to Sabine Investor Holdings and AIV Holdings, collectively, than if such event had not occurred.

(b) The Contributed Corporations Mergers.

(i) On the Closing Date, following the Contribution, (A) Forest and the Contributed Corporations shall execute and deliver, and Forest, as the sole stockholder of each of the Contributed Corporations, will approve and adopt the Agreement and Plan of Merger attached as Exhibit C hereto (the Contributed Corporations Merger Agreement), and

(B) each of the Contributed Corporations shall be merged with and into Forest on the terms set forth in the Contributed Corporations Merger Agreement.

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As a result of the Contributed Corporations Mergers, the separate existence of each of the Contributed Corporations shall cease, and Forest shall continue as the surviving corporation after the Contributed Corporations Mergers (Forest Surviving Corporation).

(ii) As soon as practicable on the Closing Date, the parties shall cause the Contributed Corporations Mergers to be consummated by filing certificates of merger relating to the Contributed Corporations Mergers (the Certificates of Contributed Corporations Mergers) with the Secretary of State of the State of Delaware and the Department of State of the State of New York, in such form as required by, and executed in accordance with the relevant provisions of, the DGCL and the NYBCL. The Contributed Corporations Mergers shall become effective as specified in Section 1.1(b)(i) following the time at which the Certificates of Contributed Corporations Mergers are filed with the Secretary of State of the State of Delaware and the Department of State of the State of New York or at such subsequent time as Sabine Investor Holdings and Forest shall agree and as shall be specified in the Certificates of Contributed Corporations Mergers (the date and time each of the Contributed Corporations Mergers becomes effective being the Contributed Corporations Merger Effective Time).

(iii) At the Contributed Corporations Merger Effective Time, the effect of the Contributed Corporations Merger shall be as provided in the applicable provisions of the DGCL and the NYBCL. Without limiting the generality of the foregoing, at the Contributed Corporations Merger Effective Time, all the property, rights, privileges, powers and franchises of the Contributed Corporations and Forest shall vest in Forest Surviving Corporation, and all debts, liabilities and duties of the Contributed Corporations and Forest shall become the debts, liabilities and duties of Forest Surviving Corporation. Upon the consummation of the Contributed Corporations Mergers, Forest shall be the sole member of the Sabine Holdings.

(c) The Sabine Mergers.

(i) On the Closing Date, following the Contributed Corporations Mergers, Sabine Holdings, SOGH II and Sabine O&G shall be merged with and into Forest. As a result of the Sabine Mergers, the separate existence of Sabine Holdings, SOGH II and Sabine O&G shall cease and Forest shall continue as the surviving corporation after the Sabine Mergers (Sabine-Forest Surviving Corporation).

(ii) As soon as practicable on the Closing Date, the parties shall cause the Sabine Mergers to be consummated by filing certificates of merger relating to the Sabine Mergers (the Certificates of Sabine Mergers) with the Secretary of State of the State of Delaware and the Department of State of the State of New York, in such form as required by, and executed in accordance with the relevant provisions of, the DGCL and NYBCL. The Sabine Mergers shall become effective as specified in Section 1.1(c)(i), following the time at which the Certificates of Sabine Mergers are filed with the Secretary of State of the State of Delaware or the Department of State of the State of New York or at such subsequent time as Sabine Holdings, SOGH II, Sabine O&G and Forest shall agree and as shall be specified in the Certificates of Sabine Mergers (the date and time the Sabine Mergers become effective being the Sabine Mergers Effective Time).

(iii) At the Sabine Mergers Effective Time, the effect of the Sabine Mergers shall be as provided in the applicable provisions of the DGCL and NYBCL. Without limiting the generality of the foregoing, at the Sabine Mergers Effective Time, all the property, rights, privileges, powers and franchises of Sabine Holdings, SOGH II and Sabine O&G shall vest in Sabine-Forest Surviving Corporation, and all debts, liabilities and duties of Sabine Holdings, SOGH II and Sabine O&G shall become the debts, liabilities and duties of Sabine-Forest Surviving Corporation.

1.2 ***Closing***. The closing of the Transactions (the Closing) shall take place at 9:00 a.m. Houston time on the second Business Day after the satisfaction or waiver of the conditions (excluding conditions that, by their nature are to be

satisfied by actions taken at the Closing, but subject to the satisfaction or waiver of those conditions as of the Closing) set forth in Article VII, at the offices of Vinson & Elkins LLP, 1001 Fannin Street,

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Houston, Texas 77002, unless another time, date or place is agreed to in writing by Sabine Investor Holdings and Forest; *provided* that, if the Marketing Period has not ended on or prior to such date, then the Closing shall occur on the later of (i) the Business Day immediately following the final day of the Marketing Period (or such earlier date within the Marketing Period specified by Sabine Investor Holdings on at least two Business Days notice to Forest) and (ii) the date the Closing would have been scheduled to occur pursuant to this paragraph if no effect were given to this proviso, subject, in each of cases (i) and (ii), to the satisfaction or waiver of all of the conditions set forth in Article VII as of the date determined pursuant to this proviso (excluding conditions that, by their nature are to be satisfied by actions taken at the Closing, but subject to the satisfaction or waiver of those conditions as of the Closing). The date upon which the Closing actually occurs is referred to herein as the Closing Date.

1.3 ***Organizational and Governing Documents***. Forest shall take all requisite action to (a) cause the bylaws of Forest (the Forest Bylaws) in effect as of and after the Effective Time (until thereafter amended as provided therein or by applicable Law) to be in the form attached to this Agreement as Exhibit D, except for such changes approved by Forest and Sabine Investor Holdings (such approval not to be unreasonably withheld, conditioned or delayed), (b) to cause the certificate of incorporation of Forest in effect as of and after the Effective Time to be amended to include the amendments set forth in the form of certificate of amendment attached to this Agreement as Exhibit A-1, with the Series A Voting Ratio provided for therein to be determined in accordance with Schedule 1, (c) if the Authorized Share Amendment Approval is obtained at the Forest Stockholder Meeting, to cause the certificate of incorporation of Forest in effect as of and after the Effective Time to be amended to include the amendments set forth in the form of certificate of amendment attached to this Agreement as Exhibit A-2 and (d) if the Name Change Amendment Approval is obtained at the Forest Stockholder Meeting, to cause the certificate of incorporation of Forest in effect as of and after the Effective Time to be amended to include the amendments set forth in the form of certificate of amendment attached to this Agreement as Exhibit A-3.

1.4 ***Directors and Officers***. Prior to the Closing, (a) Forest shall take all action necessary to accept the Forest Director Resignations, increase the size of the Forest Board to ten directors, and elect eight persons designated by Sabine Investor Holdings (the Sabine Nominees) as directors of Forest effective as of the Effective Time, with each such person to hold office in accordance with the certificate of incorporation of Forest and the Forest Bylaws, and (b) except as otherwise determined by Sabine Investor Holdings prior to the Closing, appoint the persons who are the officers of Sabine O&G immediately prior to the Effective Time as officers holding the same offices of Forest effective as of the Effective Time, each such person to hold office in accordance with the certificate of incorporation of Forest and the Forest Bylaws.

ARTICLE II

EFFECT OF TRANSACTIONS ON THE CAPITAL STOCK OF THE CONSTITUENT CORPORATIONS

2.1 ***Forest Stock Options and Other Equity-Based Awards***.

(a) Forest Stock Options. Each Forest Stock Option that is outstanding immediately prior to the Effective Time shall, as of the Effective Time, automatically and without any action on the part of the holder thereof, be cancelled and converted into the right to receive an amount of cash, without interest, equal to the product obtained by multiplying (i) the total number of shares of Forest Common Stock subject to such Forest Stock Option, by (ii) the excess, if any, of the amount of the Forest Stock Measurement Price over the exercise price per share of Forest Common Stock applicable to such Forest Stock Option (with the aggregate amount of such payment rounded down to the nearest cent), less such amounts as are required to be deducted and withheld under any provision of state, local or foreign Tax Law with respect to the making of such payment. Forest shall pay or cause to be paid to the holders of Forest Stock Options the cash payments described in this Section 2.1(a) on or as soon as reasonably practicable after the Closing

Date, but in any event within ten (10) Business Days following the Closing Date. For the avoidance of doubt, each Forest Stock Option for which the exercise price

per share of Forest Common Stock applicable to such Forest Stock Option equals or exceeds the Forest Stock Measurement Price shall be cancelled pursuant to this Section 2.1(a) for no consideration.

(b) Forest Performance Unit Awards. Each Forest Performance Unit Award that is outstanding immediately prior to the Effective Time shall, automatically and without any action on the part of the holder thereof, become fully vested as of the Effective Time and be settled following the Effective Time in shares of stock or in cash in accordance with the terms of the award agreement for such Forest Performance Unit Award (including concluding the performance period as of the Closing Date for purposes of measuring achievement of performance conditions).

(c) Forest Phantom Unit Awards. Each Forest Phantom Unit Award that is outstanding immediately prior to the Effective Time shall, automatically and without any action on the part of the holder thereof, become fully vested as of the Effective Time and be settled following the Effective Time in accordance with the terms of the award agreement for such Forest Phantom Unit Award.

(d) Forest Restricted Shares. Each Forest Restricted Share that is outstanding immediately prior to the Effective Time shall, as of the Effective Time, automatically and without any action on the part of the holder thereof, become fully vested and the restrictions with respect thereto shall lapse.

(e) Prior to the Effective Time, the Forest Board (or, if appropriate, any committee thereof administering the Forest Stock Plans) shall pass resolutions to effect the foregoing provisions of this Section 2.1.

2.2 ***Reservation of Shares; Registration***. If the 2014 LTIP Proposal Approval is obtained, then Forest shall take all corporate action necessary to (i) submit a supplemental listing application to the NYSE and (ii) file a Registration Statement on Form S-8 with the SEC, with respect to the shares of Forest Common Stock that may be granted to employees, consultants, and directors of Forest under the Forest Oil Corporation 2014 Long Term Incentive Plan.

2.3 ***Conversion of Other Securities***.

(a) Immediately following the Contribution, by virtue of the Contributed Corporations Merger and without any action on the part of any party or the holders of any securities of the Contributed Corporations or Forest, (x) each share of common stock of the Contributed Corporations shall be cancelled and extinguished without any conversion thereof and (y) each share of Forest Common Stock issued and outstanding immediately prior to the effectiveness of the Contributed Corporations Merger shall continue as one share of common stock of Forest Surviving Corporation, which shall constitute the only outstanding shares of common stock of Forest Surviving Corporation.

(b) Immediately following the Contributed Corporations Merger, by virtue of the Sabine Mergers and without any action on the part of any party or the holders of any securities of Sabine Holdings, SOGH II, Sabine O&G or Forest Surviving Corporation, (x) the limited liability company interests of Sabine Holdings, SOGH II and Sabine O&G shall be cancelled and extinguished without any conversion thereof and (y) each share of Forest Common Stock issued and outstanding immediately prior to the effectiveness of the Sabine Mergers shall continue as one share of common stock of Sabine-Forest Surviving Corporation, which shall constitute the only outstanding shares of common stock of Sabine-Forest Surviving Corporation.

2.4 ***Withholding***. Forest shall be entitled to deduct and withhold from the consideration otherwise payable to any Person pursuant to this Agreement such amounts as it is required to deduct and withhold with respect to the making of such payment under any provision of local, state, federal, or foreign Tax Law; *provided*, *however*, that if Forest has received the certificates and forms set forth in Section 7.3(d) hereof, Forest shall not withhold any amount in respect of Taxes in connection with the delivery of the Sabine Contribution Consideration absent a change in law following

the date hereof. To the extent that amounts are so deducted or withheld by Forest and

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paid over to the applicable Governmental Entity, such deducted or withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF FOREST

Except as (i) disclosed in the Forest SEC Documents filed or furnished on or after January 1, 2013 and prior to the Original Execution Date (excluding any disclosures included in any risk factor section of such Forest SEC Documents or any other disclosures in such Forest SEC Documents to the extent they are predictive or forward looking and general in nature, in each case, other than any specific factual information contained therein) or (ii) set forth on the disclosure letter delivered to the Sabine Parties on the date of the execution of this Agreement (the Forest Disclosure Letter), which identifies items of disclosure by reference to a particular section or subsection of this Agreement (*provided* that any information set forth in one section of the Forest Disclosure Letter shall be deemed to apply to each other section or subsection thereof or hereof (other than Sections 3.8(b) and 3.15) to which its relevance is reasonably apparent), Forest hereby represents and warrants to the Sabine Parties as follows:

3.1 ***Organization; Qualification***. Forest (a) is an entity duly organized, validly existing and in good standing under the laws of its state of incorporation or organization and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted, and (b) is duly qualified, registered or licensed to do business as a foreign entity and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so duly qualified, registered or licensed and in good standing would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect. Forest has made available to the Sabine Parties true and complete copies of the organizational documents of each Forest Entity, as in effect on the Original Execution Date.

3.2 ***Authority; Enforceability***.

(a) Forest has the requisite corporate power and authority to execute and deliver this Agreement and the other Transaction Agreements to which it is a party and, subject to receipt of the Forest Stockholder Approval, to consummate the transactions contemplated by this Agreement and the other Transaction Agreements to which it is a party. The execution and delivery by Forest of this Agreement and the other Transaction Agreements to which it is a party and the consummation by Forest of the transactions contemplated by this Agreement and the other Transaction Agreements to which it is a party have been, or, in the case of Transaction Agreements to be delivered after the Original Execution Date, will be, duly and validly authorized by Forest, and, except for the Forest Stockholder Approval, no other corporate proceedings on the part of Forest is necessary to authorize this Agreement and the other Transaction Agreements to which it is a party or to consummate the transactions contemplated by this Agreement and the other Transaction Agreements to which it is a party. The Forest Board has unanimously (i) approved this Agreement and the transactions contemplated hereby, (ii) determined that this Agreement and the transactions contemplated hereby are fair to and in the best interests of Forest and its stockholders and (iii) resolved to recommend that the holders of Forest Common Stock vote to approve the issuance of the Sabine Contribution Consideration, the Authorized Share Amendment, and the Name Change Amendment.

(b) This Agreement and the other Transaction Agreements to which Forest is a party have been, or, in the case of Transaction Agreements to be delivered after the Original Execution Date, will be, duly executed and delivered by Forest, and, assuming the due authorization, execution and delivery by the Sabine Parties, this Agreement and the other Transaction Agreements to which Forest is a party thereto constitute the valid and

binding agreement of Forest, enforceable against Forest in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws relating to or affecting creditors rights generally and subject, as to enforceability, to legal principles of general applicability governing the availability of equitable remedies, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law) (collectively, Creditors Rights).

(c) The representations and warranties set forth in this Section 3.2 shall apply *mutatis mutandis* with respect to both the Original Agreement and this Agreement, and, with respect to the Original Agreement, shall be made as of the Original Execution Date and, with respect to this Agreement, shall be made as of the Amended Execution Date; *provided*, *however*, that the representations and warranties set forth in this Section 3.2 are not made as of a specific date for purposes of Section 7.2(a).

3.3 ***Non-Contravention***. The execution, delivery and performance of this Agreement and the other Transaction Agreements by Forest and the consummation by Forest of the transactions contemplated by this Agreement and the Transaction Agreements does not and will not: (a) result in any breach of any provision of the organizational documents of any Forest Entity; (b) constitute a default (or an event that with notice or passage of time or both would give rise to a default) under, or give rise to any right of termination, cancellation, amendment or acceleration (with or without the giving of notice, or the passage of time or both) under any of the terms, conditions or provisions of any Contract to which any Forest Entity is a party or by which any property or asset of any Forest Entity is bound or affected; (c) assuming compliance with the matters referred to in Section 3.4, violate any Law to which any Forest Entity is subject or by which any Forest Entity s properties or assets is bound; or (d) constitute (with or without the giving of notice or the passage of time or both) an event which would result in the creation of any Encumbrance (other than Permitted Encumbrances) on any asset of any Forest Entity, except, in the cases of clauses (b), (c) and (d), for such defaults or rights of termination, cancellation, amendment, acceleration, violations or Encumbrances as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect. The Forest Entities are in material compliance with, and no event has occurred which would constitute (with or without the giving of notice or the passage of time or both) a material default under or give rise to any right of termination, cancellation, or acceleration under any terms of any Contracts evidencing indebtedness for borrowed money.

3.4 ***Approvals of Governmental Entities and Third Parties***. Other than in connection with or in compliance with (i) the Exchange Act, (ii) the Securities Act, (iii) applicable state securities, and blue sky laws, (iv) the rules and regulations of the NYSE, and (v) the HSR Act, and any antitrust, competition or similar laws outside of the United States, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any Person or Governmental Entity is necessary for the consummation by any Forest Entity of the transactions contemplated by this Agreement, other than such declarations, filings, registrations, notices, authorizations, consents or approvals which, if not obtained or made, would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect.

3.5 ***Capitalization***.

(a) The authorized capital stock of Forest consists of 210,000,000 shares, consisting of (i) 200,000,000 shares of Forest Common Stock, par value $0.10 per share and (ii) 10,000,000 shares of Forest Preferred Stock, par value $0.01 per share (Forest Preferred Stock), consisting of 7,350,000 authorized shares of Forest Senior Preferred Stock and 2,650,000 authorized shares of Forest Junior Preferred Stock. As of May 2, 2014: (i) 119,028,774 shares of Forest Common Stock were issued and outstanding (including 2,130,479 Forest Restricted Shares), (ii) no shares of Forest Preferred Stock were issued and outstanding, (iii) no shares of Forest Common Stock were held in treasury by Forest

or any of its Subsidiaries, and (iv) 6,307,195 shares of Forest Common Stock were reserved for issuance under the Forest Stock Plans, of which 428,660 shares of Forest Common Stock were subject to issuance upon exercise of outstanding Forest Stock Options and 678,500 shares of Forest Common Stock were subject to issuance upon the settlement of outstanding Forest Performance Unit

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Awards (assuming that such awards were earned at target level) and 672,957 shares of Forest Common Stock were reserved for issuance under Forest s 1999 Employee Stock Purchase Plan (the Forest ESPP).

(b) All of the outstanding shares of Forest Common Stock are duly authorized and validly issued in accordance with the Organizational Documents of Forest, and are fully paid and nonassessable and have not been issued in violation of any preemptive rights, rights of first refusal or other similar rights of any Person. All of the issued and outstanding Equity Interests in each Subsidiary of Forest is authorized and validly issued in accordance with the Organizational Documents of such Forest Entity and are fully paid (to the extent required under the Organizational Documents of such Forest Entity) and nonassessable (except as nonassessability may be affected by Sections 17-303, 17-607 and 17-804 of the Delaware LP Act or Sections 18-607 or 18-804 of the DLLCA) and have not been issued in violation of any preemptive rights, rights of first refusal or other similar rights of any Person. All of the issued and outstanding Equity Interests in each Subsidiary of Forest is owned by the Persons set forth on Section 3.5(b) of the Forest Disclosure Letter named as owning such interests free and clear of all Encumbrances other than (i) transfer restrictions imposed by federal and state securities laws or, with respect to foreign Subsidiaries of Forest, the applicable laws of such jurisdiction and (ii) any transfer restrictions contained in the Organizational Documents of the Forest Entities. Except as set forth on Section 3.5(b) of the Forest Disclosure Letter, Forest owns, directly or indirectly, all of the outstanding Equity Interests in each Subsidiary of Forest free and clear of all Encumbrances other than (A) transfer restrictions imposed by federal and state securities laws and (B) any transfer restrictions contained in the Organizational Documents of the Forest Entities.

(c) Except as set forth in the Organizational Documents of Forest and except as otherwise provided in Section 3.5(a), there are no preemptive rights or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, subscription agreements, commitments or rights of any kind that obligate any of the Forest Entities to issue or sell any Equity Interests or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any Equity Interests in any of the Forest Entities, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(d) No Forest Entity has any outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the holders of Equity Interests in Forest on any matter.

(e) Except with respect to the ownership of any equity or long-term debt securities between or among the Forest Entities, none of the Forest Entities owns, directly or indirectly, any equity or long-term debt securities of any Person.

3.6 ***Compliance with Law***.

(a) Except for Environmental Laws, Laws requiring the obtaining or maintenance of a Permit, Tax matters, Laws relating to employee benefits, employment and labor matters, and Laws relating to regulatory and compliance matters, which are the subject of Sections 3.11, 3.14, 3.15, 3.16 and 3.17, respectively, and except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, (i) each Forest Entity is in compliance with all applicable Laws, (ii) none of the Forest Entities has received written notice of any violation of any applicable Law and (iii) none of the Forest Entities has received written notice that it is under investigation by any Governmental Entity for potential non-compliance with any Law.

(b) Each Forest Entity is in compliance, in all material respects, with (i) the USA PATRIOT Act, Pub. L. 107-56 (October 26, 2001), as amended by the USA PATRIOT Improvement and Reauthorization Act, Pub. L. 109-177 (March 9, 2006) (the USA PATRIOT Act), (ii) the U.S. Foreign Corrupt Practices Act of 1977, as amended (the

FCPA), and (iii) the U.S. Trading with the Enemy Act, as amended, and each of the

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foreign assets control regulations of the U.S. Treasury Department (31 C.F.R. Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto. No Forest Entity nor, to the Knowledge of Forest, any director, officer or employee of any Forest Entity is subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department or a person on the list of Specially Designated Nationals and Blocked Persons.

3.7 ***Forest SEC Reports; Financial Statements***.

(a) Forest has furnished or filed all reports, schedules, forms, statements and other documents (including exhibits and other information incorporated therein) required to be furnished or filed by Forest with the SEC since January 1, 2013 (such documents being collectively referred to as the Forest SEC Documents). Each Forest SEC Document (i) at the time filed, complied in all material respects with the requirements of the Exchange Act and the Securities Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Forest SEC Document and (ii) did not at the time it was filed (or if amended or superseded by a filing or amendment prior to the Original Execution Date, then at the time of such filing or amendment) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Each of the consolidated financial statements of Forest included in the Forest SEC Documents (Forest Financial Statements) complied at the time it was filed as to form in all material respects with the applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, has been prepared in accordance with GAAP, applied on a consistent basis throughout the periods presented thereby and fairly presents in all material respects the consolidated financial position and operating results, equity and cash flows of Forest and its consolidated Subsidiaries as of, and for the periods ended on, the respective dates thereof, subject, however, in the case of unaudited financial statements, to normal year-end audit adjustments.

(c) None of the Forest Entities has any liability, whether accrued, contingent, absolute or otherwise, that would be required to be included in financial statements of Forest and its consolidated Subsidiaries under GAAP except for (i) liabilities set forth on the consolidated balance sheet of Forest dated as of December 31, 2013 or the notes thereto; (ii) liabilities that have arisen since December 31, 2013, in the ordinary course of business; and (iii) liabilities which would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect.

3.8 ***Absence of Certain Changes***. Except as expressly contemplated by this Agreement, (a) from and after December 31, 2013 through the Original Execution Date, the Forest Entities have operated their business in all material respects only in the ordinary course of business and consistent with past practice and no Forest Entity has taken or agreed to take any action that, if taken during the period from the date of this Agreement to the Effective Time, would constitute a breach of clauses (ii), (iii), (iv), (v), (ix), (x), (xi), (xii), or (xiii) of Section 5.1(b); and (b) from and after December 31, 2013 through the Effective Time, there has not been any event, occurrence or development which has had, or would be reasonably expected to have, a Forest Material Adverse Effect.

3.9 ***Title to Properties and Assets; Oil & Gas Properties***.

(a) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, each Forest Entity has title to or rights or interests in its real property and personal property (and each real property and personal property at which material operations of Forest are conducted) free and clear of all Encumbrances (such property, the Forest Owned Real Property) (subject to Permitted Encumbrances), sufficient to allow it to conduct its business as currently being conducted.

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(b) Oil and Gas Property.

(i) Except for (A) property sold or otherwise disposed of in the ordinary course of business since the dates of the reserve reports prepared by DeGolyer & MacNaughton (DeGolyer) relating to the Forest interests referred to therein as of December 31, 2013 (the Forest Reserve Reports), (B) property reflected in the Forest Reserve Reports or in the Forest SEC Documents as having been sold or otherwise disposed of, as of the Original Execution Date or (C) matters that would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, the Forest Entities have good and defensible title to all Oil and Gas Properties forming the basis for the reserves reflected in the Forest Reserve Reports and in each case as attributable to interests owned by the Forest Entities, free and clear of any Encumbrances, except for (X) Production Burdens and (Y) Permitted Encumbrances. For purposes of the foregoing sentence, good and defensible title means such title that is free from reasonable doubt to the end that a prudent person engaged in the business of purchasing and owning, developing, and operating producing or non-producing oil and gas properties in the geographical areas in which they are located, with knowledge of all of the facts and their legal bearing, would be willing to accept the same acting reasonably.

(ii) The factual, non-interpretive data supplied by or on behalf of the Forest Entities to DeGolyer relating to the Forest Entities interests referred to in the Forest Reserve Reports and that was material to such firm s estimates of proved oil and gas reserves attributable to the Oil and Gas Properties of the Forest Entities in connection with the preparation of the Forest Reserve Reports was, as of the time provided (or as modified or amended prior to the issuance of the Forest Reserve Reports), accurate in all material respects. To Forest s Knowledge, any assumptions or estimates provided by the Forest Entities to DeGolyer in connection with their preparation of the Forest Reserve Reports were made in good faith and on a reasonable basis based on the facts and circumstances in existence and that were to Known to Forest at the time such assumptions or estimates were made. The estimates of proved oil and gas reserves provided by the Forest Entities to DeGolyer in connection with the preparation of the Forest Reserve Reports complied in all material respects with Rule 4-10 of Regulation S-X promulgated by the SEC. Forest s internal proved reserve estimates prepared by management for the year ended December 31, 2013 were not, taken as a whole, materially lower than the conclusions in such Forest Reserve Reports. Except for changes generally affecting the oil and gas exploration, development and production industry (including changes in commodity prices) and normal depletion by production, there has been no material change in respect of the matters addressed in the Forest Reserve Reports that would have, individually or in the aggregate, a Forest Material Adverse Effect.

(iii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, (A) all proceeds from the sale of Hydrocarbons produced from the Oil and Gas Properties of the Forest Entities are being received by them in a timely manner; and (B) as of March 31, 2014, no proceeds from the sale of Hydrocarbons produced from any such Oil and Gas Properties (to the extent operated by Forest or any of its Subsidiaries) are being held in suspense (by Forest, any of its Subsidiaries, any third party operator thereof or any other Person or individual) for any reason other than awaiting preparation and approval of division order title opinions for recently drilled wells. Section 3.9(b)(iii) of the Forest Disclosure Letter sets forth all the Oil and Gas Leases included in any Forest Entity s Oil and Gas Properties that are scheduled to expire (in whole or in part) at any time in the twelve (12) month period immediately following the execution of this Agreement.

(iv) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, (i) each Oil and Gas Lease to which any Forest Entity is a party is valid and in full force and effect, and (ii) all rentals, shut-ins and similar payments (and all Production Burdens) owed to any Person or individual under (or otherwise with respect to) any such Oil and Gas Leases have been properly and timely paid. Except as would not reasonably be expected individually to have, and would not reasonably be expected

in the aggregate to

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have, a Forest Material Adverse Effect, all royalties, minimum royalties, overriding royalties and other Production Burdens with respect to any Oil and Gas Properties owned or held by any Forest Entity have been timely and properly paid. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, no Forest Entity (and, to Forest s Knowledge, no third party operator) has violated any provision of, or taken or failed to take any act which, with or without notice, lapse of time, or both, would constitute a default under the provisions of any Oil and Gas Lease (or entitle the lessor thereunder to cancel or terminate such Oil and Gas Lease) included in the Oil and Gas Properties owned or held by any Forest Entity and no Forest Entity (or, to Forest s Knowledge, any third party operator) has received written notice from any other party to any such Oil and Gas Lease (A) that any Forest Entity (or such third party operator, as the case may be) has breached, violated or defaulted under any such Oil and Gas Lease or (B) threatening to terminate, cancel, rescind or procure judicial reformation of any such Oil and Gas Lease.

(v) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, all Oil and Gas Properties operated by any Forest Entity (and, to the Knowledge of Forest, all Oil and Gas Properties owned or held by any Forest Entity and operated by a third party) have been operated in accordance with reasonable, prudent oil and gas field practices and in material compliance with the applicable Oil and Gas Leases, Oil and Gas Contracts and applicable Laws.

(vi) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, none of the Oil and Gas Properties of the Forest Entities is subject to any preferential, purchase, preemptive, consent or similar right which would become operative as a result of the entry into (or the consummation of) the Transactions.

(vii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, all of the wells located on the Oil and Gas Leases or on (or otherwise associated with) any other Oil and Gas Properties of the Forest Entities have been drilled, completed and operated in accordance with all applicable Law and the terms and conditions of all applicable Oil and Gas Leases and Oil and Gas Contracts, and all drilling and completion (and the plugging and abandonment) of all such wells and all related development, production and other operations have been conducted in compliance with all applicable Law and the terms and conditions of all applicable Oil and Gas Leases and Oil and Gas Contracts. No Forest Entity has elected not to participate in any operation or activity proposed with respect to any of the Oil and Gas Properties owned or held by it (or them, as applicable) that could result in a penalty or forfeiture as a result of such election not to participate in such operation or activity that would be material to the Forest Entities, taken as a whole and is not reflected in the Forest Reserve Reports. The Forest Reserve Reports accurately reflect in all material respects any payout balances applicable to any well included in the Oil and Gas Properties held or owned by any Forest Entity.

(viii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, and to the Knowledge of Forest, (A) Section 3.9(b)(viii) of the Forest Disclosure Letter lists, as of March 31, 2014, all transportation, plant, production and other imbalances and overlifts with respect to Hydrocarbon production from the Forest Entities Oil and Gas Properties, and (B) no imbalance listed on Section 3.9(b)(viii) of the Forest Disclosure Letter constitutes all of the Forest Entities share of ultimately recoverable reserves in any balancing area pursuant to any balancing Contract.

(ix) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, with respect to the Forest Entities Oil and Gas Properties, all currently producing wells and all tangible equipment included therein, used in connection with the operation thereof or otherwise primarily associated therewith

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(including all buildings, plants, structures, platforms, pipelines, machinery, vehicles and other rolling stock) are in a good state of repair and are adequate and sufficient to maintain normal operations in accordance with past practices (ordinary wear and tear excepted).

(x) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, neither the entry into (nor the consummation of) the Contribution or the other transactions contemplated by this Agreement will result in a breach of the terms of, or give rise to any right of cancellation, termination or forfeiture under, any Oil and Gas Contract included in any Forest Entity s Oil and Gas Properties.

3.10 ***Intellectual Property***. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, (a) the Forest Entities own or have the right to use pursuant to a license, sublicense, agreement or otherwise all material items of Intellectual Property required in the operation of their business as presently conducted; (b) no third party has asserted in writing delivered to any Forest Entity an unresolved claim that any Forest Entity is infringing on the Intellectual Property of such third party; and (c) to the Knowledge of Forest, no third party is infringing on the Intellectual Property owned by the Forest Entities.

3.11 ***Environmental Matters***. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect:

(a) each of the Forest Entities and its assets, real properties and operations, and, to the Knowledge of Forest, each third-party operator of any of the Oil and Gas Properties of the Forest Entities (with respect to such interests), are and, during the relevant time periods specified in all applicable statutes of limitations, have been, in compliance with all applicable Environmental Laws;

(b) each of the Forest Entities, and, to the Knowledge of Forest, each third-party operator of any of the Oil and Gas Properties of the Forest Entities (with respect to such interests), possesses all Environmental Permits required for their operations as currently conducted and is in compliance with the terms of such Environmental Permits, and such Environmental Permits are in full force and effect and are not subject to any pending or, to the Knowledge of Forest, threatened Proceeding;

(c) none of the Forest Entities nor any of their properties or operations, or any person or entity whose liability the Forest Entities have retained or assumed either contractually or by operation of Law, are subject to any pending or, to the Knowledge of Forest, threatened Proceeding arising under any Environmental Law, nor has any Forest Entity received any written and pending notice, order or complaint from any Person alleging a violation of or liability arising under any Environmental Law;

(d) there has been no Release of Hazardous Substances on, at, under, to, or from any of the properties of the Forest Entities, or from or in connection with the Forest Entities operations, and, to the Knowledge of Forest, each third-party operator of any of the Oil and Gas Properties of the Forest Entities (with respect to such interests), in a manner that would reasonably be expected to give rise to any uninsured liability pursuant to any Environmental Law;

(e) Forest has made available to the Sabine Parties true and complete copies of all environmental reports, studies, investigations and audits in Forest s possession or control and relating to the operations of the Forest Entities or to property currently or formerly owned, leased, or operated by the Forest Entities; and

(f) none of the Forest Entities and, to the knowledge of Forest, any third-party operator of any of the Oil and Gas Properties of the Forest Entities (with respect to such interests) and any predecessor of any of them, is subject to any Order or any indemnity obligation (other than asset retirement obligations, plugging and abandonment obligations and other reserves of Forest set forth in the Forest Reserve Reports that have been provided to Sabine Investor Holdings prior to the date of this Agreement) with any other person that would reasonably be expected to result in liabilities under applicable Environmental Laws or concerning Hazardous Substances.

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3.12 ***Material Contracts***.

(a) Section 3.12 of the Forest Disclosure Letter sets forth, as of the Original Execution Date, each of the following Contracts to which the Forest Entities is a party or bound:

(i) Contracts that are of a type that would be required to be included as an exhibit to a Registration Statement on Form S-1 pursuant to Items 601(b)(2), (4), (9) or (10) of Regulation S-K of the SEC if such a registration statement was filed by Forest on the Original Execution Date;

(ii) Contracts that contain any provision or covenant that expressly restricts in any material respect any Forest Entity or any Affiliate thereof from engaging in any lawful business activity or competing with any Person;

(iii) Contracts that (A) relate to the creation, incurrence, assumption, or guarantee of any indebtedness for borrowed money by any Forest Entity or (B) create a capitalized lease obligation (except, in the cases of clauses (A) and (B), any such Contract with an aggregate principal amount not exceeding $1,000,000 and except any transactions solely among the Forest Entities);

(iv) Contracts in respect of the formation of any partnership, limited liability company agreement or joint venture or otherwise relates to the joint ownership or operation of the assets owned by any Forest Entity involving assets or obligations in excess of $5,000,000, other than any such Contracts solely among the Forest Entities and other than any customary joint operating agreements, unit agreements, participation agreements, farm-in and farm-out agreements or similar agreements affecting any interest in any Oil and Gas Property;

(v) Contracts that provide for the acquisition or sale of assets with a book value in excess of $5,000,000 (whether by merger, sale of stock, sale of assets or otherwise) and that is material to the Forest Entities, taken as a whole;

(vi) Contracts that provide for the sale by any Forest Entity of Hydrocarbons which contains a take-or-pay clause or any similar prepayment or forward sale arrangement or obligation (excluding gas balancing arrangements associated with customary joint operating agreements) to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefore;

(vii) Contracts that involve the transportation of more than 25 MMcf (or the MBtu equivalent) of Hydrocarbons per day (calculated on a yearly average basis);

(viii) Contracts that provide for the sale by any Forest Entity of Hydrocarbons that has a remaining term of greater than 60 days and does not allow such Forest Entity to terminate it without penalty on 90 days or less notice;

(ix) Contracts that provide for a call or option on production, or acreage dedication or other commitment of Hydrocarbons produced from or otherwise attributable to any Forest Entity s Oil and Gas Properties to a gathering, transportation processing, storage treatment or other arrangement downstream of the wellhead, covering in excess of 10 MMcf (or in the case of liquids, in excess of 5,000 barrels of oil equivalent) of Hydrocarbons per day over a period of one month (calculated on a yearly average basis);

(x) any Oil and Gas Lease that contains express provisions (A) establishing bonus obligations in excess of $750,000 that were not satisfied at the time of lease or signing or (B) providing for a fixed term, even if there is still production in paying quantities;

(xi) any agreement pursuant to which any Forest Entity has paid amounts associated with any Production Burdens in excess of $1,500,000 during the immediately preceding fiscal year or with respect to which Forest reasonably expects that it (and/or its Subsidiaries) will make payments associated with any Production Burdens in any of the next three succeeding fiscal years that could, based on current projections, exceed $1,500,000 per year;

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(xii) Contracts that are joint development agreements, exploration agreements or acreage dedication agreements (excluding, in respect of each of the foregoing, customary joint operating agreements) that either (A) is material to the operation of the Forest Entities, taken as a whole, (B) would reasonably be expected to require the Forest Entities to make expenditures in excess of $5,000,000 in the aggregate during the 12-month period following the Original Execution Date or (C) contains an area of mutual interest or any tag along or drag along (or similar rights) allowing a third party, or requiring the Forest Entities, to participate in any future transactions with respect to any assets or properties of the Forest Entities;

(xiii) acquisition Contracts that contain an earn out or other contingent payment obligations, or remaining indemnity or similar obligations (other than asset retirement obligations, plugging and abandonment obligations and other reserves of any Forest Entity set forth in the Forest Reserve Reports that have been provided to Sabine Investor Holdings prior to the Original Execution Date) that would be reasonably expected to result in payments after the Original Execution Date by the Forest Entities in excess of $2,500,000;

(xiv) Contracts pursuant to which any Forest Entity has agreed to perform any contract drilling for any third party;

(xv) Contracts that relate to futures, swaps, collars, puts, calls, floors, caps, options or otherwise is intended to reduce or eliminate the fluctuations in the prices of commodities, including natural gas, natural gas liquids, crude oil and condensate;

(xvi) Contracts with respect to the license or purchase of seismic data; or

(xvii) Contracts, other than Contracts entered into in the ordinary course of business consistent with past practice, that otherwise involve the annual payment by any Forest Entity of more than $2,500,000 and cannot be terminated by the Forest Entities on 90 days or less notice without payment by the Forest Entities of any penalty.

(b) Each Contract required to be disclosed pursuant to Section 3.12(a) (collectively, the Forest Material Contracts) has been made available to the Sabine Parties, and, except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, each Forest Material Contract is, to the Knowledge of Forest, a valid and binding obligation of the applicable Forest Entity, in full force and effect and enforceable in accordance with its terms against such Forest Entity and, to the Knowledge of Forest, the other parties thereto, except, in each case, as enforcement may be limited by Creditors Rights.

(c) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, to the Knowledge of Forest, none of the Forest Entities nor any other party to any Forest Material Contract is in default or breach under the terms of any Forest Material Contract and no event has occurred that with the giving of notice or the passage of time or both would constitute a breach or default by such Forest Entity or, to the Knowledge of Forest, any other party to any Forest Material Contract, or would permit termination, modification or acceleration under any Forest Material Contract.

3.13 ***Legal Proceedings***. Other than with respect to Proceedings arising under Environmental Laws, which are the subject of Section 3.11, or relating to Tax matters, which are the subject of Section 3.15, there are no Proceedings pending or, to the Knowledge of Forest, threatened against the Forest Entities, except such Proceedings as (i) do not involve, in any individual case, a claim for monetary damages in excess of $1,000,000 or (ii) would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect. There is no judgment, order or decree outstanding against any Forest Entity that would be reasonably likely individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect. To the Knowledge of Forest, no officer or director of any Forest Entity is a defendant in any Proceeding in

connection with his or her status as an officer or director of

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any Forest Entity. No Forest Entity nor any of their respective properties or assets is or are subject to any judgment, order or decree, except for those judgments, orders or decrees that would not be reasonably likely individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect.

3.14 ***Permits***. Other than with respect to Permits issued pursuant to or required under Environmental Laws, which are the subject of Section 3.11, the Forest Entities have all Permits as are necessary to use, own and operate their assets in the manner such assets are currently used, owned and operated by the Forest Entities, except where the failure to have such Permits would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect.

3.15 ***Taxes***.

(a) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect:

(i) All Tax Returns required to be filed by or with respect to the Forest Entities have been filed and all such Tax Returns of or with respect to the Forest Entities are complete and correct. All Taxes due and payable for which the Forest Entities are liable have been paid in full. Any charges, accruals or reserves for Taxes provided for in Forest s most recent financial statements included in the Forest SEC Documents are adequate, in accordance with GAAP, to cover all Taxes of the Forest Entities for periods ending on or prior to the date of such financial statements, and such charges, accruals or reserves, as adjusted for operations and transactions and the passage of time for periods beginning after the date of such financial statements and through the Closing Date, are adequate, in accordance with GAAP, to cover all Taxes of the Forest Entities through the Closing Date. There is no claim pending or asserted in writing (other than claims being contested in good faith through appropriate proceedings and for which adequate reserves have been made in accordance with GAAP) against any Forest Entities for any Taxes, and no assessment, deficiency, or adjustment has been asserted or proposed in writing with respect to any Taxes or Tax Returns of or with respect to the Forest Entities.

(ii) No Tax audits or other administrative or judicial proceedings are being conducted or are pending with respect to any Taxes or Tax Returns of the Forest Entities.

(iii) All Taxes required to be withheld, collected or deposited by the Forest Entities have been timely withheld, collected or deposited as the case may be, and to the extent required, have been paid to the relevant taxing authority.

(iv) There are no outstanding agreements or waivers extending the applicable statutory periods of limitations with respect to any Tax of any Forest Entity.

(v) No Forest Entity will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (A) change in method of accounting for Tax purposes for a taxable period ending on or prior to the Closing Date (including by reason of Section 481 of the Code or any similar provisions of state, local or foreign Law); (B) prepaid amount received prior to the Closing other than in the ordinary course of business consistent with prior periods, (C) deferred intercompany item or excess loss account (within the meaning of the Treasury Regulations promulgated under Section 1502 of the Code), (D) income deferred under Section 108(i) of the Code, or (E) installment sale or open transaction entered into prior to the Closing other than in the ordinary course of business consistent with prior periods.

(vi) No Forest Entity has any liability for Taxes of any Person (other than a Forest Entity) under Treasury Regulation § 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor or by Contract. No

Forest Entity has been a member of a combined, consolidated, unitary or similar group for Tax purposes, other than any group of which a Forest Entity was or is the common parent.

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(vii) There are no Encumbrances on the assets of any Forest Entity relating to or attributable to Taxes, other than Permitted Encumbrances.

(viii) None of the Forest Entities is a party to any Tax sharing agreement, Tax allocation or similar agreement (not including, for the avoidance of doubt, any tax sharing or indemnification provisions contained in any agreement entered into in the ordinary course of business and not primarily relating to Taxes (*e.g.*, leases, credit agreements or other commercial agreements)), or any closing agreement pursuant to Section 7121 of the Code or any predecessor provisions thereof, or any similar provisions of state, local, or foreign Law.

(ix) None of the Forest Entities has participated in a listed transaction within the meaning of Treasury Regulation § 1.6011-4.

(x) In the last two (2) years, no Forest Entity has constituted either a distributing corporation or a controlled corporation (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock intended to qualify for tax-free treatment under Section 355 of the Code.

(b) None of the Forest Entities is aware of the existence of any fact, or has taken or agreed to take any action, that would reasonably be expected to prevent or impede (i) the LLC Interest Contribution, the Stock Contribution and the Contributed Corporations Mergers, taken together, from qualifying as a transaction described in Section 351(a) of the Code, (ii) either (A) each of the Contributed Corporations Mergers, taken together with the Stock Contribution, from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (B) (x) the Stock Contribution, taken together with the LLC Interest Contribution, from qualifying as a transaction described in Section 351(a) of the Code and (y) the Contributed Corporations Mergers from qualifying as transactions described in Section 332 of the Code, and (iii) each of the Sabine Mergers from being treated as a transaction that is disregarded for U.S. federal income tax purposes. Without limiting the generality of the foregoing, (other than by reason of the Reincorporation Merger (as defined in the Shareholder s Agreement)) none of the Forest Entities has any plan or intention to cause the issuance of voting interests in Forest to any Person that would result in Sabine Investor Holdings and AIV Holdings together owning less than 80% of the total combined voting power of all outstanding stock of Forest (it being understood that this sentence does not address any plan or intention of persons who will become members of the Forest Board following the Closing).

3.16 ***Employee Benefits; Employment and Labor Matters***.

(a) Section 3.16(a) of the Forest Disclosure Letter contains a list of each material Forest Benefit Plan. For purposes of this Agreement, Forest Benefit Plan means each employee benefit plan, as such term is defined in Section 3(3) of ERISA, whether or not subject to ERISA, material personnel policy, equity-based plan (including any stock option plan, stock purchase plan, stock appreciation right plan or phantom stock plan), bonus plan or arrangement, incentive award plan or arrangement, vacation policy, severance pay plan or arrangement, change in control policy or agreement, retention arrangement, deferred compensation agreement or arrangement, retirement or pension plan or arrangement, executive compensation or supplemental income arrangement, consulting agreement, fringe benefit arrangement, collective bargaining agreement, employment agreement and each other employee benefit plan, agreement, arrangement, program, practice or understanding which is not described in this Section 3.16(a) pursuant to which compensation or other benefits are provided to any current or former director, officer, employee or consultant (or to any dependent or beneficiary thereof) of any Forest Entity, in each case that is, or has been in the six years prior to Original Execution Date, sponsored, maintained or contributed to by any Forest Entity or any ERISA Affiliate of any Forest Entity.

(b) True, correct and complete copies of each material Forest Benefit Plan, and, if applicable, summary plan description, the most recent determination, advisory or opinion letter, as applicable, the most recent actuarial report, related trusts, insurance or group annuity contracts, administrative service agreements and each other funding or financing arrangement relating to any plan, including all amendments, modifications or supplements thereto, have been delivered to or made available to the Sabine Parties.

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(c) Except for matters that would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect;

(i) each Forest Benefit Plan has been administered in compliance with its terms, the applicable provisions of ERISA, the Code and all other applicable Laws and the terms of all applicable collective bargaining agreements;

(ii) as to any Forest Benefit Plan intended to be qualified under Section 401 of the Code, such Plan has received a favorable determination, advisory or opinion letter, as applicable, from the IRS to such effect (or has applied or has time remaining to apply for such letter) and, to the Knowledge of Forest, no fact, circumstance or event has occurred or exists since the date of such letter that would reasonably be expected to adversely affect the qualified status of any such Forest Benefit Plan;

(iii) all required reports, descriptions and disclosures have been filed or distributed appropriately in accordance with applicable Laws with respect to each Forest Benefit Plan;

(iv) all contributions (including employer contributions and employee salary reduction contributions) that are due and owing have been paid, and all contributions for any period ending on or before the Closing Date that are not yet due have been accrued in accordance with GAAP;

(v) neither any Forest Entity nor any ERISA Affiliate of any Forest Entity maintains or contributes to an employee welfare benefit plan that provides medical, health or life insurance or other welfare type benefits for current or future retired or terminated employees, their spouses or their dependents (other than in accordance with Section 4980B of the Code);

(vi) there are no unresolved claims or disputes (pending or threatened) under the terms of, or in connection with, any Forest Benefit Plan other than routine claims for benefits; and

(vii) neither any Forest Entity nor any ERISA Affiliate of any Forest Entity contributes to or has ever contributed to a multiemployer plan (within the meaning of Section 3(37) or Section 4001(a)(3) of ERISA).

(d) Neither any Forest Entity nor any ERISA Affiliate of any Forest Entity has any liability under or arising with respect to (i) Title IV of ERISA, (ii) Section 302 of ERISA, or (iii) Sections 412 and 4971 of the Code.

(e) In connection with the consummation of the transactions contemplated by this Agreement, no payments have or will be made under the Forest Benefit Plans which, in the aggregate, would result in imposition of the sanctions imposed under Sections 280G and 4999 of the Code. There is no contract, agreement, plan or arrangement with an employee to which any Forest Entity is a party that, individually or collectively and as a result of the transactions contemplated by this Agreement or any other related transaction document to which any Forest Entity is a party, would reasonably be expected to give rise to the payment of any amount that would not be deductible pursuant to Section 280G of the Code (determined without regard to the exceptions contained in Section 280G(b)(4)).

(f) Except as specifically contemplated in this Agreement, neither the execution and delivery of this Agreement or any other transaction document to which Forest or its Affiliates is a party nor the consummation of the transactions contemplated hereby or thereby will (i) result in any payment or benefit (including severance, unemployment compensation, golden parachute, bonus, or otherwise) becoming due to any officer, director, employee, or consultant of any Forest Entity or Affiliate thereof; (ii) materially increase any payments or benefits otherwise payable to any officer, director, employee or consultant of any Forest Entity or Affiliate thereof; or (iii) result in the acceleration of the time of payment or vesting of any awards or benefits or give rise to any additional service credits under any Forest

Benefit Plan.

(g) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, each of the Forest Entities (i) is in compliance with all applicable Laws regarding labor and employment, including all Laws relating to

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employment discrimination, labor relations, payment of wages and overtime, leaves of absence, employment tax and social security, occupational health and safety, and immigration; (ii) has not, any time within the six months preceding the Original Execution Date, had any plant closing or mass layoff (as defined by the Worker Adjustment and Retraining Notification Act of 1988 (the WARN Act)) or other terminations of employees which would create any obligations upon or liabilities for any Forest Entity under the WARN Act or similar state and local laws; (iii) is not subject to any disputes pending, or, to the Knowledge of Forest, threatened, by any of its prospective, current, or former employees, independent contractors or Governmental Entity relating to the engagement of employees or independent contractors by any Forest Entity or related to any Forest Benefit Plan (except for routine claims for benefits); and (iv) is not subject to any judgment, order or decree with or relating to any present or former employee, independent contractor or any Governmental Entity relating to claims of discrimination, wage or hour practices, or other claims in respect to employment or labor practices and policies.

(h) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect (i) none of the Forest Entities is a party to or bound by or negotiating any collective bargaining agreement or other agreement with any labor union, nor has any of them experienced any strike, slowdown, work stoppage, boycott, picketing, lockout, or material grievance, claim of unfair labor practices, or other collective bargaining or labor dispute within the past two years and (ii) there are no current union representation questions or petitions or organizing campaigns involving employees of any Forest Entity.

3.17 ***Regulatory Matters***. No Forest Entity is (a) an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder or (b) a holding company, a subsidiary company of a holding company, an affiliate of a holding company, a public utility or a public-utility company, as each such term is defined in the Public Utility Holding Company Act of 2005. All natural gas pipeline systems and related facilities of the Forest Entities are (a) gathering facilities or intrastate pipelines that are exempt from regulation by the FERC under the Natural Gas Act of 1938, as amended, except to extent the intrastate pipelines may be subject to Section 311 of the Natural Gas Policy Act of 1978; and (b) not subject to rate regulation as a public utility under the laws of any state or other local jurisdiction.

3.18 ***Insurance***. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Forest Material Adverse Effect, (a) each insurance policy under which the Forest Entities is an insured or otherwise the principal beneficiary of coverage (collectively, the Forest Insurance Policies) is in full force and effect, all premiums due thereon have been paid in full and the Forest Entities are in compliance with the terms and conditions of such Forest Insurance Policy; (b) no Forest Entity is in breach or default under any Forest Insurance Policy; and (c) no event has occurred which, with notice or lapse of time, would constitute such breach of default, or permit termination or modification, under any Forest Insurance Policy.

3.19 ***Required Vote of the Forest Stockholders***. (a)(i) The affirmative vote of a majority of the shares of Forest Common Stock voting on this Agreement (the Forest Stockholder Approval) is the only vote of holders of securities of Forest which is required to approve the issuance of the Sabine Contribution Consideration, (ii) the 2014 LTIP Proposal Approval is the only vote of holders of securities of Forest which is required to approve the 2014 LTIP Proposal Approval, (iii) the Section 162(m) Proposal Approval is the only vote of holders of securities of Forest which is required to approve the Section 162(m) Proposal and (iv) the affirmative vote of holders of a majority of the outstanding shares of Forest Common Stock is the only vote of holders of securities of Forest which is required to approve each of the Authorized Share Amendment and the Name Change Amendment; (b) the action of the Forest Board in approving this Agreement is sufficient to render inapplicable to this Agreement and the transactions contemplated hereby, the restrictions on business combinations set forth in Section 912 of the NYBCL; and (c) no other Takeover Laws are applicable to the Transactions, this Agreement or any transaction contemplated hereby. As

used in this Agreement, Takeover Laws means any moratorium, control share acquisition, fair price, supermajority, affiliate transactions, or business combination statute or regulation or other similar state anti-takeover Laws and regulations.

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3.20 ***Derivative Transactions and Hedging***. Section 3.20 of the Forest Disclosure Letter contains a complete and correct list, as of the Original Execution Date, of all outstanding Derivative Transactions (including each outstanding Hydrocarbon or financial hedging position attributable to the Hydrocarbon production of the Forest Entities) entered into by any of the Forest Entities or for the account of any of their respective customers as of the Original Execution Date pursuant to which such party has outstanding rights or obligations. All such Derivative Transactions were, and any Derivative Transactions entered into after the Original Execution Date will be, entered into in accordance with applicable Laws, and in accordance with the investment, securities, commodities, risk management and other policies, practices and procedures employed by the Forest Entities. The Forest Entities have duly performed in all material respects all of their respective obligations under the Derivative Transactions to the extent that such obligations to perform have accrued, and, to the Knowledge of Forest, there are no material breaches, violations, collateral deficiencies, requests for collateral or demands for payment (except for ordinary course margin deposit requests), or defaults or allegations or assertions of such by any party thereunder.

3.21 ***Brokers Fee***. Except for the fee payable to the Forest Financial Advisor, which shall be paid by Forest, no broker, investment banker or financial advisor or other Person is entitled to any broker s, finder s, financial advisor s or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Forest.

3.22 ***Opinion of Financial Advisor***. The Forest Board has received the opinion of J.P. Morgan Securities (the Forest Financial Advisor) to the effect that, as of the date of such opinion and subject to the assumptions, limitations, qualifications and other matters considered in the preparation thereof, the Exchange Ratio (as defined in the Original Merger Agreement) is fair, from a financial point of view, to the holders of Forest Common Stock.

3.23 ***Related Party Transactions***. Except for employment related agreements or practices or pursuant to the organization documents of Forest, (i) the Forest Entities are not, directly or indirectly, a party to, and have no continuing obligations under, any agreement (oral or written), arrangement or transaction with, or involving, or have made any commitment to, any Affiliate of the Forest Entities (other than any Forest Entity) or any director or officer of the Forest Entities with respect to which the Forest Entities will have liability following the Closing Date, and (ii) no Affiliate of the Forest Entities (other than any Forest Entity) or director or officer of the Forest Entities currently has any interest in any asset, right or property (real or personal, tangible or intangible) used by the Forest Entities.

3.24 ***Forest Director Resignations***. As of the Amended Execution Date, the members of the Forest Board set forth on Section 3.24 of the Forest Disclosure Letter have each delivered to the Forest Board irrevocable written notice of their resignation from the Forest Board, each of which resignations shall only be effective at the time of the Closing (the Forest Director Resignations).

3.25 ***Information Supplied***. None of the information supplied or to be supplied by Forest for inclusion or incorporation by reference in (a) the Proxy Statement will, at the time the Proxy Statement and each amendment or supplement thereto, if any, becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (b) the Proxy Statement and any amendment or supplement thereto will, at the date of mailing to stockholders and at the time of the Forest Stockholder Meeting contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made, not misleading.

3.26 ***No Other Representations or Warranties***. Forest has undertaken such investigation as it deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this

Agreement and the other Transaction Agreements to which it is a party. The foregoing investigation, however, does not modify the representations and warranties of the Sabine Parties and AIV

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Holdings in the Transaction Agreements and such representations and warranties constitute the sole and exclusive representations and warranties of the Sabine Parties and AIV Holdings to Forest in connection with the transactions contemplated by this Agreement and the other Transaction Agreements. Except for the representations and warranties contained in the Transaction Agreements, neither Forest nor any other Person makes any other express or implied representation or warranty, and the Sabine Parties and AIV Holdings hereby disclaim any other representation or warranty, on behalf of or relating to the Sabine Parties or AIV Holdings, any of their Affiliates, their businesses, operations, assets, liabilities, condition (financial or otherwise) or prospects.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SABINE PARTIES AND AIV HOLDINGS

Except as (i) disclosed in the Sabine Annual Reports (excluding any disclosures included in any risk factor section or any other disclosures in such Sabine Annual Reports to the extent they are predictive or forward looking and general in nature, in each case, other than any specific factual information contained therein) or (ii) set forth on the disclosure letter delivered to Forest on the date of the execution of this Agreement (the Sabine Disclosure Letter), which identifies items of disclosure by reference to a particular section or subsection of this Agreement (*provided* that any information set forth in one section of the Sabine Disclosure Letter shall be deemed to apply to each other section or subsection thereof or hereof (other than Sections 4.8(b) and 4.15) to which its relevance is reasonably apparent), the Sabine Parties and AIV Holdings hereby, jointly and severally, represent and warrant to Forest as follows:

4.1 ***Organization; Qualification***. Each of the Sabine Parties and AIV Holdings (a) are entities duly formed or organized, validly existing and in good standing under the laws of the state of their formation or organization and have all requisite corporate, limited partnership or limited liability company power and authority to own, lease and operate their properties and to carry on their business as it is now being conducted, and (b) are duly qualified, registered or licensed to do business as a foreign entity and are in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so duly qualified, registered or licensed and in good standing would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect. The Sabine Parties have made available to Forest true and complete copies of the organizational documents of each Sabine Party, as in effect on the Original Execution Date. The Sabine Parties have made available to Forest true and complete copies of the organizational documents of each Sabine Entity, as in effect on the Original Execution Date. AIV Holdings has made available to Forest true and complete copies of the organizational documents of AIV Holdings, as in effect on the Amended Execution Date.

4.2 ***Authority; Enforceability***.

(a) Each of the Sabine Parties and AIV Holdings has the requisite corporate, limited partnership or limited liability company power and authority to execute and deliver this Agreement and the other Transaction Agreements to which it is a party and to consummate the transactions contemplated by this Agreement and the other Transaction Agreements to which it is a party. The execution and delivery by each Sabine Party and AIV Holdings of this Agreement and the other Transaction Agreements to which it is a party and the consummation by each Sabine Party and AIV Holdings of the transactions contemplated by this Agreement and the other Transaction Agreements to which it is a party have been, or, in the case of Transaction Agreements to be delivered after the Original Execution Date, will be, duly and validly authorized by such Sabine Party or AIV Holdings, as applicable, and no other corporate, limited partnership or limited liability company proceedings on the part of any Sabine Party or AIV Holdings is necessary to authorize this Agreement and the other Transaction Agreement to which it is a party or to consummate the transactions contemplated by this Agreement and the other Transaction Agreement to which it is a party.

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(b) This Agreement and the other Transaction Agreements to which a Sabine Party or AIV Holdings is a party have been, or, in the case of Transaction Agreements to be delivered after the Original Execution Date, will be, duly executed and delivered by such Sabine Party or AIV Holdings, as applicable, and, if applicable, its equityholders, and, assuming the due authorization, execution and delivery by Forest, this Agreement and the other Transaction Agreements to which a Sabine Party or AIV Holdings is a party constitute the valid and binding agreement of such Sabine Party or AIV Holdings, enforceable against such Sabine Party or AIV Holdings in accordance with its terms, except as such enforceability may be limited by Creditors Rights.

(c) The representations and warranties set forth in this Section 4.2 (other than those with respect to AIV Holdings, which are made only as of the Amended Execution Date) shall apply *mutatis mutandis* with respect to both the Original Agreement and this Agreement, and, with respect to the Original Agreement, shall be made as of the Original Execution Date and, with respect to this Agreement, shall be made as of the Amended Execution Date; *provided, however*, that the representations and warranties set forth in this Section 4.2 are not made as of a specific date for purposes of Section 7.3(a).

4.3 ***Non-Contravention***. The execution, delivery and performance of this Agreement and the other Transaction Agreements by the Sabine Party or AIV Holdings, as applicable, a party thereto and the consummation by the Sabine Parties and AIV Holdings, as applicable, of the transactions contemplated by this Agreement and the Transaction Agreements does not and will not: (a) result in any breach of any provision of the organizational documents of any Sabine Entity; (b) constitute a default (or an event that with notice or passage of time or both would give rise to a default) under, or give rise to any right of termination, cancellation, amendment or acceleration (with or without the giving of notice, or the passage of time or both) under any of the terms, conditions or provisions of any Contract to which any Sabine Entity is a party or by which any property or asset of any Sabine Entity is bound or affected; (c) assuming compliance with the matters referred to in Section 4.4, violate any Law to which any Sabine Entity is subject or by which any Sabine Entity s properties or assets is bound; or (d) constitute (with or without the giving of notice or the passage of time or both) an event which would result in the creation of any Encumbrance (other than Permitted Encumbrances) on any asset of any Sabine Entity, except, in the cases of clauses (b), (c) and (d) for such defaults or rights of termination, cancellation, amendment, acceleration, violations or Encumbrances, as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect. The Sabine Entities are in material compliance with, and no event has occurred which would constitute (with or without the giving of notice or the passage of time or both) a material default under or give rise to any right of termination, cancellation, or acceleration under any terms of any Contracts evidencing indebtedness for borrowed money.

4.4 ***Approvals of Governmental Entities and Third Parties***. Other than in connection with or in compliance with (i) the Exchange Act, (ii) the Securities Act, (iii) applicable state securities, and blue sky laws, (iv) the rules and regulations of the NYSE, and (v) the HSR Act, and any antitrust, competition or similar laws outside of the United States, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any Person or Governmental Entity is necessary for the consummation by any Sabine Party or AIV Holdings of the transactions contemplated by this Agreement, other than such declarations, filings, registrations, notices, authorizations, consents or approvals which, if not obtained or made, would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect.

4.5 ***Capitalization***.

(a) Section 4.5(a)(i) of the Sabine Disclosure Letter sets forth a correct and complete description of the following: (i) all of the issued and outstanding Equity Interests in each of the Sabine Entities; and (ii) the record owners of each of the outstanding Equity Interests in each of the Sabine Entities. Except as set forth on Section 4.5(a)(i) of the Sabine

Disclosure Letter, there are no other outstanding Equity Interests of any Sabine Entity. All of the issued and outstanding Equity Interests in each of the Sabine Entities have been duly authorized

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and validly issued in accordance with the Organizational Documents of such Sabine Entity and are fully paid (to the extent required under the Organizational Documents of such Sabine Entity) and nonassessable (except as nonassessability may be affected by Sections 17-303, 17-607 and 17-804 of the Delaware LP Act or Sections 18-607 or 18-804 of the DLLCA) and have not been issued in violation of any preemptive rights, rights of first refusal or other similar rights of any Person. All of the issued and outstanding Equity Interests in each of the Sabine Entities are owned by the Persons set forth on Section 4.5(a)(i) of the Sabine Disclosure Letter named as owning such interests free and clear of all Encumbrances other than (A) transfer restrictions imposed by federal and state securities laws and (B) any transfer restrictions contained in the Organizational Documents of the Sabine Entities. Sabine Investor Holdings and AIV Holdings collectively own, directly or indirectly, all of the outstanding Equity Interests in each Sabine Entity, free and clear of all Encumbrances other than (1) transfer restrictions imposed by federal and state securities laws and (2) any transfer restrictions contained in the Organizational Documents of the Sabine Entities.

(b) There are no preemptive rights or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, subscription agreements, commitments or rights of any kind that obligate any of the Sabine Entities to issue or sell any Equity Interests or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any Equity Interests in any of the Sabine Entities, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(c) No Sabine Entity has any outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the holders of Equity Interests in any Sabine Entity on any matter.

(d) There are no voting trusts or other agreements or understandings to which any Sabine Entity is a party with respect to the voting or registration of the limited liability company interest or other equity interest of any Sabine Entity.

(e) Sabine Investor Holdings and the Contributed Corporations collectively own, beneficially and of record, free and clear of all Encumbrances, except for Permitted Encumbrances, all the outstanding equity interests of Sabine Holdings. AIV Holdings owns, beneficially and of record, free and clear of all Encumbrances, except for Permitted Encumbrances, all the Contributed Stock Interests and the Contributed Stock Interests represent all the outstanding equity interests of the Contributed Corporations.

(f) Upon the consummation of the Contribution, Sabine Investor Holdings and AIV Holdings will collectively assign, convey, transfer and deliver, to Forest, good and valid title to the Contributed Interests, free and clear of all Encumbrances, other than (i) any transfer restrictions imposed by federal or state securities laws, (ii) any transfer restrictions contained in the Organizational Documents of Sabine Holdings, (iii) any transfer restrictions contained in the Organizational Documents of AIV Holdings and (iv) any Encumbrances on the Contributed Interests as a result of actions by the Forest Entities or the Contributed Corporations.

(g) Except with respect to the ownership of any equity or long-term debt securities between or among the Sabine Entities, none of the Sabine Entities owns, directly or indirectly, any equity or long-term debt securities of any Person.

4.6 ***Compliance with Law***.

(a) Except for Environmental Laws, Laws requiring the obtaining or maintenance of a Permit, Tax matters, Laws relating to employee benefits, employment and labor matters, and Laws relating to regulatory and compliance matters, which are the subject of Sections 4.11, 4.14, 4.15, 4.16, and 4.17 respectively, and except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material

Adverse Effect, (i) each Sabine Entity is in compliance with all applicable Laws, (ii) no

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Sabine Entity has received written notice of any violation of any applicable Law and (iii) none of the Sabine Entities has received written notice that it is under investigation by any Governmental Entity for potential non-compliance with any Law.

(b) Each Sabine Entity is in compliance, in all material respects, with (i) the USA PATRIOT Act, (ii) the FCPA, and (iii) the U.S. Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the U.S. Treasury Department (31 C.F.R. Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto. No Sabine Entity nor, to the Knowledge of Sabine Investor Holdings, any director, officer or employee of any Sabine Entity is subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department or a person on the list of Specially Designated Nationals and Blocked Persons.

4.7 ***Sabine Annual Report; Financial Statements***.

(a) The Sabine Annual Reports did not at the time such reports were posted by Sabine O&G on its web site at www.sabineoil.com (or if revised or amended by a later posting prior to the Original Execution Date, then at the time of such posting or amendment) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The Sabine Parties have made available to Forest copies of the Sabine Financial Statements. The Sabine Financial Statements have been prepared in accordance with GAAP, applied on a consistent basis throughout the periods presented thereby and fairly present in all material respects the consolidated financial position and operating results, equity and cash flows of Sabine O&G, on a combined consolidated basis, as of, and for the periods ended on, the respective dates thereof, subject, however, in the case of unaudited financial statements, to normal year-end audit adjustments. (i) Sabine Holdings only asset is its equity interest in SOGH II, (ii) SOGH II s only asset is its equity interest in Sabine O&G, (iii) neither Sabine Holdings nor SOGH II has any liability, whether accrued, contingent, absolute or otherwise, other than liabilities solely arising from its equity interest in SOGH II or Sabine O&G, as applicable, and ordinary course entity-level liabilities solely relating to its maintenance as a limited liability company (such as state franchise or minimum taxes) and (iv) the Contributed Corporations only asset is their equity interest in Sabine Holdings.

(c) None of the Sabine Entities (other than the Contributed Corporations) has any liability, whether accrued, contingent, absolute or otherwise, that would be required to be included in the financial statements of the Sabine Entities under GAAP except for (i) liabilities set forth on the consolidated balance sheet dated as of December 31, 2013 or the notes thereto contained in the Sabine Financial Statements; (ii) liabilities that have arisen since December 31, 2013, in the ordinary course of business; and (iii) liabilities which would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect. Each Contributed Corporation has no liability, whether accrued, contingent, absolute or otherwise, other than liabilities solely arising from its equity interest in Sabine Holdings and ordinary course entity-level liabilities solely relating to its maintenance as a corporation (such as state franchise or minimum taxes).

4.8 ***Absence of Certain Changes***. Except as expressly contemplated by this Agreement, (a) from and after December 31, 2013, through the Original Execution Date, the Sabine Entities have operated their business in all material respects only in the ordinary course of business and consistent with past practice, and no Sabine Entity has taken or agreed to take any action that, if taken during the period from the date of this Agreement to the Effective Time, would constitute a breach of clauses (ii), (iii), (iv), (v), (ix), (x), (xi), (xii) or (xiii) of Section 5.2(b), and (b) from and after December 31, 2013, through the Effective Time, there has not been any event, occurrence or development which has had, or would be reasonably expected to have, a Sabine Material Adverse Effect.

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4.9 ***Title to Properties and Assets; Oil & Gas Properties***.

(a) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, each Sabine Entity has title to or rights or interests in its real property and personal property (and each real property and personal property at which material operations of Sabine are conducted) free and clear of all Encumbrances (such property, the Sabine Owned Real Property) (subject to Permitted Encumbrances), sufficient to allow it to conduct its business as currently being conducted.

(b) Oil and Gas Property.

(i) Except for (A) property sold or otherwise disposed of in the ordinary course of business since the dates of the reserve reports prepared by Ryder Scott Co. (Ryder Scott) relating to the Sabine Entity interests referred to therein as of December 31, 2013 (the Sabine Reserve Reports), (B) property reflected in the Sabine Reserve Reports or in the Sabine Annual Report as having been sold or otherwise disposed of, as of the Original Execution Date or (C) matters that would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, the Sabine Entities have good and defensible title to all Oil and Gas Properties forming the basis for the reserves reflected in the Sabine Reserve Reports and in each case as attributable to interests owned by the Sabine Entities, free and clear of any Encumbrances, except for (A) Production Burdens and (B) Permitted Encumbrances. For purposes of the foregoing sentence, good and defensible title means such title that is free from reasonable doubt to the end that a prudent person engaged in the business of purchasing and owning, developing, and operating producing or non-producing oil and gas properties in the geographical areas in which they are located, with knowledge of all of the facts and their legal bearing, would be willing to accept the same acting reasonably.

(ii) The factual, non-interpretive data supplied by or on behalf of the Sabine Entities to Ryder Scott relating to the Sabine Entities interests referred to in the Sabine Reserve Reports and that was material to such firm s estimates of proved oil and gas reserves attributable to the Oil and Gas Properties of the Sabine Entities in connection with the preparation of the Sabine Reserve Reports was, as of the time provided (or as modified or amended prior to the issuance of the Forest Reserve Reports), accurate in all material respects. To Sabine Investor Holdings Knowledge, any assumptions or estimates provided by the Sabine Entities to Ryder Scott in connection with their preparation of the Sabine Reserve Reports were made in good faith and on a reasonable basis based on the facts and circumstances in existence and that were to Known to the Sabine Entities at the time such assumptions or estimates were made. The estimates of proved oil and gas reserves provided by the Sabine Entities to Ryder Scott in connection with the preparation of the Sabine Reserve Reports complied in all material respects with Rule 4-10 of Regulation S-X promulgated by the SEC. Sabine Holdings internal proved reserve estimates prepared by management for the year ended December 31, 2013 were not, taken as a whole, materially lower than the conclusions in such Sabine Reserve Reports. Except for changes generally affecting the oil and gas exploration, development and production industry (including changes in commodity prices) and normal depletion by production, there has been no material change in respect of the matters addressed in the Sabine Reserve Reports that would have, individually or in the aggregate, a Sabine Material Adverse Effect.

(iii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, (A) all proceeds from the sale of Hydrocarbons produced from the Oil and Gas Properties of the Sabine Entities are being received by them in a timely manner and (B) as of March 31, 2014, no proceeds from the sale of Hydrocarbons produced from any such Oil and Gas Properties (to the extent operated by any Sabine Entity) are being held in suspense (by any Sabine Entity, any third party operator thereof or any other Person or individual) for any reason other than awaiting preparation and approval of division order title opinions for recently drilled wells. Section 4.9(b)(iii) of the Sabine Disclosure Letter sets forth all the Oil

and

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Gas Leases included in any Sabine Entity s Oil and Gas Properties that are scheduled to expire (in whole or in part) at any time in the twelve (12) month period immediately following the execution of this Agreement.

(iv) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, (i) each Oil and Gas Lease to which any Sabine Entity is a party is, valid and in full force and effect, and (ii) all rentals, shut-ins and similar payments (and all Production Burdens) owed to any Person or individual under (or otherwise with respect to) any such Oil and Gas Leases have been properly and timely paid. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, all royalties, minimum royalties, overriding royalties and other Production Burdens with respect to any Oil and Gas Properties owned or held by any Sabine Entity have been timely and properly paid. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, no Sabine Entity (and, to Sabine Investor Holdings Knowledge, no third party operator) has violated any provision of, or taken or failed to take any act which, with or without notice, lapse of time, or both, would constitute a default under the provisions of any Oil and Gas Lease (or entitle the lessor thereunder to cancel or terminate such Oil and Gas Lease) included in the Oil and Gas Properties owned or held by any Sabine Entity and no Sabine Entity (or, to Sabine Investor Holdings Knowledge, any third party operator) has received written notice from any other party to any such Oil and Gas Lease (A) that any Sabine Entity (or such third party operator, as the case may be) has breached, violated or defaulted under any such Oil and Gas Lease or (B) threatening to terminate, cancel, rescind or procure judicial reformation of any such Oil and Gas Lease.

(v) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, all Oil and Gas Properties operated by any Sabine Entity (and, to the Knowledge of Sabine Investor Holdings, all Oil and Gas Properties owned or held by any Sabine Entity and operated by a third party) have been operated in accordance with reasonable, prudent oil and gas field practices and in material compliance with the applicable Oil and Gas Leases, Oil and Gas Contracts and applicable Laws.

(vi) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, none of the Oil and Gas Properties of the Sabine Entities is subject to any preferential, purchase, preemptive, consent or similar right which would become operative as a result of the entry into (or the consummation of) the Transactions or the other transactions contemplated by this Agreement.

(vii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, all of the wells located on the Oil and Gas Leases or on (or otherwise associated with) any other Oil and Gas Properties of the Sabine Entities have been drilled, completed and operated in accordance with all applicable Law and the terms and conditions of all applicable Oil and Gas Leases and Oil and Gas Contracts, and all drilling and completion (and the plugging and abandonment) of all such wells and all related development, production and other operations have been conducted in compliance with all applicable Law and the terms and conditions of all applicable Oil and Gas Leases and Oil and Gas Contracts. No Sabine Entity has elected not to participate in any operation or activity proposed with respect to any of the Oil and Gas Properties owned or held by it (or them, as applicable) that would result in a penalty or forfeiture as a result of such election not to participate in such operation or activity that would be material to the Sabine Entities, taken as a whole is not reflected in the Sabine Reserve Reports. The Sabine Reserve Reports accurately reflect in all material respects any payout balances applicable to any well included in the Oil and Gas Properties held or owned by any Sabine Entity.

(viii) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, and to the Knowledge of

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Sabine Investor Holdings, (A) Section 4.9(b)(viii) of the Sabine Disclosure Letter lists, as of March 31, 2014, all transportation, plant, production and other imbalances and overlifts with respect to Hydrocarbon production from the Sabine Entities Oil and Gas Properties, and (B) no imbalance listed on Section 4.9(b)(viii) of the Sabine Disclosure Letter constitutes all of the Sabine Entities share of ultimately recoverable reserves in any balancing area pursuant to any balancing Contract.

(ix) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, with respect to the Sabine Entities Oil and Gas Properties, all currently producing wells and all tangible equipment included therein, used in connection with the operation thereof or otherwise primarily associated therewith (including all buildings, plants, structures, platforms, pipelines, machinery, vehicles and other rolling stock) are in a good state of repair and are adequate and sufficient to maintain normal operations in accordance with past practices (ordinary wear and tear excepted).

(x) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, neither the entry into (nor the consummation of) the Contribution or the other transactions contemplated by this Agreement will result in a breach of the terms of, or give rise to any right of cancellation, termination or forfeiture under, any Oil and Gas Contract included in any Sabine Entity s Oil and Gas Properties.

4.10 ***Intellectual Property***. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, (a) the Sabine Entities own or have the right to use pursuant to a license, sublicense, agreement or otherwise all material items of Intellectual Property required in the operation of their business as presently conducted; (b) no third party has asserted in writing delivered to any Sabine Entity an unresolved claim that any of the Sabine Entities is infringing on the Intellectual Property of such third party; and (c) to the Knowledge of Sabine Investor Holdings, no third party is infringing on the Intellectual Property owned by the Sabine Entities.

4.11 ***Environmental Matters***. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect:

(a) each of the Sabine Entities and its assets, real properties and operations, and, to the Knowledge of Sabine Investor Holdings, each third-party operator of any of the Oil and Gas Properties of the Sabine Entities (with respect to such interests), are and, during the relevant time periods specified in all applicable statutes of limitations, have been, in compliance with all applicable Environmental Laws;

(b) each of the Sabine Entities, and, to the Knowledge of Sabine Investor Holdings, each third-party operator of any of the Oil and Gas Properties of the Sabine Entities (with respect to such interests), possesses all Environmental Permits required for their operations as currently conducted and is in compliance with the terms of such Environmental Permits, and such Environmental Permits are in full force and effect and are not subject to any pending or, to the Knowledge of any Sabine Entity, threatened Proceeding;

(c) none of the Sabine Entities nor any of their properties or operations or any person or entity whose liability the Sabine Entities have retained or assumed either contractually or by operation of Law, are subject to any pending or, to the Knowledge of any Sabine Entity, threatened Proceeding arising under any Environmental Law, nor has any Sabine Entity received any written and pending notice, order or complaint from any Person alleging a violation of or liability arising under any Environmental Law; and

(d) there has been no Release of Hazardous Substances on, at, under, to, or from any of the properties of the Sabine Entities, or from or in connection with the Sabine Entities operations, and, to the Knowledge of Sabine Investor Holdings, each third-party operator of any of the Oil and Gas Properties of the Sabine Entities (with respect to such interests), in a manner that would reasonably be expected to give rise to any uninsured liability pursuant to any Environmental Law.

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(e) The Sabine Entities have made available to the Forest Entities true and complete copies of all environmental reports, studies, investigations and audits in the Sabine Entities possession or control and relating to the operations of the Sabine Entities or to property currently or formerly owned, leased, or operated by the Sabine Entities.

(f) None of the Sabine Entities and, to the Knowledge of Sabine, any third-party operator of any of the Oil and Gas Properties of the Sabine Entities (with respect to such interests) and any predecessor of any of them, is subject to any Order or any indemnity obligation (other than asset retirement obligations, plugging and abandonment obligations and other reserves of Sabine set forth in the Sabine Reserve Reports that have been provided to Sabine Investor Holdings prior to the date of this Agreement) with any other person that would reasonably be expected to result in liabilities under applicable Environmental Laws or concerning Hazardous Substances.

4.12 ***Material Contracts***.

(a) Section 4.12 of the Sabine Disclosure Letter sets forth, as of the Original Execution Date, the following Contracts to which the Sabine Entities is a party or bound:

(i) Contracts that are of a type that would be required to be included as an exhibit to a Registration Statement on Form S-1 pursuant to Items 601(b)(2), (4), (9) or (10) of Regulation S-K of the SEC if such a registration statement was filed by Sabine Investor Holdings or AIV Holdings on the Original Execution Date;

(ii) Contracts that contain any provision or covenant that expressly restricts in any material respect any Sabine Entity or any Affiliate thereof from engaging in any lawful business activity or competing with any Person;

(iii) Contracts that (A) relate to the creation, incurrence, assumption, or guarantee of any indebtedness for borrowed money by any Sabine Entity or (B) create a capitalized lease obligation (except, in the cases of clauses (A) and (B), any such Contract with an aggregate principal amount not exceeding $2,500,000 and except any transactions solely among the Sabine Entities);

(iv) Contracts in respect of the formation of any partnership, limited liability company agreement or joint venture or otherwise relates to the joint ownership or operation of the assets owned by any of the Sabine Entities that is material to the Sabine Entities, taken as a whole, other than any such Contracts solely among the Sabine Entities;

(v) Contracts that provide for the acquisition or sale of assets with a book value in excess of $5,000,000 (whether by merger, sale of stock, sale of assets or otherwise) and that is material to the Sabine Entities, taken as a whole;

(vi) Contracts that provide for the sale by any Sabine Entity of Hydrocarbons which contains a take-or-pay clause or any similar prepayment or forward sale arrangement or obligation (excluding gas balancing arrangements associated with customary joint operating agreements) to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefore;

(vii) Contracts that involve the transportation of more than 10 MMcf (or the MBtu equivalent) of Hydrocarbons per day (calculated on a yearly average basis);

(viii) Contracts that provide for the sale by any Sabine Entity of Hydrocarbons that has a remaining term of greater than 60 days and do not allow such Sabine Entity to terminate it without penalty on 90 days or less notice;

(ix) Contracts that provide for a call or option on production, or acreage dedication or other commitment of Hydrocarbons produced from or otherwise attributable to any Sabine Entity s Oil and Gas Properties to a gathering,

transportation processing, storage treatment or other arrangement downstream of the wellhead, covering in excess of 25 MMcf (or in the case of liquids, in excess of 5,000 barrels of oil equivalent) of Hydrocarbons per day over a period of one month (calculated on a yearly average basis);

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(x) any Oil and Gas Lease that contains express provisions (A) establishing bonus obligations in excess of $1,250,000 that were not satisfied at the time of lease or signing or (B) providing for a fixed term, even if there is still production in paying quantities;

(xi) any agreement pursuant to which any Sabine Entity has paid amounts associated with any Production Burdens in excess of $2,500,000 during the immediately preceding fiscal year or with respect to which Sabine Holdings reasonably expects that it (and/or its Subsidiaries) will make payments associated with any Production Burdens in any of the next three succeeding fiscal years that could, based on current projections, exceed $2,500,000 per year;

(xii) Contracts that are a joint development agreements, exploration agreements or acreage dedication agreements (excluding, in respect of each of the foregoing, customary joint operating agreements) that either (A) are material to the operation of the Sabine Entities, taken as a whole, (B) would reasonably be expected to require the Sabine Entities to make expenditures in excess of $12,500,000 in the aggregate during the 12-month period following the Original Execution Date or (C) contain an area of mutual interest or any tag along or drag along (or similar rights) allowing a third party, or requiring the Sabine Entities, to participate in any future transactions with respect to any assets or properties of the Sabine Entities;

(xiii) acquisition Contracts that contain an earn out or other contingent payment obligations, or remaining indemnity or similar obligations (other than asset retirement obligations, plugging and abandonment obligations and other reserves of any Sabine Entity set forth in the Sabine Reserve Reports that have been provided to Forest prior to the Original Execution Date) that would be reasonably expected to result in payments after the Original Execution Date by the Sabine Entities in excess of $2,500,000;

(xiv) Contracts pursuant to which any Sabine Entity has agreed to perform any contract drilling for any third party;

(xv) Contracts that relate to futures, swaps, collars, puts, calls, floors, caps, options or otherwise is intended to reduce or eliminate the fluctuations in the prices of commodities, including natural gas, natural gas liquids, crude oil and condensate; or

(xvi) Contracts, other than Contracts entered into in the ordinary course of business consistent with past practice, that otherwise involve the annual payment by any of the Sabine Entities of more than $2,500,000 and cannot be terminated by the Sabine Entities on 90 days or less notice without payment by the Sabine Entities of any penalty.

(b) Each Contract required to be disclosed pursuant to Section 4.12(a) (collectively, the Sabine Material Contracts) has been made available to Forest and, except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, each Sabine Material Contract is, to the Knowledge of Sabine Investor Holdings, a valid and binding obligation of the applicable Sabine Entity, in full force and effect and enforceable in accordance with its terms against such Sabine Entity and, to the Knowledge of Sabine Investor Holdings, the other parties thereto, except, in each case, as enforcement may be limited by Creditors Rights.

(c) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, to the Knowledge of Sabine Investor Holdings, none of the Sabine Entities nor any other party to any Sabine Material Contract is in default or breach under the terms of any Sabine Material Contract and no event has occurred that with the giving of notice or the passage of time or both would constitute a breach or default by such Sabine Entity or, to the Knowledge of Sabine Investor Holdings, any other party to any Sabine Material Contract, or would permit termination, modification or acceleration under any Sabine Material Contract.

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4.13 ***Legal Proceedings***. Other than with respect to Proceedings arising under Environmental Laws, which are the subject of Section 4.11, or relating to Tax matters, which are the subject of Section 4.15, there are no Proceedings pending or, to the Knowledge of Sabine Investor Holdings, threatened against the Sabine Entities, except such Proceedings as (a) do not involve, in any individual case, a claim for monetary damages in excess of $1,000,000 or (b) would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect. There is no judgment, order or decree outstanding against any Sabine Entity that would be reasonably likely individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect. To the Knowledge of Sabine Investor Holdings, no officer or director of any Sabine Entity is a defendant in any Proceeding in connection with his or her status as an officer or director of any Sabine Entity. No Sabine Entity nor any of their respective properties or assets is or are subject to any judgment, order or decree, except for those judgments, orders or decrees that would not be reasonably likely individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect.

4.14 ***Permits***. Other than with respect to Permits issued pursuant to or required under Environmental Laws, which are the subject of Section 4.11, the Sabine Entities have all Permits as are necessary to use, own and operate their assets in the manner such assets are currently used, owned and operated by the Sabine Entities, except where the failure to have such Permits would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect.

4.15 ***Taxes***. (a) Except as would not reasonably be expected to have, individually and in the aggregate, a Sabine Material Adverse Effect:

(i) All Tax Returns required to be filed by or with respect to the Sabine Entities have been filed and all such Tax Returns of or with respect to the Sabine Entities are complete and correct. All Taxes due and payable for which the Sabine Entities are liable have been paid in full. Any charges, accruals or reserves for Taxes provided for in the most recent Sabine Financial Statements are adequate, in accordance with GAAP, to cover all Taxes of the Sabine Entities for periods ending on or prior to the date of such financial statements, and such charges, accruals or reserves, as adjusted for operations and transactions and the passage of time for periods beginning after the date of such Sabine Financial Statements and through the Closing Date, are adequate, in accordance with GAAP, to cover all Taxes of the Sabine Entities through the Closing Date. There is no claim pending or asserted in writing (other than claims being contested in good faith through appropriate proceedings and for which adequate reserves have been made in accordance with GAAP) against any Sabine Entity for any Taxes, and no assessment, deficiency, or adjustment has been asserted or proposed in writing with respect to any Taxes or Tax Returns of or with respect to any Sabine Entity.

(ii) No Tax audits or other administrative or judicial proceedings are being conducted or are pending with respect to any Taxes or Tax Returns of any Sabine Entity.

(iii) All Taxes required to be withheld, collected or deposited by any Sabine Entity have been timely withheld, collected or deposited as the case may be, and to the extent required, have been paid to the relevant taxing authority.

(iv) There are no outstanding agreements or waivers extending the applicable statutory periods of limitations with respect to any Tax of any Sabine Entity.

(v) No Sabine Entity will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (A) change in method of accounting for Tax purposes for a taxable period ending on or prior to the Closing Date (including by reason of Section 481 of the Code or any similar provisions of state, local or foreign Law); (B) prepaid amount received prior to the Closing other than in the ordinary course of business consistent with prior periods, (C) deferred

intercompany item or excess loss account (within the meaning of the Treasury Regulations promulgated under Section 1502

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of the Code), (D) income deferred under Section 108(i) of the Code; or (E) installment sale or open transaction entered into prior to the Closing other than in the ordinary course of business consistent with prior periods.

(vi) No Sabine Entity has any liability for Taxes of any Person under Treasury Regulation § 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor or by Contract. No Sabine Entity has been a member of a combined, consolidated, unitary or similar group for Tax purposes.

(vii) No claim has been made by any Governmental Entity in a jurisdiction where a Sabine Entity has not filed Tax Returns indicating that such Sabine Entity is or may be subject to any taxation by such jurisdiction or that such Sabine Entity is or may be required to file a Tax Return in such jurisdiction.

(viii) There are no Encumbrances on the assets of any Sabine Entity relating to or attributable to Taxes, other than Permitted Encumbrances.

(ix) No Sabine Entity is a party to any Tax sharing agreement, Tax allocation or similar agreement (not including, for the avoidance of doubt, any tax sharing or indemnification provisions contained in any agreement entered into in the ordinary course of business and not primarily relating to Taxes (e.g., leases, credit agreements or other commercial agreements)), or any closing agreement pursuant to Section 7121 of the Code or any predecessor provision thereof, or any similar provisions of state, local or foreign Law.

(x) No Sabine Entity has participated in a listed transaction within the meaning of Treasury Regulation § 1.6011-4.

(xi) In the last two (2) years, no Sabine Entity has constituted either a distributing corporation or a controlled corporation (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock intended to qualify for tax-free treatment under Section 355 of the Code.

(b) Each Sabine Entity (other than each of the Contributed Corporations) is, at all times since its formation has been, and immediately prior to the Contribution will be, properly classified as a partnership or an entity disregarded as separate from its owner for U.S. federal income Tax purposes. No election has been made to treat any of the Sabine Entities as a corporation for U.S. federal income Tax purposes.

(c) None of the Sabine Entities is aware of the existence of any fact, or has taken or agreed to take any action, that would reasonably be expected to prevent or impede (i) the LLC Interest Contribution, the Stock Contribution and the Contributed Corporations Mergers, taken together, from qualifying as a transaction described in Section 351(a) of the Code, (ii) either (A) each of the Contributed Corporations Mergers, taken together with the Stock Contribution, from qualifying as a reorganization within the meaning of Section 368(a) of the Code or (B) (1) the Stock Contribution, taken together with the LLC Interest Contribution, from qualifying as a transaction described in Section 351(a) of the Code and (2) the Contributed Corporations Mergers from qualifying as transactions described in Section 332 of the Code, and (iii) each of the Sabine Mergers from being treated as a transaction that is disregarded for U.S. federal income tax purposes.

(d) Each of the Contributed Corporations is a United States person (within the meaning of Section 7701(a)(30) of the Code.

4.16 ***Employee Benefits; Employment and Labor Matters***.

(a) Section 4.16(a) of the Sabine Disclosure Letter contains a list of each material Sabine Benefit Plan. For purposes of this Agreement, Sabine Benefit Plan means each employee benefit plan, as such term is defined in Section 3(3) of

ERISA, whether or not subject to ERISA, material personnel policy, equity-based plan (including any stock option plan, stock purchase plan, stock appreciation right plan or phantom stock plan),

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bonus plan or arrangement, incentive award plan or arrangement, vacation policy, severance pay plan or arrangement, change in control policy or agreement, retention arrangement, deferred compensation agreement or arrangement, retirement or pension plan or arrangement, executive compensation or supplemental income arrangement, consulting agreement, fringe benefit arrangement, collective bargaining agreement, employment agreement and each other employee benefit plan, agreement, arrangement, program, practice or understanding which is not described in this Section 4.16(a) pursuant to which compensation or other benefits are provided to any current or former director, officer, employee or consultant (or to any dependent or beneficiary thereof) of any Sabine Entity, in each case that is, or has been in the six years prior to Original Execution Date, sponsored, maintained or contributed to by any Sabine Entity or any ERISA Affiliate of any Sabine Entity.

(b) True, correct and complete copies of each material Sabine Benefit Plan, and, if applicable, summary plan description, the most recent determination, advisory or opinion letter, as applicable, the most recent actuarial report, related trusts, insurance or group annuity contracts, administrative service agreements and each other funding or financing arrangement relating to any plan, including all amendments, modifications or supplements thereto, have been delivered to or made available to Forest.

(c) Except for matters that would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect:

(i) each Sabine Benefit Plan has been administered in compliance with its terms, the applicable provisions of ERISA, the Code and all other applicable Laws and the terms of all applicable collective bargaining agreements;

(ii) as to any Sabine Benefit Plan intended to be qualified under Section 401 of the Code, such Plan has received a favorable determination, advisory or opinion letter, as applicable, from the IRS to such effect (or has applied or has time remaining to apply for such letter) and, to the Knowledge of Sabine Investor Holdings, no fact, circumstance or event has occurred or exists since the date of such letter that would reasonably be expected to adversely affect the qualified status of any such Sabine Benefit Plan;

(iii) all required reports, descriptions and disclosures have been filed or distributed appropriately in accordance with applicable Laws with respect to each Sabine Benefit Plan;

(iv) all contributions (including employer contributions and employee salary reduction contributions) that are due and owing have been paid, and all contributions for any period ending on or before the Closing Date that are not yet due have been accrued in accordance with GAAP;

(v) neither any Sabine Entity nor any ERISA Affiliate of any Sabine Entity maintains or contributes to an employee welfare benefit plan that provides medical, health or life insurance or other welfare type benefits for current or future retired or terminated employees, their spouses or their dependents (other than in accordance with Section 4980B of the Code);

(vi) there are no unresolved claims or disputes (pending or threatened) under the terms of, or in connection with, any Sabine Benefit Plan other than routine claims for benefits; and

(vii) neither any Sabine Entity nor any ERISA Affiliate of any Sabine Entity contributes to or has ever contributed to a multiemployer plan (within the meaning of Section 3(37) of Section 4001(a)(3) of ERISA).

(d) Neither any Sabine Entity nor any ERISA Affiliate of any Sabine Entity has any liability under or arising with respect to (i) Title IV of ERISA, (ii) Section 302 of ERISA, or (iii) Sections 412 and 4971 of the Code.

(e) In connection with the consummation of the transactions contemplated by this Agreement, no payments have or will be made under the Sabine Benefit Plans which, in the aggregate, would result in imposition of the sanctions imposed under Sections 280G and 4999 of the Code. There is no contract, agreement,

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plan or arrangement with an employee to which any Sabine Entity is a party that, individually or collectively and as a result of the transactions contemplated by this Agreement or any other related transaction document to which any Sabine Entity is a party, would reasonably be expected to give rise to the payment of any amount that would not be deductible pursuant to Section 280G of the Code (determined without regard to the exceptions contained in Section 280G(b)(4).

(f) Except as specifically contemplated in this Agreement, neither the execution and delivery of this Agreement or any other transaction document to which Sabine Investor Holdings or its Affiliates are a party nor the consummation of the transactions contemplated hereby or thereby will (i) result in any payment or benefit (including severance, unemployment compensation, golden parachute, bonus, or otherwise) becoming due to any officer, director, employee, or consultant of any Sabine Entity or Affiliate thereof; (ii) materially increase any payments or benefits otherwise payable to any officer, director, employee or consultant of any Sabine Entity or Affiliate thereof; or (iii) result in the acceleration of the time of payment or vesting of any awards or benefits or give rise to any additional service credits under any Sabine Benefit Plan.

(g) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, each of the Sabine Entities (i) is in compliance with all applicable Laws regarding labor and employment, including all Laws relating to employment discrimination, labor relations, payment of wages and overtime, leaves of absence, employment tax and social security, occupational health and safety, and immigration; (ii) has not, any time within the six months preceding the Original Execution Date, had any plant closing or mass layoff (as defined by the WARN Act) or other terminations of employees which would create any obligations upon or liabilities for any Sabine Entity under the WARN Act or similar state and local laws; (iii) is not subject to any disputes pending, or, to the Knowledge of Sabine Investor Holdings, threatened, by any of its prospective, current, or former employees, independent contractors or Governmental Entity relating to the engagement of employees or independent contractors by any of the Sabine Entities or related to any Sabine Benefit Plan (except for routine claims for benefits); and (iv) is not subject to any judgment, order or decree with or relating to any present or former employee, independent contractor or any Governmental Entity relating to claims of discrimination, wage or hour practices, or other claims in respect to employment or labor practices and policies.

(h) Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect (i) none of the Sabine Entities is a party to or bound by or negotiating any collective bargaining agreement or other agreement with any labor union, nor has any of them experienced any strike, slowdown, work stoppage, boycott, picketing, lockout, or material grievance, claim of unfair labor practices, or other collective bargaining or labor dispute within the past two years and (ii) there are no current union representation questions or petitions or organizing campaigns involving employees of any of the Sabine Entities.

4.17 ***Regulatory Matters***. No Sabine Entity is (a) an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder or (b) a holding company, a subsidiary company of a holding company, an affiliate of a holding company, a public utility or a public-utility company, as each such term is defined in the Public Utility Holding Company Act of 2005. All natural gas pipeline systems and related facilities owned by any Sabine Entity are (a) gathering facilities or intrastate pipelines that are exempt from regulation by the FERC under the Natural Gas Act of 1938, as amended, except to extent the intrastate pipelines may be subject to Section 311 of the Natural Gas Policy Act of 1978; and (b) not subject to rate regulation as a public utility under the laws of any state or other local jurisdiction.

4.18 ***Insurance***. Except as would not reasonably be expected individually to have, and would not reasonably be expected in the aggregate to have, a Sabine Material Adverse Effect, (a) each insurance policy under which the Sabine Entities is an insured (collectively, the Sabine Insurance Policies) is in full force and effect, all premiums due thereon have been paid in full and the Sabine Entities are in compliance with the terms and

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conditions of such Sabine Insurance Policy; (b) no Sabine Entity is in breach or default under any Sabine Insurance Policy; and (c) no event has occurred which, with notice or lapse of time, would constitute such breach of default, or permit termination or modification, under any Sabine Insurance Policy.

4.19 ***Sabine Approvals***.

(a) (i) The execution and delivery of this Agreement by Sabine Investor Holdings do not, and the performance of this Agreement by Sabine Investor Holdings, and the consummation of the Transactions, will not, require any consent, approval, authorization or permit of, or filing with or notification to any holder of membership interests in Sabine Investor Holdings; (ii) the Sabine Investor Holdings Board has approved and declared advisable this Agreement and the Transactions contemplated by this Agreement; (iii) Sabine Investor Holdings has received all requisite board and other corporate approvals to consummate the Transactions contemplated by this Agreement as required by applicable Law and (iv) no members of Sabine Investor Holdings have any dissenters rights or rights of appraisal relating to the Transactions contemplated by this Agreement.

(b) (i) The sole member of AIV Holdings has approved and declared advisable this Agreement and the Transactions contemplated by this Agreement; (ii) AIV Holdings has received all requisite member and other corporate approvals to consummate the Transactions contemplated by this Agreement as required by applicable Law and (iii) no member of AIV Holdings has any dissenters rights or rights of appraisal relating to the Transactions contemplated by this Agreement.

4.20 ***Derivative Transactions and Hedging***. Section 4.20 of the Sabine Disclosure Letter contains a complete and correct list, as of the Original Execution Date, of all outstanding Derivative Transactions (including each outstanding Hydrocarbon or financial hedging position attributable to the Hydrocarbon production of the Sabine Entities) entered into by any of the Sabine Entities or for the account of any of their respective customers as of the Original Execution Date pursuant to which such party has outstanding rights or obligations. All such Derivative Transactions were, and any Derivative Transactions entered into after the Original Execution Date will be, entered into in accordance with applicable Laws, and in accordance with the investment, securities, commodities, risk management and other policies, practices and procedures employed by the Sabine Entities. The Sabine Entities have duly performed in all material respects all of their respective obligations under the Derivative Transactions to the extent that such obligations to perform have accrued, and, to the Knowledge of Sabine Holdings, there are no material breaches, violations, collateral deficiencies, requests for collateral or demands for payment (except for ordinary course margin deposit requests), or defaults or allegations or assertions of such by any party thereunder.

4.21 ***Brokers Fee***. Except for the fees payable to Barclays Capital Inc. and Wells Fargo Securities, LLC which shall be paid by Sabine Holdings, no broker, investment banker or financial advisor or other Person is entitled to any broker s, finder s, financial advisor s or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of any Sabine Party or AIV Holdings.

4.22 ***Transactions with Affiliates***. Except for employment related agreements or practices, pursuant to the organization documents of Sabine, (i) the Sabine Entities are not, directly or indirectly, a party to, and have no continuing obligations under, any agreement (oral or written), arrangement or transaction with, or involving, or have made any commitment to, any Affiliate of the Sabine Entities (other than Sabine Holdings or any of its Subsidiaries) or any director or officer of the Sabine Entities with respect to which the Sabine Entities will have liability following the Closing Date, and (ii) no Affiliate of the Sabine Entities (other than Sabine Holdings or any of its Subsidiaries) or director or officer of the Sabine Entities currently has any interest in any asset, right or property (real or personal, tangible or intangible) used by the Sabine Entities or any Sabine Subsidiaries. No Affiliate of Sabine Holdings (other

than any of the Sabine Entities) owns or holds any assets or rights constituting or relating to the Sabine Business.

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4.23 ***Information Supplied***. None of the information supplied or to be supplied by the Sabine Parties or AIV Holdings for inclusion or incorporation by reference in (a) the Proxy Statement will, at the time the Proxy Statement and each amendment or supplement thereto, if any, becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (b) the Proxy Statement and any amendment or supplement thereto will, at the date of mailing to stockholders and at the time of the Forest Stockholder Meeting contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made, not misleading.

4.24 ***Debt Financing***.

(a) The Sabine Parties have delivered to Forest a true, complete and correct copy of the executed amended and restated commitment letter dated July 9, 2014 (the Commitment Letter) from the lenders party thereto (collectively, the Lenders) pursuant to which the Lenders have agreed, subject to the terms and conditions thereof, to provide the debt amounts as set forth therein (the Financing Commitments). The Financing Commitments pursuant to the Commitment Letter is collectively referred to in this Agreement as the Debt Financing. As of the date hereof, the Commitment Letter is in full force and effect and valid and binding, except as such enforcement may be limited by laws affecting the enforcement of creditors rights generally or by general equitable principles, and the Sabine Parties have paid in full any and all commitment fees or other fees required to be paid pursuant to the terms of the Commitment Letter on or before the date of this Agreement. As of the date hereof, except for the Financing Commitments and fee letters related to the Financing Commitments, redacted copies of which, in the case of the fee letters, have been provided to Forest (it being understood that such redactions shall be made in a manner satisfactory to the Financing Sources so long as they do not redact provisions, if any, that concern the amounts or conditionality of, or contain any conditions precedent to, the funding of the Debt Financing), there are no other Contracts that would permit the parties to the Financing Commitments to reduce the amount of the Debt Financing or that otherwise affect the availability of the Debt Financing.

(b) Assuming the satisfaction of the conditions in Sections 7.1 and 7.2 and that the Debt Financing is funded in accordance with the terms of the Commitment Letters, the Debt Financing, when funded in accordance with the Commitment Letters, shall provide the Sabine Parties with cash proceeds sufficient to (i) refinance that certain Third Amended and Restated Credit Agreement, dated as of June 30, 2011, among Forest, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders and other parties thereto (as amended, supplemented or otherwise modified, the Existing Forest Credit Agreement), (ii) refinance the Notes in whole or in part including by consummating the Debt Offer (clauses (i) and (ii), together, the Refinancing) and (iii) pay any fees or expenses of or payable by the Sabine Parties in connection with the Refinancing and the Debt Financing.

(c) In no event shall the receipt or availability of any funds or financing (including the Debt Financing) by the Sabine Parties, AIV Holdings or any Affiliate be a condition to the Sabine Parties or AIV Holdings obligations hereunder.

4.25 ***No Other Representations or Warranties***. Each Sabine Party and AIV Holdings has undertaken such investigation as it deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Agreement and the other Transaction Agreements to which it is a party. The foregoing investigation, however, does not modify the representations and warranties of Forest in the Transaction Agreements and such representations and warranties constitute the sole and exclusive representations and warranties of Forest to the Sabine Parties and AIV Holdings in connection with the transactions contemplated by this Agreement and the other Transaction Agreements. Except for the representations and warranties contained in the Transaction Agreements, neither the Sabine Parties, AIV Holdings nor any other Person makes any other express or implied representation or warranty, and Forest hereby disclaims any other representation or warranty, on behalf of or relating

to Forest, any of its Affiliates, their businesses, operations, assets, liabilities, condition (financial or otherwise) or prospects.

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ARTICLE V

CERTAIN PRE-CLOSING COVENANTS

5.1 ***Conduct of Business of Forest***.

(a) Forest covenants and agrees as to itself and its Subsidiaries that, from the Original Execution Date and continuing until the earlier of the Effective Time and the termination of this Agreement, except as expressly permitted or expressly contemplated by this Agreement, as set forth in Section 5.1(a) of the Forest Disclosure Letter, as required by Law or the regulations or requirements of any stock exchange or regulatory organization applicable to Forest or any of its Subsidiaries, or to the extent Sabine Investor Holdings shall otherwise consent in writing, Forest shall conduct, and shall cause its Subsidiaries to:

(i) conduct their businesses in the ordinary course of business consistent with past practice;

(ii) use their respective reasonable best efforts to preserve intact their goodwill and relationships with customers, suppliers and others having business dealings with them with respect thereto; and

(iii) use reasonable best efforts to maintain in full force without interruption their present insurance policies or comparable insurance coverage.

(b) Without limiting the generality of Section 5.1, and, except as expressly permitted or expressly contemplated by this Agreement, as set forth in Section 5.1(b) of the Forest Disclosure Letter, as required by Law or the regulations or requirements of any stock exchange or regulatory organization applicable to Forest or any of its Subsidiaries, or to the extent Sabine Investor Holdings shall otherwise consent in writing, from the Original Execution Date and continuing until the earlier of the Effective Time and the termination of this Agreement, Forest shall not, and shall not authorize or permit any of its Subsidiaries to:

(i) make any material change or amendment to its organizational documents;

(ii) make any acquisition of any other Person or business (whether by merger, business combination or otherwise), or purchase any securities or ownership interests or assets of, or make any investment in or make loans or capital contributions to, any Person in excess of $5,000,000 and other than (x) ordinary course overnight investments consistent with the cash management policies of Forest and purchases of Hydrocarbon inventory in the ordinary course of business and (y) loans or advances by any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture) to Forest or a wholly owned Subsidiary or any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture);

(iii) other than as set forth in the 2014 capital budget, make any capital expenditures in excess of $10,000,000 in the aggregate or as required on an emergency basis or for the safety of individuals or the environment;

(iv) make, change or revoke any material Tax election, adopt any material method of Tax accounting that is not consistent with past practice, change any material method of Tax accounting, settle or compromise any material Tax proceeding or assessment in excess of amounts accrued therefor in Forest s financial statements included in the Forest SEC Documents, amend any material Tax Return, take any material position on a material Tax Return that is inconsistent with a material position taken on a material Tax Return that was previously filed, enter into any closing agreement pursuant to Section 7121 of the Code (or any similar provision of state, local or foreign Law) relating to a material amount of Taxes with any Governmental Entity, or apply for any material ruling or material benefit with

respect to Taxes with any Governmental Entity (it being agreed and understood that this clause (iv) and clause (xix) of this Section 5.1(b) shall be the only covenants regarding Tax compliance matters in this Section 5.1(b));

(v) except as required under its organizational documents, declare or pay any dividends or other distribution in respect of any of its capital stock or other equity securities except (A) the declaration

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and payment of cash dividends or distributions from any direct or indirect wholly owned Subsidiary or any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture) of Forest to Forest or a wholly owned Subsidiary or any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture) of Forest and (B) the rights issued pursuant to the Rights Plan in accordance with Section 6.19;

(vi) split, combine or reclassify any shares of its capital stock or other equity securities or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for, its capital stock or equity securities, except (A) for any such transaction by a direct or indirect wholly owned Subsidiary of Forest that remains a direct or indirect wholly owned Subsidiary of Forest or any of its Subsidiaries after consummation of such transaction, (B) the rights issued pursuant to the Rights Plan in accordance with Section 6.19 and Forest Junior Preferred Stock related thereto and (C) the Forest Senior Preferred Stock to be issued as the Sabine Contribution Consideration;

(vii) repurchase, redeem or otherwise acquire any of its capital stock or other equity securities or any securities convertible into or exercisable for any capital stock or equity securities;

(viii) issue, deliver, sell, pledge or dispose of, or authorize the issuance, delivery, sale, pledge or disposition of, any (A) capital stock or equity securities of any class, except for shares of Forest Common Stock issued pursuant to the exercise or settlement of outstanding awards under the Forest Benefit Plans outstanding as of May 2, 2014 and described in Section 3.5(a), (B) debt securities having the right to vote on any matters on which holders of capital stock or members or partners of the same issuer may vote or (C) securities convertible into or exercisable for, or any rights, warrants, calls or options to acquire, any such securities, other than issuances by a direct or indirect wholly owned Subsidiary of Forest of capital stock or equity securities to such Person s parent or any other direct or indirect wholly owned Subsidiary of Forest;

(ix) sell assets (including any Equity Interests in any other Person), other than (A) sales of Hydrocarbons and inventory in the ordinary course of business by the Sabine Entities, (B) sales of assets to third parties for a purchase price that does not exceed $10,000,000 in the aggregate and (C) sales of assets by any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture) to Forest or a wholly owned Subsidiary or any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture);

(x) create, incur, guarantee or assume any Indebtedness other than (A) Indebtedness incurred as a result of borrowings under the Existing Forest Credit Agreement and (B) other Indebtedness of less than $10,000,000 in the aggregate; provided that the foregoing shall not prohibit any Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture) from guaranteeing Indebtedness of Forest or any other Restricted Subsidiary (as defined in the Existing Forest Credit Agreement and each Indenture);

(xi) (A) settle any claims, demands, lawsuits or state or federal regulatory proceedings for damages to the extent such settlements assess damages in excess of $2,000,000 individually and $8,000,000 in the aggregate (other than any claims, demands, lawsuits or proceedings to the extent insured (net of deductibles), reserved against in the Forest Financial Statements or covered by an indemnity obligation not subject to dispute or adjustment from a solvent indemnitor) or (B) settle any claims, demands, lawsuits or state or federal regulatory proceedings seeking an injunction or other equitable relief where such settlements would or would reasonably be expected to materially impair the business of Forest and its Subsidiaries, taken as a whole;

(xii) take any action with respect to or in contemplation of any liquidation, dissolution, recapitalization, reorganization, or other winding up;

(xiii) change or modify any accounting policies, except as required by applicable regulatory authorities or independent accountants;

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(xiv) except as required pursuant to the terms and conditions of a Forest Benefit Plan as in effect on the Original Execution Date (A) increase the salary, bonus or other compensation (including incentive compensation) payable to any employee, other than increases in annual base salaries or wage rates in the ordinary course of business consistent with past practice that do not exceed 10% for an individual or 5% in the aggregate, or (B) adopt or make any amendment to any Forest Benefit Plan, other than amendments to any Forest Benefit Plans that are defined contribution or welfare plans that do not materially increase the cost to the Forest Entities of maintaining such plans;

(xv) recognize any union or establish, negotiate or become obligated under any collective bargaining agreement or other contract with any labor union;

(xvi) other than in the ordinary course of business consistent with past practice, (A) hire any new employee having an annual base salary in excess of $200,000 or (B) terminate, other than for cause, the employment of any employee having an annual base salary in excess of $200,000;

(xvii) (A) modify, make any material amendment to or voluntarily terminate, prior to the expiration date thereof, any Forest Material Contracts; (B) enter into a contract after the Original Execution Date that would be a Forest Material Contract if entered into prior to the Original Execution Date; or (C) waive any default by, or release, settle or compromise any claim against, any other party to a Forest Material Contract; except, in the case of each of clauses (A), (B) and (C), in the ordinary course or business;

(xviii) take any action that would result in any Person other than a direct or indirect wholly owned Subsidiary of Forest being a Restricted Subsidiary (as defined in the Existing Forest Credit Agreement or any Indenture); or

(xix) agree, or commit to take any of the actions described above.

5.2 ***Conduct of Business by the Sabine Entities***.

(a) Sabine Investor Holdings, AIV Holdings and Sabine Holdings covenant and agree as to each Sabine Entity that, from the Original Execution Date and continuing until the earlier of the Effective Time and the termination of this Agreement, except as expressly permitted or expressly contemplated by this Agreement, as set forth in Section 5.2(a) of the Sabine Disclosure Letter, as required by Law or the regulations or requirements of any stock exchange or regulatory organization applicable to Sabine Holdings or any of its Subsidiaries, or to the extent Forest shall otherwise consent in writing, Sabine Investor Holdings, AIV Holdings and Sabine Holdings shall cause each Sabine Entity to:

(i) conduct their respective businesses in the ordinary course of business consistent with past practice;

(ii) use their respective reasonable best efforts to preserve intact their goodwill and relationships with customers, suppliers and others having business dealings with their respective businesses with respect thereto; and

(iii) use reasonable best efforts to maintain in full force without interruption the present insurance policies or comparable insurance coverage of the Sabine Entities.

(b) Without limiting the generality of Section 5.2, and, except as expressly permitted or expressly contemplated by this Agreement, as set forth in Section 5.2(b) of the Sabine Disclosure Letter, as required by Law or the regulations or requirements of any stock exchange or regulatory organization applicable to any of the Sabine Entities, or to the extent Forest shall otherwise consent in writing, from the Original Execution Date and continuing until the earlier of the Effective Time and the termination of this Agreement, Sabine Investor Holdings, AIV Holdings, and Sabine Holdings shall not authorize or permit any Sabine Entity to:

(i) make any change or amendment to its organizational documents that would reasonably be expected to prevent, materially impede or materially delay the Transactions;

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(ii) make any acquisition of any other Person or business (whether by merger, business combination or otherwise), or purchase any securities or ownership interests of, or make any investment in or make loans or capital contributions to, any Person in excess of $50,000,000 and other than ordinary course overnight investments consistent with the cash management policies of the Sabine Entities;

(iii) other than as set forth in the 2014 capital budget, make any capital expenditures in excess of $40,000,000 in the aggregate or as required on an emergency basis or for the safety of individuals or the environment;

(iv) make, change or revoke any material Tax election, adopt any material method of Tax accounting that is not consistent with past practice, change any material method of Tax accounting, settle or compromise any material Tax proceeding or assessment in excess of amounts accrued therefor in the Sabine Financial Statements, amend any material Tax Return, take any material position on a material Tax Return that is inconsistent with a material position taken on a material Tax Return that was previously filed, enter into any closing agreement pursuant to Section 7121 of the Code (or any similar provision of state, local or foreign Law) relating to a material amount of Taxes with any Governmental Entity, or apply for any material ruling or material benefit with respect to Taxes with any Governmental Entity (it being agreed and understood that this clause (iv) and clause (xv) of this Section 5.2(b) shall be the only covenants regarding Tax compliance matters in this Section 5.2(b));

(v) declare or pay any dividends or other distribution in respect of any of its capital stock or other equity securities except (i) the declaration and payment of cash dividends or distributions from any direct or indirect wholly owned Subsidiary of Sabine Holdings to Sabine Holdings or a wholly owned Subsidiary of Sabine Holdings that will be directly or indirectly contributed to Forest in the Contribution and (ii) as required under Section 7.1 of the Third Amended and Restated Operating Agreement of Sabine Holdings, dated as of May 5, 2014;

(vi) split, combine or reclassify any shares of its capital stock or other equity securities or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for, its capital stock or equity securities, except for any such transaction by a direct or indirect wholly owned Subsidiary of Sabine Holdings that remains a direct or indirect wholly owned Subsidiary of Sabine Holdings or any of its Subsidiaries after consummation of such transaction;

(vii) repurchase, redeem or otherwise acquire any of its capital stock or other equity securities or any securities convertible into or exercisable for any capital stock or other equity securities;

(viii) issue, deliver, sell, pledge or dispose of, or authorize the issuance, delivery, sale, pledge or disposition of, any (A) capital stock or equity securities of any class, (B) debt securities having the right to vote on any matters on which holders of capital stock or members or partners of the same issuer may vote or (C) securities convertible into or exercisable for, or any rights, warrants, calls or options to acquire, any such securities, other than issuances by a direct or indirect wholly owned Subsidiary of Sabine Holdings of capital stock or equity securities to such Person s parent or any other direct or indirect wholly owned Subsidiary of Sabine Holdings; or sell, pledge or dispose of any equity interests in (or other interest that is convertible or exchangeable into any equity interest in) Sabine Holdings or any of its Subsidiaries;

(ix) sell any assets (including any Equity Interests in any other Person), other than (A) sales of Hydrocarbons and inventory in the ordinary course of business by the Sabine Entities and (B) sales of assets to third parties for a purchase price that does not exceed $50,000,000 in the aggregate;

(x) create, incur, guarantee or assume any Indebtedness other than (A) Indebtedness incurred as a result of borrowings under the Sabine Revolving Credit Agreement and (B) other Indebtedness of less than $10,000,000 in the aggregate;

(xi) (A) settle any claims, demands, lawsuits or state or federal regulatory proceedings for damages to the extent such settlements assess damages in excess of $20,000,000 in the aggregate (other

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than any claims, demands, lawsuits or proceedings to the extent insured (net of deductibles), reserved against in the Sabine Financial Statements or covered by an indemnity obligation not subject to dispute or adjustment from a solvent indemnitor) or (B) settle any claims, demands, lawsuits or state or federal regulatory proceedings seeking an injunction or other equitable relief where such settlements would have or would reasonably be expected to materially impair the Sabine Entities, taken as a whole;

(xii) take any action with respect to or in contemplation of any liquidation, dissolution, recapitalization, reorganization, or other winding up;

(xiii) change or modify any accounting policies, except as required by applicable regulatory authorities or independent accountants;

(xiv) (A) modify, make any material amendment to or voluntarily terminate, prior to the expiration date thereof, any Sabine Material Contracts; (B) enter into a contract after the Original Execution Date that would be a Sabine Material Contract if entered into prior to the Original Execution Date; or (C) waive any default by, or release, settle or compromise any claim against, any other party to a Sabine Material Contract; except, in the case of each of clauses (A), (B) and (C), in the ordinary course of business; or

(xv) agree, or commit to take any of the actions described above.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 ***Preparation of Proxy Statement***.

(a) Promptly following the Amended Execution Date, Sabine Investor Holdings, AIV Holdings, and Forest shall cooperate in preparing, and Forest shall file with the SEC, a proxy statement (together with any amendments thereof or supplements thereto, the "Proxy Statement") in order to seek the Forest Stockholder Approval, the Authorized Share Amendment Approval, the Name Change Amendment Approval and, subject to the Forest Board approving the Forest Oil Corporation 2014 Long Term Incentive Plan (the "2014 LTIP") (which shall be considered in good faith by the Forest Board as promptly as practicable following the mutual agreement of Forest and Sabine Investor Holdings on the definitive form thereof), the LTIP Proposal Approvals. The Proxy Statement shall comply as to form in all material respects with the applicable provisions of the Exchange Act and the rules and regulations thereunder and other applicable Law. Each of Sabine Investor Holdings, AIV Holdings and Forest will use its reasonable best efforts to have the Proxy Statement cleared by the SEC as promptly as is practicable after filing, and each of Sabine Investor Holdings, AIV Holdings and Forest shall use its respective reasonable best efforts to cause the Proxy Statement to be mailed to the holders of Forest Common Stock as promptly as practicable after the Proxy Statement shall have been cleared by the SEC. No amendment or supplement to the Proxy Statement shall be filed without the approval of Sabine Investor Holdings or AIV Holdings (such approval not to be unreasonably withheld, conditioned or delayed) if such amendment or supplement relates to information in such document relating to any Sabine Party, AIV Holdings or their Affiliates or their business, financial condition or results of operations.

(b) Sabine Investor Holdings, AIV Holdings and Forest each agrees, as to itself and its Subsidiaries, to use reasonable best efforts so that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in the Proxy Statement and any amendment or supplement thereto will, at the date of mailing to stockholders and at the time of the Forest Stockholder Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances

under which such statement was made, not misleading.

(c) If at any time prior to the Effective Time, any party discovers any information relating to Sabine Holdings or Forest, or any of their respective Affiliates, directors or officers that should be set forth in an amendment or supplement to the Proxy Statement so that such documents would not include any misstatement of

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a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party that discovers such information shall promptly notify the other party and an appropriate amendment or supplement describing such information the parties shall promptly file with the SEC and, to the extent required by Law, disseminate such information to the stockholders of Forest.

(d) The parties shall notify each other promptly of the receipt of any correspondence, communications or 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 Proxy Statement or for additional information and shall supply each other with (i) copies of all correspondence and a description of all material oral discussions between it or any of its respective Representatives, on the one hand, and the SEC or the staff of the SEC, on the other hand, with respect to the Proxy Statement or the Transactions and (ii) copies of all orders of the SEC relating to the Proxy Statement.

6.2 ***Stockholders Meeting; Recommendations***. Forest shall take, in accordance with the rules and regulations of the New York Stock Exchange (the NYSE), the NYBCL and the Forest Organizational Documents, all actions reasonably necessary to call, give notice of, convene and hold a meeting of its stockholders (the Forest Stockholder Meeting) as soon as reasonably practicable after the date on which the SEC confirms it has no further comments on the Proxy Statement for the purpose of securing the Forest Stockholder Approval, the Authorized Share Amendment Approval, the Name Change Amendment Approval and, subject to the Forest Board approving the 2014 LTIP and resolving to recommend that the holders of Forest Common Stock vote to approve the LTIP Proposals (which resolution shall, if the Forest Board approves the 2014 LTIP, be considered in good faith by the Forest Board as promptly as practicable following such approval), the LTIP Proposal Approvals. The Proxy Statement shall (i) state that the Forest Board has (A) approved this Agreement and the transactions contemplated hereby; (B) determined that this Agreement and the transactions contemplated hereby are fair to and in the best interests of Forest and its stockholders; and (C) include the recommendation of the Forest Board that the holders of Forest Common Stock approve the issuance of the Sabine Contribution Consideration, the Authorized Share Amendment and the Name Change Amendment (such recommendations described in clause (C), the Forest Recommendation) (except, in the case of clauses (B) and (C), to the extent that Forest effects a Forest Recommendation Change in accordance with Section 6.4); and (ii) subject to the consent of the Forest Financial Advisor, include the written opinion of the Forest Financial Advisor, that, as of the Original Execution Date and based upon and subject to the assumptions, qualifications and limitations set forth in such opinion, the Exchange Ratio (as defined in the Original Merger Agreement) is fair, from a financial point of view, to the holders of Forest Common Stock. Unless there has been a Forest Recommendation Change in accordance with Section 6.4, Forest shall use its reasonable best efforts to solicit from stockholders of Forest votes in favor of the Forest Stockholder Approval, the Authorized Share Amendment Approval and the Name Change Approval. The Forest Board shall not effect a Forest Recommendation Change, except pursuant to and solely as permitted by Section 6.4. Notwithstanding any Forest Recommendation Change, unless this Agreement has been terminated pursuant to the terms hereof, this Agreement, the Authorized Share Amendment, the Name Change Amendment and, subject to the Forest Board approving the 2014 LTIP and resolving to recommend that the holders of Forest Common Stock vote to approve the LTIP Proposals, the LTIP Proposals shall be submitted to the stockholders of Forest at the Forest Stockholder Meeting and nothing contained herein shall be deemed to relieve Forest of such obligation. In addition to the foregoing, Forest shall not submit to the vote of its stockholders any Acquisition Proposal other than the Transactions. Notwithstanding anything to the contrary contained in this Agreement, Forest may adjourn or postpone the meeting of Forest s stockholders to the extent necessary to ensure that any required supplement or amendment to the Proxy Statement is provided to Forest s stockholders or, if as of the time for which the meeting of Forest s stockholders is originally scheduled (as set forth in the Proxy Statement) there are insufficient shares of Forest Common Stock represented (either in person or by proxy) to constitute a quorum necessary to conduct business at such meeting; *provided*, *however*, that no adjournment may be to a date on or after three (3) Business Days prior to the End Date.

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6.3 ***Access to Information; Confidentiality***.

(a) Subject to applicable Law, Forest will provide and will cause Forest s Subsidiaries and its and their respective directors, officers, employees, accountants, consultants, legal counsel, investment bankers, advisors, and agents and other representatives (collectively, Representatives) to provide Sabine Investor Holdings and its authorized Representatives, during normal business hours and upon reasonable advance notice, such reasonable access to the offices, employees, customers, suppliers, properties, books and records of Forest Entities (so long as such access does not unreasonably interfere with the operations of Forest or the Forest Entities) as Sabine Investor Holdings may reasonably request. Subject to applicable Law, Sabine Investor Holdings and AIV Holdings will provide and will cause Sabine Investor Holdings and AIV Holdings Subsidiaries and its and their respective Representatives to provide Forest and its authorized Representatives, during normal business hours and upon reasonable advance notice, such reasonable access to the offices, employees, properties, books and records of the Sabine Entities (so long as such access does not unreasonably interfere with the operations of Sabine Investor Holdings or the Sabine Entities) as Forest may reasonably request. No party shall have access to personnel records of the other party or any of its Subsidiaries relating to individual performance or evaluation records, medical histories or other information that in such other party s good faith opinion the disclosure of which could subject such other party or any of its Subsidiaries to risk of liability. No party shall be permitted to conduct any sampling or analysis of any environmental media or building materials at any facility of the other party or its Subsidiaries without the prior written consent of such other party, which may be granted or withheld in such other party s sole discretion.

(b) With respect to any information disclosed pursuant to this Section 6.3, each of Sabine Investor Holdings, AIV Holdings and Forest shall comply with, and shall cause each of its Subsidiaries and their respective Representatives to comply with, all of its obligations under the confidentiality agreement, dated January 17, 2014, previously executed by Sabine O&G and Forest (the Confidentiality Agreement). No party shall be required to provide access to or disclose any information where such access or disclosure would jeopardize any attorney-client privilege of such party or any Subsidiary of such party or contravene any Contract, Law or order (it being agreed that the parties shall use their respective reasonable best efforts to cause such information to be provided in a manner that would not result in such jeopardy or contravention).

6.4 ***No Solicitation***.

(a) Except as expressly permitted by this Section 6.4, Forest shall, and shall cause each of its Subsidiaries and its and their respective directors and officers and shall use reasonable best efforts to cause its and their Representatives to, (i) immediately cease and terminate any solicitation, encouragement, knowing facilitation, discussions, negotiations or other similar activities with any Persons other than Sabine Investor Holdings and its Affiliates and its and their Representatives that may be ongoing with respect to, or that may reasonably be expected to lead to, an Acquisition Proposal; and (ii) immediately revoke or withdraw access of any Person other than Sabine Investor Holdings and its Affiliates and its and their Representatives to any data room (virtual or actual) containing any non-public information with respect to Forest or its Subsidiaries previously furnished with respect to any Acquisition Proposal and request or require (to the fullest extent permitted under any confidentiality agreement or similar agreement with such Person) such Person to promptly return or destroy, as elected by Forest, all confidential information concerning Forest and its Subsidiaries.

(b) Except as expressly permitted by this Section 6.4, Forest shall not, and shall cause each of its Subsidiaries and its and their respective directors and officers not to, and shall use reasonable best efforts to cause its and their respective Representatives not to, directly or indirectly (i) solicit, initiate (including by way of furnishing information), knowingly encourage, or knowingly facilitate any inquiries regarding, or the making or submission of any proposal or offer that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal, (ii) conduct or engage in

any discussions or negotiations with, disclose any non-public information or non-public data relating to Forest or any of its Subsidiaries to, or afford access to the business, properties, assets, books or records of Forest or any of its Subsidiaries to, or assist, facilitate or cooperate with any effort by any

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third party with respect to any Acquisition Proposal, or (iii) enter into any agreement, including any agreement in principle, letter of intent, term sheet, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other Contract relating to any Acquisition Proposal (each, a "Alternative Acquisition Agreement") (other than an Acceptable Confidentiality Agreement in circumstances contemplated in Section 6.4(c)).

(c) The foregoing clauses (a) and (b) of this Section 6.4 notwithstanding, Forest either directly or through its Representatives may take the actions described in Section 6.4(b)(ii) with respect to a third party prior to but not after, the receipt of the Forest Stockholder Approval and the Authorized Share Amendment Approval, if (i) Forest receives after the Original Execution Date a bona fide, written Acquisition Proposal from such third party that did not result from, or was not otherwise facilitated by, any breach of this Section 6.4 and (ii) before taking any such actions, the Forest Board determines in good faith, after consultation with its financial advisor and outside legal counsel, that such Acquisition Proposal constitutes a Superior Proposal or is reasonably likely to lead to a Superior Proposal; *provided, however*, that (1) Forest shall not deliver any non-public information or non-public data to such third party or afford such third party any access prior to entering into an Acceptable Confidentiality Agreement with such third party and (2) Forest shall, as promptly as practicable (and in any event within twenty-four (24) hours), provide to Sabine Investor Holdings a copy of such executed Acceptable Confidentiality Agreement. Nothing in this Section 6.4 shall prohibit Forest, or the Forest Board, directly or indirectly through any officer, employee or Representative informing any Person that Forest is party to this Agreement and informing such Person of the provisions of this Section 6.4. Forest agrees that it shall substantially concurrently with delivery to any third party provide to Sabine Investor Holdings any information concerning Forest or its Subsidiaries that is provided to any third party in connection with any Acquisition Proposal which information was not previously provided to Sabine Investor Holdings.

(d) Forest shall, as promptly as practicable (and in any event within twenty-four (24) hours after receipt), advise Sabine Investor Holdings orally and in writing of any request for information or any Acquisition Proposal received by Forest, any of its Subsidiaries or any of its or their Representatives from any Person, or any inquiry with respect to any Acquisition Proposal, and the material terms and conditions of such request, Acquisition Proposal or inquiry, and Forest shall, as promptly as practicable (and in any event within twenty-four (24) hours after receipt), provide to Sabine Investor Holdings copies of any written Acquisition Proposal, and the identity of the Person making any such request, Acquisition Proposal or inquiry. Forest shall keep Sabine Investor Holdings informed of any material developments, discussions or negotiations regarding any Acquisition Proposal on a reasonably current basis (and in any event within twenty-four (24) hours). Forest agrees that it and its Subsidiaries will not enter into any confidentiality agreement with any Person subsequent to the Original Execution Date that prohibits Forest from providing such information to Sabine Investor Holdings in accordance with this Section 6.4(d).

(e) Except as expressly permitted by this Section 6.4, neither the Forest Board nor any committee thereof will (i) qualify, withhold, withdraw or modify in any manner adverse to Sabine Investor Holdings (or publicly propose to do so) the Forest Recommendation; (ii) fail to include the Forest Recommendation in the Proxy Statement; (iii) fail to recommend against acceptance of any tender offer or exchange offer for the shares of Forest Common Stock within ten (10) Business Days after commencement of any such offer; or (iv) adopt, approve or recommend, or publicly propose to approve or recommend an Acquisition Proposal (actions described in subclauses (i) through (iv), being referred to as a "Forest Recommendation Change").

(f) Notwithstanding anything to the contrary in Section 6.4(e), prior to, but not after, receipt of the Forest Stockholder Approval and the Authorized Share Amendment Approval, the Forest Board may make a Forest Recommendation Change and/or terminate this Agreement pursuant to Section 8.1(g) in the case of an Acquisition Proposal that has not been withdrawn and did not result from a breach of this Section 6.4, if prior to taking such action, the Forest Board has determined in good faith, after consultation with its financial advisor and outside legal counsel, that such

Acquisition Proposal constitutes a Superior Proposal. The Forest Board shall not make a Forest Recommendation Change pursuant to this Section 6.4(f) and/or terminate this Agreement pursuant

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to Section 8.1(g) unless prior to taking such action (i) Forest has given Sabine Investor Holdings at least three (3) Business Days prior written notice of its intention to take such action (which notice shall specify the material terms and conditions of any such Superior Proposal (including the identity of the Person making such Superior Proposal)) and has contemporaneously provided to Sabine Investor Holdings a copy of any proposed transaction agreements with the Person making such Superior Proposal, (ii) Forest has negotiated, and has caused its Representatives to negotiate, in good faith with Sabine Investor Holdings (in each case, if Sabine Investor Holdings seeks to negotiate with Forest) during such notice period to enable Sabine Investor Holdings to revise the terms of this Agreement such that it would cause such Superior Proposal to no longer constitute a Superior Proposal, (iii) following the end of such notice period, the Forest Board shall have considered in good faith any changes to this Agreement proposed in writing by Sabine Investor Holdings, and shall have determined in good faith, after consultation with its financial advisor and outside legal counsel, that notwithstanding such proposed changes, the third party proposal remains a Superior Proposal, and (iv) Forest has complied in all material respects with its obligations under this Section 6.4. Any amendment to the financial terms or other material terms of a Superior Proposal after delivery of a notice in respect of such Superior Proposal shall require delivery of another notice and shall commence a new three (3) Business Day notice period in respect of such Superior Proposal pursuant to this Section 6.4(f) shall commence. No Forest Recommendation Change shall change the approval of this Agreement for purposes of Section 902 of the NYBCL, and in no event shall Forest or the Forest Board be permitted to rescind or amend the resolutions approving this Agreement as in effect on the Original Execution Date. No Forest Recommendation Change shall have the effect of causing any state (including New York) corporate Takeover Law or other similar statute to be applicable to the transactions contemplated by this Agreement (including the Transactions).

(g) Notwithstanding anything to the contrary in Section 6.4(e), prior to, but not after, receipt of the Forest Stockholder Approval and the Authorized Share Amendment Approval, the Forest Board may make a Forest Recommendation Change in response to a Forest Intervening Event if the Forest Board determines in good faith, after consultation with its outside financial advisors and outside legal counsel, that the failure of the Forest Board to effect a Forest Recommendation Change would be inconsistent with the fiduciary duties of the directors of Forest under applicable Law. The Forest Board shall not make a Forest Recommendation Change pursuant to this Section 6.4(g) unless prior to taking such action (i) Forest has given Sabine Investor Holdings at least three (3) Business Days prior written notice of its intention to take such action (which notice shall specify the reasons therefor), (ii) Forest has negotiated, and has caused its Representatives to negotiate, in good faith with Sabine Investor Holdings (in each case, if Sabine Investor Holdings seeks to negotiate with Forest) during such notice period to enable Sabine Investor Holdings to revise the terms of this Agreement such that a failure of the Forest Board to effect a Forest Recommendation Change in response to such Forest Intervening Event would not be inconsistent with the fiduciary duties of the directors of Forest under applicable Law and (iii) following the end of such notice period, the Forest Board shall have considered in good faith any changes to this Agreement proposed in writing by Sabine Investor Holdings, and shall have determined in good faith, after consultation with its financial advisor and outside legal counsel, that notwithstanding such proposed changes, the failure of the Forest Board to effect a Forest Recommendation Change in response to a Forest Intervening Event would be inconsistent with the fiduciary duties of the directors of Forest under applicable Law.

(h) Nothing in this Agreement shall prohibit the Forest Board from complying with its disclosure obligations under U.S. federal or state Law, including (i) taking and disclosing to Forest stockholders a position contemplated by Rule 14e-2(a) and Rule 14d-9 under the Exchange Act, or (ii) making any stop-look-and-listen communication to the Forest stockholders pursuant to Rule 14d-9(f) under the Exchange Act; *provided*, *however*, that in no event shall any such requirement affect, eliminate or modify the obligations of Forest under, or the effect of any such actions under, this Section 6.4 with respect to a Forest Recommendation Change.

(i) Forest acknowledges and agrees that any violation of the restrictions set forth in this Section 6.4 by any Representative of Forest or its Subsidiaries shall be deemed to be a breach of this Section 6.4 by Forest.

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(j) Definitions of Acquisition Proposal and Superior Proposal. For purposes of this Agreement:

Acquisition Proposal means any offer, proposal, or indication of interest relating to any transaction or series of related transactions (other than the transactions contemplated by this Agreement) from any third party involving: (A) a merger, reorganization, share exchange, consolidation, business combination, recapitalization, dissolution, liquidation or similar transaction involving Forest or any of its Subsidiaries whose assets, taken together, constitute fifteen percent (15%) or more of Forest s consolidated assets based on fair market value, (B) any purchase (including any lease, long term supply agreement, mortgage, pledge or other arrangement having similar economic effect), directly or indirectly, in any manner of any business or assets (including equity securities or other interest in one or more Subsidiaries) that constitute fifteen percent (15%) or more of the consolidated assets of Forest or that generate fifteen percent (15%) or more of Forest s consolidated revenues, or (C) the acquisition, directly or indirectly, of beneficial ownership or control of any securities of Forest after which any person or group would own securities representing fifteen percent (15%) or more of the total voting power of any class of Forest s securities (or that are exchangeable for or convertible into voting securities having such voting power).

Superior Proposal means a bona fide written Acquisition Proposal, on its most recently amended or modified terms, if amended or modified (except that references in the definition of Acquisition Proposal to 15% shall be replaced by 50%) made by a third party, that the Forest Board determines in good faith (after consultation with its financial advisor and outside legal counsel) (i) would be, if consummated, more favorable to Forest s stockholders than the Transactions (taking into account all of the terms and conditions of such proposal and this Agreement (including any changes to the terms of this Agreement proposed by Sabine Investor Holdings in response to such offer or otherwise)) and relevant terms, timing, conditions, and legal, financial and regulatory aspects of the proposal, the identity of the third party making such proposal and the conditions for completion of such proposal and (ii) if accepted, is reasonably likely to be consummated.

6.5 ***Efforts to Consummate; Notification***.

(a) Subject to the terms and conditions of this Agreement, each of Sabine Investor Holdings, AIV Holdings and Forest will use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Law to consummate the Transactions and the other transactions contemplated by this Agreement including using reasonable best efforts to (i) cause the conditions precedent set forth in Article VII to be satisfied, (ii) obtain all necessary waivers, consents, approvals, permits, orders or authorizations (including the expiration or termination of any waiting periods) from Governmental Entities and the making of all necessary registrations, declarations and filings (including registrations, declarations and filings with Governmental Entities, if any) and take all steps as may be necessary to avoid, or to have terminated, if begun, any Proceeding by any Governmental Entity by the End Date, (iii) obtain all necessary waivers, consents, approvals, permits, orders or authorizations from third parties, (iv) defend any investigations or Proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, including seeking to avoid the entry of, or to have reversed, terminated, lifted or vacated, any stay, temporary restraining order or other injunctive relief or order entered by any Governmental Entity that could prevent or delay the Transactions or the consummation of the transactions contemplated hereby and (v) execute and deliver additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. In furtherance and not in limitation of the foregoing, Sabine Investor Holdings, AIV Holdings and Forest agree not to extend any waiting period under HSR Act or enter into any agreement with any Governmental Entity not to consummate the transactions contemplated by this Agreement, except with the prior written consent of the other party not to be unreasonably withheld or delayed.

(b) In furtherance and not in limitation of the foregoing, Sabine Investor Holdings, AIV Holdings and, where applicable, Forest shall (i) make or cause to be made the registrations, declarations and filings required of such party under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act)

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with respect to the transactions contemplated by this Agreement as promptly as reasonably practicable and advisable after the Original Execution Date and in no event later than fifteen (15) Business Days from the execution of this Agreement, (ii) furnish to the other party as promptly as reasonably practicable all information required for any application or other filing to be made by the other party pursuant to any applicable Law in connection with the transactions contemplated by this Agreement, (iii) respond as promptly as reasonably practicable to any inquiries received from, and supply as promptly as reasonably practicable any additional information or documentation that may be requested by, the Antitrust Division of the U.S. Department of Justice (the DOJ), the Federal Trade Commission (FTC) or by any other Governmental Entity in respect of such registrations, declarations and filings or such transactions, (iv) promptly notify the other party of any material communication between that party and the FTC, the DOJ, or any other Governmental Entity and of any material communication received or given in connection with any proceeding by a private party, in each case regarding the application of an Regulatory Law to any of the transactions contemplated hereby (including any communication relating to the antitrust merits, any potential remedies, commitments or undertakings, the timing of any waivers, consents, approvals, Permits, orders or authorizations (including the expiration or termination of any waiting periods), or any agreement regarding the timing of consummation of the Transactions), (v) discuss with and permit the other party (and its counsel) to review in advance, and consider in good faith the other party s reasonable comments in connection with, any proposed filing or communication to the FTC, the DOJ, or any other Governmental Entity or, in connection with any proceeding by a private party to any other Person, relating to any Regulatory Law or any investigation or other Proceeding pursuant to any Regulatory Law in connection with the Transactions or the other transactions contemplated by this Agreement, (vi) not participate or agree to participate in any substantive meeting, telephone call or discussion (including any meeting, telephone call or discussion relating to the antitrust merits, any potential remedies, commitments or undertakings, the timing of any waivers, consents, approvals, Permits, orders or authorizations (including the expiration or termination of any waiting periods), and any agreement regarding the timing of consummation of the Transactions) with the FTC, the DOJ or any other Governmental Entity in respect of any filings, investigation or inquiry relating to any Regulatory Law or any investigation or other Proceeding pursuant to any Regulatory Law in connection with this Agreement or the Transactions unless it consults with the other party in advance and, to the extent permitted by such Governmental Entity, gives the other party the opportunity to attend and participate in such meeting, telephone call or discussion, (vii) furnish the other party promptly with copies of all correspondence, filings and communications relating to any Regulatory Law or any investigation or other Proceeding pursuant to any Regulatory Law between them and their Affiliates and their respective Representatives on the one hand, and the FTC, the DOJ or any other Governmental Entity or members of their respective staffs on the other hand, with respect to this Agreement and the Transactions, and (viii) act in good faith and use reasonable best efforts to cooperate with the other party in connection with any such registrations, declarations and filings and in connection with resolving any investigation or other inquiry of any such agency or other Governmental Entity under the HSR Act or any other Regulatory Law with respect to any such registration, declaration and filing or any such transaction. Sabine Investor Holdings, AIV Holdings and Forest may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this Section 6.5(b) as Antitrust Counsel Only Material. Such materials and the information contained therein shall be given only to the outside antitrust counsel of the recipient and will not be disclosed by such outside counsel to employees, officers or directors of the recipient unless express permission is obtained in advance from the source of the materials (Sabine Investor Holdings, AIV Holdings or Forest, as the case may be) or its legal counsel. Notwithstanding anything to the contrary in this Section 6.5(b), materials provided to the other party or its outside counsel may be redacted to remove references concerning the valuation of Forest and its Subsidiaries or Sabine Holdings and its Subsidiaries or as necessary to address reasonable privilege concerns.

(c) In furtherance of and not in limitation of the foregoing, Sabine Investor Holdings and AIV Holdings shall, to the extent necessary to obtain expiration of the waiting period under the HSR Act, agree to or take any action that would result in making proposals, offering remedies, commitments or undertakings, executing or carrying out agreements

(including consent decrees) or submitting to Laws or orders (i) providing for the license, sale, divestiture or other disposition or holding separate (through the establishment of trust or otherwise) of any capital stock or other Equity Interests of a Subsidiary of Forest or Sabine Investor Holdings or AIV Holdings,

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business, assets, categories of assets, or products of Sabine Investor Holdings or AIV Holdings, Forest or their respective Subsidiaries or the holding separate of the capital stock or other Equity Interests of a Subsidiary of Forest or Sabine Investor Holdings or AIV Holdings or (ii) otherwise imposing or seeking to impose any limitation on Sabine Investor Holdings, AIV Holdings, Forest or any of their respective Subsidiaries freedom of action with respect to, or their ability to retain, any of the businesses, assets, categories of assets, or products of Sabine Investor Holdings, AIV Holdings, Forest or any of their respective Subsidiaries (any matter referenced in the foregoing clause (i) or (ii) being a Regulatory Divestiture). Sabine Investor Holdings or AIV Holdings may condition any Regulatory Divestiture on the consummation of the Transactions. Notwithstanding anything in this Agreement to the contrary, in no event will Sabine Investor Holdings or AIV Holdings be obligated to make or agree to make any Regulatory Divestiture that would reasonably be expected individually or in the aggregate to be material to Forest and its Subsidiaries, taken as a whole, after consummation of the transactions contemplated by this Agreement. Forest agrees that it (A) shall not publicly, or before any Governmental Entity or third party, offer, suggest, propose or negotiate, and shall not commit to, or enter into, consent to or acquiesce to any Regulatory Divestiture without the prior written consent of Sabine Investor Holdings and AIV Holdings and (B) shall commit to, enter into, consent to or acquiesce to any Regulatory Divestitures as directed by Sabine Investor Holdings and AIV Holdings, provided that Regulatory Divestitures are conditioned on the consummation of the transactions contemplated under this Agreement.

6.6 ***Certain Notices***. From and after the Original Execution Date until the earlier to occur of (a) the Closing Date and (b) the termination of this Agreement pursuant to Section 8.1, each of Sabine Investor Holdings, AIV Holdings and Forest shall promptly notify the other of the occurrence, or non-occurrence, of any Event, to the extent known by such party that would be likely to cause any condition to the obligations of the other party to effect the Transactions and the other transactions contemplated by this Agreement not to be satisfied; *provided*, *however*, that the delivery of any notice pursuant to this Section 6.6 shall not cure the inaccuracy of any representation or warranty, the failure to comply with any covenant, the failure to meet any condition or otherwise limit or affect the remedies available hereunder to the party receiving such notice. From and after the Original Execution Date, Forest shall keep Sabine Investor Holdings reasonably informed regarding its communications with any Forest shareholder with respect to the applicability of clause (v) of the definition of Acquiring Person set forth in the Rights Plan to any such shareholder, including by promptly, and in any event within 24 hours of receipt thereof, providing Sabine Investor Holdings with (i) a copy of any certification received by Forest in the form set forth in Exhibit D to the Rights Plan, and (ii) copies of any written communications and summaries of any oral communications with shareholders with respect to the continuing accuracy of the certifications contained therein

6.7 ***Public Announcements***. The initial press release with respect to the amendment and restatement of this Agreement shall be a release mutually agreed upon by Sabine Investor Holdings, AIV Holdings and Forest. Thereafter, Sabine Investor Holdings and AIV Holdings on the one hand, and Forest, on the other hand, shall consult with and obtain the approval of the other party (such approval not to be unreasonably withheld, conditioned or delayed) before issuing any other press release or other public statements with respect to the Transactions or this Agreement, to the extent they have not been previously issued or disclosed and shall not issue any such other press release prior to such consultation, except as may be required by applicable Law or any listing agreement related to the trading of the shares of either party on any securities exchange, in which case the party proposing to issue such press release or make such public announcement shall use reasonable best efforts to consult in good faith with the other party before issuing any such press release or making any such public announcement.

6.8 ***Indemnification of Directors and Officers***.

(a) From and after the Effective Time, Forest shall indemnify and hold harmless (and advance funds in respect of each of the foregoing), in the same manner as provided by Forest immediately prior to the Original Execution Date, each present and former director, officer and employee of Forest and its Subsidiaries (in all of their capacities (collectively,

the Indemnified Parties), against any costs or expenses (including reasonable

attorneys fees and expenses and disbursements), judgments, fines, losses, claims, damages or liabilities incurred in connection with any Proceeding, whether civil, criminal, administrative or investigative, arising out of or pertaining to the fact that such Indemnified Party is or was a director, officer or employee of Forest or any of its Subsidiaries whether asserted or claimed prior to, at or after the Effective Time (including with respect to acts or omissions by directors or officers of Forest or its Subsidiaries in their capacities as such arising in connection with the transactions contemplated by this Agreement), and shall provide advancement of expenses to the Indemnified Parties, in all such cases to the same extent that such persons are indemnified or have the right to advancement of expenses as of the Original Execution Date by Forest pursuant to Forest s certificate of incorporation, bylaws and indemnification agreements, if any, or by any one of Forest s Subsidiaries pursuant to such Subsidiary s organizational documents and indemnification agreements of any Subsidiary of Forest, if any, in existence on the Original Execution Date.

(b) Forest agrees that, until the six year anniversary date of the Effective Time, Forest s Organizational Documents shall contain provisions no less favorable with respect to indemnification of the current and former directors and officers of Forest than are currently provided in Forest s Organizational Documents, which provisions shall not be amended, repealed or otherwise modified in any manner that would adversely affect the rights thereunder of any such individuals until the expiration of the statutes of limitations applicable to such matters or unless such amendment, modification or repeal is required by applicable Law.

(c) For six (6) years after the Effective Time, Forest shall maintain in effect for the benefit of the Indemnified Parties an insurance and indemnification policy with an insurer with the same or better credit rating as the current carrier for Forest that provides coverage for acts or omissions occurring prior to the Effective Time (the D&O Insurance) covering each such person covered by the officers and directors liability insurance policy of Forest on terms with respect to coverage and in amounts no less favorable in the aggregate than those of Forest s directors and officers insurance policy in effect on the Original Execution Date; *provided*, *however*, that Forest shall not be required to pay an annual premium for the D&O Insurance in excess of 300% of the annual premium currently paid by Forest for such coverage; and *provided, further, however*, that if any annual premium for such insurance coverage exceeds 300% of such annual premium, Forest shall obtain as much coverage as reasonably practicable for a cost not exceeding such amount. Forest s obligations under this Section 6.8(b) may be satisfied by Forest, or, with the approval (such approval not to be unreasonably withheld) of Sabine Investor Holdings, Forest, purchasing a tail policy from an insurer with substantially the same or better credit rating as the current carrier for Forest s existing directors and officers insurance policy, which (i) has an effective term of six (6) years from the Effective Time, (ii) covers each person covered by Forest s directors and officers insurance policy in effect on the Original Execution Date or at the Effective Time for actions and omissions occurring prior to the Effective Time, and (iii) contains terms that are no less favorable in the aggregate than those of Forest s directors and officers insurance policy in effect on the Original Execution Date. If such tail policy has been obtained by Forest prior to the Effective Time, Forest shall cause such policy to be maintained in full force and effect, for its full term, and cause all obligations thereunder to be honored by Forest.

(d) The provisions of this Section 6.8 are (i) intended to be for the benefit of, and will be enforceable by, each Indemnified Party and (ii) in addition to, and not in substitution for, any other rights to indemnification or contribution that any such person may have by Contract or otherwise. Forest shall pay all reasonable out-of-pocket expenses, including reasonable attorneys fees, that may be incurred by any Indemnified Party in enforcing the indemnity obligations provided in this Section 6.8 unless it is ultimately determined that such Indemnified Party is not entitled to such indemnity.

(e) If Forest, or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity in such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then, and in each case, proper provision shall be made so that the successors and assigns of Forest honor the indemnification obligations set forth in this Section 6.8.

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6.9 ***Employee Benefits***.

(a) For a period of at least one year following the Closing Date (the "Benefits Continuation Period"), Forest shall maintain or cause to be maintained annual base salaries and incentive compensation opportunities for the benefit of each employee who is not a Key Employee but who is actively employed by the Forest Entities on the Closing Date and who remain employed by one of the Forest Entities after the Closing Date (each, an "Employee") which are, in each case, no less favorable than those provided to the applicable Employee as of immediately prior to the Closing Date. Forest shall also maintain or cause to be maintained for each Employee for the duration of the Benefits Continuation Period other employee benefits (excluding defined benefit, retiree health and equity-based compensation arrangements) that are no less favorable in the aggregate than the employee benefits (excluding defined benefit, retiree health and equity-based compensation arrangements) made available to similarly situated employees of the Sabine Parties immediately prior to the Closing Date.

(b) During the Benefits Continuation Period, Forest shall maintain or cause to be maintained annual base salaries for the benefit of each Key Employee who is actively employed by the Forest Entities on the Closing Date and who remains employed by one of the Forest Entities after the Closing Date (each, a "Covered Key Employee") which in each case is no less favorable than the annual base salary provided to the applicable Covered Key Employee as of immediately prior to the Closing Date. Forest shall also maintain or cause to be maintained for each Covered Key Employee for the duration of the Benefits Continuation Period incentive bonus opportunities and other employee benefits (excluding defined benefit, retiree health and equity-based compensation arrangements) that are no less favorable in the aggregate than the incentive bonus opportunities and employee benefits (excluding defined benefit, retiree health and equity-based compensation arrangements) made available to similarly situated employees of the Sabine Parties immediately prior to the Closing Date.

(c) Forest shall provide or cause to be provided to each Employee and Covered Key Employee (together, the "Covered Employees") who experiences an "Involuntary Termination" (as defined in the Forest Oil Corporation Severance Plan as in effect immediately prior to the Closing Date (the "Forest Severance Plan") or the Key Employee Severance Agreement, as applicable) during the Benefits Continuation Period with the applicable severance benefits described in the Forest Severance Plan or applicable Key Employee Severance Agreement.

(d) To the extent that a Covered Employee becomes eligible to participate in a new employee benefit plan maintained by Forest or any of its Subsidiaries (a "New Benefit Plan"), Forest shall cause such New Benefit Plan to recognize the service of such Covered Employee with the Forest Entities (or their predecessor entities) for purposes of eligibility, participation, vesting and, except with respect to any defined benefit pension plan or retiree health plan, benefit accrual under such New Benefit Plan, to the same extent such service was recognized immediately prior to the Effective Time under a comparable Forest Benefit Plan in which such Covered Employee was eligible to participate immediately prior to the Effective Time; *provided* that such recognition of service shall not operate to duplicate any benefits of a Covered Employee with respect to the same period of service. With respect to any New Benefit Plan that is a health, dental, vision plan or other welfare plan in which any Covered Employee is eligible to participate, for the plan year in which such Covered Employee is first eligible to participate, Forest shall use reasonable best efforts to (i) cause any pre-existing condition limitations or eligibility waiting periods under such New Benefit Plan to be waived with respect to such Covered Employee to the extent such limitation would have been waived or satisfied under the Forest Benefit Plan in which such Covered Employee participated immediately prior to the Effective Time, and (ii) recognize any health, dental or vision expenses incurred by such Covered Employee in the year that includes the Closing Date (or, if later, the year in which such Covered Employee is first eligible to participate) for purposes of any applicable deductible and annual out-of-pocket expense requirements under any such New Benefit Plan.

(e) The Sabine Parties and AIV Holdings acknowledge and agree that a change of control or corporate change (or similar phrase) within the meaning of the Forest Benefit Plans will occur at the Effective Time and that Forest will interpret and administer the Forest Benefit Plans such that the Effective Time shall be treated as a change of control or corporate change (or similar phrase) for purposes of such plans.

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(f) Nothing in this Section 6.9 shall be construed to limit the right of Forest or any of its Subsidiaries (including, following the Closing Date, Forest Surviving Corporation and its Subsidiaries) to amend or terminate any Forest Benefit Plan or other employee benefit plan nor shall anything in this Section 6.9 be construed to require Forest or any of its Subsidiaries (including, following the Closing Date, Forest Surviving Corporation and its Subsidiaries) to retain the employment of any particular Covered Employee.

(g) Without limiting the generality of Section 10.7, the provisions of this Section 6.9 are solely for the benefit of the parties to this Agreement, and no current or former employee, director or independent contractor or any other individual associated therewith shall be regarded for any purpose as a third-party beneficiary of the Agreement, and nothing herein shall be construed as an amendment to, or an undertaking to effect an amendment to, any Forest Benefit Plan or other employee benefit plan for any purpose.

6.10 ***Section 16(b) Matters***. Prior to the Effective Time, Forest shall take all such steps as may be required to cause any dispositions of equity securities of Forest (including derivative securities with respect thereto) or acquisitions of equity securities of Forest (including derivative securities with respect thereto) resulting from the transactions contemplated by this Agreement by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to Forest or who will become subject to such reporting requirements with respect to Forest to be exempt under Rule 16b-3 under the Exchange Act.

6.11 ***Takeover Laws***. If any Takeover Laws or any anti-takeover provision or restriction on ownership in the organizational documents of Forest is or may become applicable to the Transactions or the other transactions contemplated by this Agreement, Forest and the Forest Board shall grant such approvals and take all such actions as are necessary or advisable so that such transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise act to eliminate or minimize the effects of such statute, regulation or provision in Forest s organizational documents on such transactions.

6.12 ***Transaction Litigation***. In the event that any litigation or Proceeding related to this Agreement, the Transactions or the other transactions contemplated by this Agreement (Transaction Litigation) is brought, or, to the Knowledge of Sabine Investor Holdings or Forest, threatened in writing, against a party and/or the members of the party s board of directors prior to the Effective Time, such party against which the litigation or Proceeding has been brought or which has knowledge of such threat shall promptly notify the other party of such Transaction Litigation and shall keep the other party reasonably informed with respect to the status thereof. Subject to the fiduciary duties of the board of directors of such party, each of Sabine Investor Holdings and Forest shall give the other party the opportunity to participate in the defense or settlement of any Transaction Litigation (other than any litigation or settlement where the interests of Sabine Investor Holdings or its Affiliates are adverse to those of Forest or its Affiliates), and neither Sabine Investor Holdings nor Forest shall settle, compromise, come to an arrangement regarding or agree to settle, compromise or come to an arrangement regarding any such Transaction Litigation, without the other party s prior written consent (such consent not to be unreasonably withheld, conditioned or delayed); *provided, however*, that Sabine Investor Holdings may settle any Transaction Litigation without the prior written consent of Forest if such settlement provides (a) for a complete release of the claims, if any, related to or against Forest and all directors and officers of Forest and (b) that the sole remedy shall be monetary damages not to exceed $20,000,000.

6.13 ***Tax-Free Qualification***. Each of Sabine Investor Holdings, AIV Holdings and Forest shall (and shall cause its Subsidiaries to) use its reasonable best efforts to cause (a) the LLC Interest Contribution, the Stock Contribution and the Contributed Corporations Mergers, taken together, to qualify as a transaction described in Section 351(a) of the Code; (b) either (x) each of the Contributed Corporations Mergers, taken together with the Stock Contribution, to qualify as a reorganization within the meaning of Section 368(a) of the Code or (y) (i) the Stock Contribution, taken together with the LLC Interest Contribution, to qualify as a transaction described in Section 351(a) of the Code and

(ii) the Contributed Corporations Mergers to qualify as transactions described in Section 332 of the Code; and (c) each of the Sabine Mergers to be treated as a transaction that is disregarded for U.S. federal income tax purposes.

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6.14 ***Tax Representation Letters***. Each of Sabine Investor Holdings, AIV Holdings and Forest shall use its reasonable best efforts to deliver to Vinson & Elkins LLP (Vinson & Elkins) a tax representation letter, dated as of the Closing Date and signed by an officer of Sabine Investor Holdings, AIV Holdings or Forest, as the case may be, containing such representations as shall be reasonably necessary or appropriate to enable Vinson & Elkins to render its opinion described in Section 7.2(d) of this Agreement (each a Tax Representation Letter).

6.15 ***Resignations***. Subject to Section 1.4, at or prior to Closing, Forest will use its reasonable best efforts to cause the officers of the Forest Entities that have been designated in writing by Sabine Investor Holdings at least three (3) Business Days prior to Closing to resign or be removed from the officer position indicated in such notification.

6.16 ***Financing Cooperation***.

(a) Prior to the Closing Date, Forest shall use its reasonable best efforts to provide to the Sabine Parties, and shall cause each of its Subsidiaries to use its reasonable best efforts to provide, and shall use its reasonable best efforts to cause its Representatives, including legal, accounting and reserve engineers, to provide, in each case at the Sabine Parties sole expense, all cooperation reasonably requested by Sabine Holdings that is customary in connection with the Refinancing (including any Debt Offer), including using reasonable best efforts to (i) (A) furnish the Sabine Parties and their Representatives and Financing Sources, as promptly as reasonably practicable following Sabine Holdings request, with such pertinent and customary information (other than financial information, which is covered by clause (ii) below), regarding the Forest Entities and their assets as may be reasonably requested in writing by Sabine Holdings to consummate any customary offerings of debt securities, contemplated by the Sabine Parties or any of its Affiliates, including customary information to be used in the preparation of any offering memorandum, and (B) furnish the Sabine Parties, their Representatives and the Financing Sources, as promptly as reasonably practicable following Sabine Holdings request, with information (other than financial information, which is covered by clause (ii) below) regarding the Forest Entities and their assets (including information to be used in the preparation of one or more information packages regarding the business, operations, financial projections and prospects of the Forest Entities and its assets) pertinent and customary for the arrangement of loans contemplated by the Sabine Parties or any of their Subsidiaries (the Bank Financing), including reserve reports and lease operating statements, to the extent reasonably requested in writing by Sabine Holdings to assist in preparation of customary offering or information documents or rating agency or lender presentations relating to such arrangement of loans, (ii) furnish all financial statements (including audited and interim financial statements), pro forma financial statements and other financial data and financial information of the Forest Entities that is reasonable and customary in connection with the Refinancing and assisting, to the extent necessary, reasonable and customary in connection with the Refinancing, in the preparation of pro forma financial statements (the information, financial statements, pro forma financial statements, business and other financial data, reserve reports, lease operating statements and financial information referred to in clauses (i) and (ii) above shall be referred to herein as the Requested Information) (it being understood that Requested Information shall be of the type and in the form required by Regulation S-X and Regulation S-K under the Securities Act, unless otherwise specified by the Sabine Parties (but subject to exceptions customary for Rule 144A offerings), (iii) participate in a reasonable number of meetings (including customary one-on-one meetings with the parties acting as lead arrangers, bookrunners or agents for, and prospective lenders and purchasers of, the Refinancing and senior management and Representatives, with appropriate seniority and expertise, of Forest), presentations, road shows, due diligence sessions, drafting sessions and sessions with rating agencies in connection with the Refinancing, (iv) assist with the preparation of materials for rating agency presentations, offering documents, bank information memoranda, and similar documents required in connection with the Refinancing, (v) cause its accountants to provide customary comfort letters reasonably requested by Sabine Holdings, (vi) seek to obtain the consent of accountants and any reserve engineers to the use of their reports in any material relating to the Refinancing, (vii) take all corporate actions, subject to the occurrence of the Effective Time, reasonably requested by Sabine Holdings to permit the consummation of the Refinancing and to permit the proceeds thereof to be made available to the Sabine Parties or any of their

Affiliates immediately after the Effective Time, (viii) assist in the amendment or novation of any

of Forest s or its Subsidiaries Derivative Transactions, in each case, on terms that are reasonably requested by the Sabine Parties in connection with the Refinancing; *provided* that no obligation of any Forest Entity under any such amendments or novations shall be effective until the Effective Time, (ix) facilitate the pledging of collateral in support of the Refinancing and provide customary title information and title opinions, in each case, at the sole cost and expense of the Sabine Parties (it being understood that Forest shall provide title information and title opinions in its possession through reasonable means which minimize the costs and expenses), (x) provide all documentation and other information about Forest Entities as is reasonably requested by the Financing Sources relating to applicable know your customer and anti-money laundering rules and regulations, including the USA PATRIOT Act and anti-bribery and anti-corruption rules and regulations, (xi) in connection with any Bank Financing or any bridge or loan financing, provide customary authorization letters to the Financing Sources authorizing the distribution of information to prospective lenders and containing a customary representation to the Financing Sources that such information does not contain a material misstatement or omission and containing a representation to the Financing Sources that the public side versions of such documents, if any, do not include material non-public information about any Forest Entity or their securities, (xii) cooperate with the Financing Sources in their efforts to benefit from the existing lending relationships of the Forest Entities, (xiii) cooperate reasonably with the Financing Sources due diligence, to the extent customary and reasonable and to the extent not unreasonably interfering with the business of Forest and (xiv) seek to obtain customary payoff letters, lien terminations and releases and instruments of discharge to be delivered at Closing providing for the payoff, discharge and termination on the Closing Date of all indebtedness and release of liens contemplated by the Refinancing to be paid off, discharged and terminated on the Closing Date, including the Existing Forest Credit Agreement; *provided*, *however*, that, no obligation of any Forest Entity under any agreement, certificate, document or instrument (other than the authorization letters referred to above) shall be effective until the Effective Time and, no Forest Entity or any of their Representatives shall be required to pay any commitment or other fee (except to the extent such Forest Entity or Representative is promptly reimbursed) or incur any other liability in connection with the Refinancing prior to the Effective Time; *provided*, *however*, *further*, that no Forest entity or any of their respective directors or officers or other personnel shall be required by this Section 6.16 to take any action or provide any assistance that unreasonably interferes with the ongoing operations of Forest or any of their Subsidiaries. Forest hereby consents to the use of its and its Subsidiaries logos in connection with the Refinancing; *provided* that such logos are used solely in a manner that is not intended to or reasonably likely to harm or disparage any Forest Entity or the reputation or goodwill of any Forest Entity. The Sabine Parties shall promptly, upon request by Forest, reimburse Forest for all reasonable out-of-pocket costs and expenses (including reasonable attorneys fees) incurred by the Forest Entities in connection with the cooperation of the Forest Entities contemplated by this Section 6.16 and shall indemnify and hold harmless Forest, its Subsidiaries and their respective Representatives from and against any and all losses, damages, claims, costs or expenses suffered or incurred by any of them in connection with the arrangement of the Refinancing and any information used in connection therewith, except with respect to any information provided by any of the Forest Entities. All non-public or otherwise confidential information regarding the Forest Entities obtained by the Sabine Parties or any of their Representatives pursuant to this Section 6.16 shall be kept confidential in accordance with the Confidentiality Agreement; *provided* that the Sabine Parties shall be permitted to disclose confidential information to potential debt Financing Sources and hedging providers and, in each case, their Representatives without the prior written consent of Forest if such Persons who receive such information are subject to a customary confidentiality agreement with respect thereto. Any action taken by Forest at the specific request of the Sabine Parties in accordance with this Section 6.16(a) shall not be deemed to be a breach of or result in any representation, warranty or covenant set forth in this Agreement.

(b) The Sabine Parties shall use their commercially reasonable efforts to obtain, or cause to be obtained, the proceeds of the Debt Financing on the terms and conditions described in the Commitment Letter and shall comply with their obligations, and enforce their rights, under the Commitment Letter in a timely and diligent manner. In the event that any portion of the Debt Financing becomes unavailable, regardless of the reason therefor, the Sabine Parties will use their commercially reasonable efforts to amend, modify, supplement, alter, restate, substitute or replace the Debt

Financing as promptly as practicable following the occurrence of such event, and in any event prior to the End Date, with alternative debt financing (in an amount sufficient, when

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taken together with remaining portion of the Debt Financing (if any) and with any equity commitment or cash on hand, to consummate the Refinancing) on terms materially no less favorable to the Sabine Parties and Forest taken as a whole than those set forth in the Commitment Letter with respect to conditions precedent or contingencies to funding. The Sabine Parties shall have the right from time to time to amend, modify, supplement, alter, restate, substitute or replace or waive any of its rights under the Commitment Letter or any associated definitive documentation with respect to the Debt Financing or substitute other debt or equity financing for all or any portion of the Debt Financing from the same or alternative financing sources; *provided*, that (i) the amount thereof shall be sufficient, when taken together with remaining portion of the Debt Financing (if any), any other debt, any equity commitment and cash on hand, to consummate the Refinancing and (ii) any such amendment, modification, supplement, alteration, restatement, substitution or replacement or waiver of any rights under the Commitment Letter or any associated definitive documentation shall not expand upon the conditions precedent or contingencies to the funding of the Debt Financing as set forth in the applicable Commitment Letter or associated definitive documentation. For the purposes of this Agreement, the terms Commitment Letter and Financing Commitments shall be deemed to include any commitment letter (or similar agreement) or commitment with respect to any alternative financing arranged in compliance herewith (and any Commitment Letter and Financing Commitment remaining in effect at the time in question).

(c) The Sabine Parties shall provide Forest with prompt oral and written notice of (1) any material breach or default by any party to any Commitment Letter or definitive documentation with respect to the Debt Financing (if executed prior to the Closing Date) of which the Sabine Parties becomes aware, (2) the receipt of any written notice or other written communication from any Financing Source with respect to any breach, default, termination or repudiation by any party to any Commitment Letter or definitive documentation with respect to the Debt Financing (if executed prior to the Closing Date) of any provision thereof and (3) any amendment or modification to the Commitment Letter that would reasonably be expected to prevent or materially impede or delay the consummation of the Refinancing or otherwise materially adversely affect the ability or likelihood of the Sabine Parties to timely consummate the Refinancing. The Sabine Parties shall keep Forest reasonably informed on a reasonably current basis and in reasonable detail of the status of their efforts to consummate the Debt Financing or any alternative financing.

(d) Notwithstanding the foregoing, in no event shall the receipt or availability of any funds or financing (including the Debt Financing) by the Sabine Parties or any Affiliate be a condition to any of the Sabine Parties obligations hereunder.

(e) Without limiting any obligation to provide Requested Information (including if previously provided Requested Information has gone stale), if Forest at any time in good faith reasonably believes that it has delivered the Requested Information in compliance with Section 6.16(a) to Sabine Holdings, it may deliver to the Sabine Parties a written notice to such effect, in which case Forest shall be deemed to have delivered the then applicable Requested Information at the time of delivery of such notice unless the Sabine Parties shall provide to Forest within five (5) days after the delivery of such notice a written notice that describes with reasonable specificity the information that constitutes Requested Information that the Sabine Parties in good faith reasonably believe Forest has not delivered.

6.17 ***Certain Tax Matters***.

(a) Sabine Investor Holdings shall prepare or cause to be prepared and timely file or cause to be timely filed, all federal and state income Tax Returns required to be filed by or with respect to Sabine Holdings and its Subsidiaries with respect to any taxable period ending on or prior to the Closing Date (any such Tax Return, a Sabine Holdings Pre-Closing Income Tax Return). Such Sabine Holdings Pre-Closing Income Tax Returns shall be prepared in a manner consistent with past practice in all material respects (including all prior elections, accounting methods and positions taken on prior Tax Returns) unless required by Law.

(b) Sabine Investor Holdings shall control any dispute, including any audit or other examination by any Governmental Authority, and any judicial or administrative proceeding, relating to any Sabine Holdings Pre-

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Closing Income Tax Return; provided, however, that Sabine Investor Holdings shall not settle, compromise or abandon any such dispute or proceeding that would have an adverse effect that is not immaterial on Forest or its subsidiaries for a taxable period ending after the Closing Date, without Forest s prior written consent (not to be unreasonably withheld, conditioned or delayed).

(c) Forest shall, and shall cause its Subsidiaries to, provide Sabine Investor Holdings, at the expense of Sabine Investor Holdings, with such cooperation and assistance as may be reasonably requested in connection with the preparation and filing of any Sabine Holdings Pre-Closing Income Tax Return and any dispute or proceeding referred to in Section 6.17(b).

6.18 ***Existing Notes Tender Offer; Consent Solicitation and Debt Tender***

(a) If requested by the Sabine Parties, Forest shall use its reasonable best efforts to assist the Sabine Parties in commencing (i) an offer to repurchase or discharge one or more series of the Notes (as defined below) (each, a Debt Tender) and/or (ii) a consent solicitation to amend or remove one or more covenants in the Indentures (as defined below) such that, among other things, no aspect of the transactions contemplated hereby will require a Change of Control Offer (as defined in the applicable Indenture) (each, a Consent Solicitation), in each case, with respect to, the 7.50% Senior Notes due 2020 (the 2020 Notes), issued by Forest under an indenture, dated as of September 17, 2012, among Forest, the guarantors party thereto and the trustee party thereto (the 2020 Indenture), and the 7.25% Senior Notes due 2019 (the 2019 Notes and, together with the 2020 Notes, the Notes), issued by Forest under an indenture, dated as of June 6, 2007, among Forest, the guarantors party thereto and the trustee party thereto (the 2019 Indenture and, together with the 2020 Indenture, the Indentures), in compliance with the Indentures and the Notes (each Debt Tender and each Consent Solicitation, collectively, the Debt Offer); *provided*, that (A) Forest shall not be required to commence any Debt Offer until the Sabine Parties shall have provided Forest with forms of the necessary offer to purchase, consent solicitation statement, dealer manager and/or solicitation agent agreement, letter of transmittal or other related documents in connection with any such Debt Offer (collectively, the Debt Offer Documents) a reasonable period of time in advance of commencing the applicable Debt Offer, (B) the Sabine Parties will consult with Forest regarding the timing and commencement of the Debt Offer and any tender or consent deadlines for the Debt Offer in light of the regular financial reporting schedule of Forest, the requirements of applicable Law and the requirements of the Indentures, (C) the Sabine Parties shall consult with Forest and afford Forest a reasonable opportunity to review the material terms and conditions of the Debt Offer and (D) unless otherwise agreed by the parties hereto, Forest will not be required to pay, purchase or otherwise retire the Notes prior to the occurrence of the Effective Time.

(b) Forest shall, and shall cause its Subsidiaries to, provide all cooperation reasonably requested by the Sabine Parties in connection with the Debt Offer including, (i) the prompt entry into a dealer manager and/or solicitation agreement, with dealer manager(s) and and/or solicitation agent(s) who (A) are parties to the Commitment Letter on its date of execution or their affiliates or (B) are selected by the Sabine Parties in consultation with Forest and (ii) the execution of the Debt Offer Documents (including all amendments or supplements thereto) on a timely basis, *provided*, *however*, that nothing herein shall require such cooperation to the extent it would unreasonably interfere with the operations of Forest or any of its Subsidiaries.

(c) Forest covenants and agrees that, if required by the Sabine Parties, promptly following the Debt Offer expiration date, each of Forest and its applicable Subsidiaries as is necessary shall (and shall use their commercially reasonable efforts to cause the applicable trustee to) execute a supplemental indenture to each Indenture, which supplemental indentures shall implement the amendments described in the Debt Offer Documents so that they become operative only concurrently with the Effective Time, subject to the terms and conditions of this Agreement and the Debt Offer. Concurrent with the Effective Time, in connection with any Debt Offer, if applicable, Forest shall accept for payment

and thereafter promptly pay for the Notes that have been properly tendered and not properly withdrawn pursuant to the Debt Offer and in accordance with the terms of the Debt Offer.

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(d) The Sabine Parties shall prepare all necessary and appropriate documentation in connection with the Debt Offer, including the Debt Offer Documents, except for such information as otherwise required to be provided by Forest pursuant to clause (e) immediately below and the portions of any other Debt Offer Documents which the Sabine Parties reasonably request Forest to prepare in light of the information that is available to Forest but not then available to the Sabine Parties. The Sabine Parties and Forest shall, and Forest shall cause its Subsidiaries to, reasonably cooperate with each other in the preparation of the Debt Offer Documents (including all amendments and supplements thereto). The Debt Offer Documents (including all amendments or supplements thereto) and all other communications with the holders of the Notes in connection with the Debt Offer (including any materials provided, furnished or filed pursuant clause (e) immediately below) shall be subject to prior review of, and comment by, the Sabine Parties and Forest and shall be reasonably acceptable to each of them.

(e) If at any time prior to the completion of the Debt Offer any information is discovered by the Sabine Parties or Forest that either the Sabine Parties or Forest reasonably believes should be set forth in an amendment or supplement to the Debt Offer Documents so that the Debt Offer Documents shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of circumstances under which they are made, not misleading, the party that discovers such information shall use reasonable best efforts to promptly notify the other party, and an appropriate amendment or supplement prepared by the Forest describing such information shall be disseminated by or on behalf of Forest and its Subsidiaries to the holders of the Notes (which supplement or amendment and dissemination may take the form of a filing of a Current Report on Form 8-K). Notwithstanding anything to the contrary in this Section 6.18(e), Forest shall, and shall cause its Subsidiaries to comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable Law to the extent such laws are applicable in connection with the Debt Offer and such compliance will not be deemed a breach of this Section 6.18(e).

(f) The Sabine Parties shall pay the fees and out-of-pocket expenses of any dealer manager, information agent, solicitation agent, tabulation agent, depositary or other agent retained in connection with the Debt Offer upon the incurrence of such fees and out-of-pocket expenses. The Sabine Parties shall promptly, upon request by Forest, reimburse Forest for all reasonable out-of-pocket costs and expenses (including reasonable attorneys fees) incurred by the Forest Entities in connection with the cooperation of the Forest Entities contemplated by this Section 6.18 and shall indemnify and hold harmless Forest, its Subsidiaries and their respective Representatives from and against any and all losses, damages, claims, costs or expenses suffered or incurred by any of them in connection with the Debt Offer and any information used in connection therewith, except with respect to any information provided by any of the Forest Entities.

(g) Notwithstanding the foregoing, in no event shall the consummation of the Debt Offer be a condition to any of the Sabine Parties obligations hereunder.

6.19 ***Rights Plan***. Substantially concurrently with the execution of this Agreement on the Amended Execution Date, the Forest Board shall adopt the Rights Plan and declare a dividend distribution of rights to purchase the Junior Preferred Stock related thereto. Forest may, in its sole discretion, amend or waive any provision of the Rights Plan, redeem such Rights (as defined in the Rights Plan) or make any determinations with respect to the Rights Plan, the Rights and the Forest Junior Preferred Stock; provided that Forest may not take any such action that would have an adverse effect on the issuance of the Sabine Contribution Consideration to Sabine Investor Holdings and AIV Holdings.

6.20 ***Further Assurance***. If, after the Effective Time, Sabine Investor Holdings, AIV Holdings or any of their Affiliates (other than Forest and its Subsidiaries) owns or holds any assets or rights that as of the Original Execution Date or Closing Date constituted or related to the Sabine Business, Sabine Investor Holdings or AIV Holdings shall,

or shall cause their applicable Affiliates to, transfer such assets or rights to Sabine-Forest Surviving Corporation or its Subsidiaries.

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6.21 ***Exchange Listing***. Forest shall use its reasonable best efforts to cause the Forest Common Stock issuable as Sabine Contribution Consideration and the Forest Common Stock issuable upon the conversion of the Forest Senior Preferred Stock issuable as Sabine Contribution Consideration to be approved for listing on the NYSE, subject to official notice of issuance and the Forest Stockholder Approval, prior to the Effective Time.

ARTICLE VII

CONDITIONS PRECEDENT

7.1 ***Conditions to Each Party s Obligations to Effect the Transactions***. The respective obligations of each party to effect the Transactions are subject to the satisfaction at or prior to the Closing of the following conditions:

(a) Stockholder Approval. The Forest Stockholder Approval shall have been obtained.

(b) Approvals. The waiting period (and any extension thereof) applicable to the Transactions under the HSR Act shall have been terminated or expired.

(c) No Injunctions or Restraints. No Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any decision, injunction, decree, ruling, Law or order (whether temporary, preliminary or permanent) that is in effect and enjoins or otherwise prohibits or makes illegal the consummation of any of the Transactions.

(d) Authorized Share Amendment. The Authorized Share Amendment Approval shall have been obtained; provided, that the condition in this Section 7.1(d) may be waived with the mutual agreement of Forest and Sabine Investor Holdings.

7.2 ***Additional Conditions to the Sabine Parties and AIV Holdings Obligations***. The obligations of the Sabine Parties and AIV Holdings to effect the Transactions are also subject to the satisfaction or waiver (to the extent permitted by Law) at or prior to the Closing of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of Forest in Section 3.5(a) shall be true in all respects as of the date of this Agreement and as of the Closing Date as though remade on the Closing Date (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import) other than in de minimis respects (except for representations and warranties made as of a specific date, which shall be true and correct other than in de minimis respects as of such specific date); (ii) the representations and warranties of Forest in Sections 3.1(a), 3.2, 3.5(b) through (e), 3.6(b), 3.19, 3.22 and 3.23 shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though remade on the Closing Date (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import) and (iii) all other representations and warranties of Forest in this Agreement shall be true and correct (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import except in the case of Section 3.8(b)) in all respects as of the date of this Agreement and as of the Closing Date as though remade on the Closing Date (except for representations and warranties made as of a specific date, which shall be true and correct in all respects as of such specific date), except, in the case of this clause (iii), where the aggregate failure of such representations to be so true and correct has not had, and would not reasonably be expected to have a Forest Material Adverse Effect.

(b) Agreements and Covenants. Forest shall have performed, or complied with, in all material respects the agreements and covenants required by this Agreement to be performed or complied with by Forest on or prior to the Closing.

(c) Compliance Certificate. Sabine Investor Holdings and AIV Holdings shall have received a certificate signed by a senior executive officer of Forest dated the Closing Date confirming that the conditions set forth in Sections 7.2(a) and 7.2(b) have been satisfied.

(d) Tax Opinion. Sabine Investor Holdings and AIV Holdings shall have received the written opinion of Vinson & Elkins or other counsel reasonably satisfactory to Sabine Investor Holdings and AIV Holdings, dated as of the Closing Date, to the effect that (i) the LLC Interest Contribution, taken together with the Stock Contribution and the Contributed Corporations Mergers, will qualify as a transaction described in Section 351(a) of the Code and (ii) either (x) each of the Contributed Corporations Mergers, taken together with the Stock Contribution, will qualify as a reorganization within the meaning of Section 368(a) of the Code or (y) (A) the Stock Contribution, taken together with the LLC Interest Contribution, will qualify as a transaction described in Section 351(a) of the Code and (B) the Contributed Corporations Mergers will qualify as transactions described in Section 332 of the Code. In rendering such opinion, such counsel shall be entitled to receive and rely upon assumptions, representations, warranties and covenants, including those contained in this Agreement and in the Tax Representation Letters described in Section 6.14 of this Agreement.

(e) Director Resignations and Appointments. (i) The Forest Director Resignations shall be in full force and effect and shall have been accepted by the Forest Board, in each case, effective as of the Closing and (ii) the Sabine Nominees shall each have been appointed to serve as members of the Forest Board, effective as of the Closing.

7.3 ***Additional Conditions to Forest s Obligations***. The obligations of Forest to effect the Transactions are also subject to the satisfaction or waiver (to the extent permitted by Law) at or prior to the Closing of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of the Sabine Parties and AIV Holdings in Section 4.5(a) shall be true in all respects as of the date of this Agreement and as of the Closing Date as though remade on the Closing Date (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import) other than in de minimis respects (except for representations and warranties made as of a specific date, which shall be true and correct other than in de minimis respects as of such specific date); (ii) the representations and warranties of the Sabine Parties and AIV Holdings in Sections 4.1(a), 4.2, 4.5(b) through (g), 4.6(b), 4.19, 4.21, and 4.22, shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though remade on the Closing Date (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import) and (iii) all other representations and warranties of the Sabine Parties and AIV Holdings in this Agreement shall be true and correct (disregarding all qualifications or limitations as to materiality, Material Adverse Effect or other words of similar import except in the case of Section 4.8(b)) in all respects as of the date of this Agreement and as of the Closing Date as though remade on the Closing Date (except for representations and warranties made as of a specific date, which shall be true and correct in all respects as of such specific date), except, in the case of this clause (iii), where the aggregate failure of such representations to be so true and correct has not had, and would not reasonably be expected to have a Sabine Material Adverse Effect.

(b) Agreements and Covenants. The Sabine Parties and AIV Holdings shall have performed, or complied with, in all material respects the agreements and covenants required by this Agreement to be performed or complied with by the Sabine Parties and AIV Holdings on or prior to the Closing.

(c) Compliance Certificates. Forest shall have received certificates signed by a senior executive of each of Sabine Investor Holdings and AIV Holdings, each dated the Closing Date confirming that the conditions set forth in Sections 7.3(a) and 7.3(b) have been satisfied.

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(d) Forest shall have received (i) a certificate duly executed by each of Sabine Investor Holdings and the entity treated as owning the assets owned by AIV Holdings for U.S. federal income tax purposes, dated as of the Closing Date, in the form specified by Treasury Regulations Section 1.1445-2(b)(2), certifying such entity s non foreign status and (ii) an Internal Revenue Service Form W-9 duly completed and executed by each of Sabine Investor Holdings and the entity treated as owning the assets owned by AIV Holdings for U.S. federal income tax purposes, dated as of the Closing Date.

ARTICLE VIII

TERMINATION AND EXPENSES

8.1 ***Termination***. This Agreement may be terminated and the Transactions may be abandoned at any time prior to the Closing, whether before or after the receipt of the Forest Stockholder Approval and the Authorized Share Amendment Approval:

(a) by mutual written consent of Sabine Investor Holdings and Forest in each case duly authorized by their respective Boards of Directors;

(b) by either Sabine Investor Holdings or Forest:

(i) if any Governmental Entity of competent jurisdiction shall have issued any order, decree, ruling or injunction or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the Transactions and such order, decree, ruling or injunction or other action shall have become final and nonappealable, or if there shall be adopted following the date of execution of this Agreement any Law that makes consummation of the Transactions illegal or otherwise prohibited; *provided*, *however*, that the party seeking to terminate this Agreement pursuant to this clause (b)(i) has fulfilled its obligations under Section 6.5; or

(ii) if the Transactions shall not have been consummated on or before 5:00 p.m., Houston time, on December 31, 2014 (such date, the End Date); *provided*, *however*, that the right to terminate this Agreement under this clause (b)(ii) shall not be available to any party whose failure to fulfill any of its covenants or agreements under this Agreement has been the principal cause of, or resulted in, the failure of the Transactions to occur on or before the End Date;

(c) by Forest if any of the representations or warranties of the Sabine Parties or AIV Holdings was or becomes inaccurate or any breach or breaches by any Sabine Party or AIV Holdings of any covenant or other agreement of such parties contained in this Agreement occurs and, (i) as a result of any such breach or inaccuracies, the condition set forth in Section 7.3(a) or 7.3(b), as applicable, would not then be capable of being satisfied, and (ii) any such breaches or inaccuracies are not curable, or, if curable have not been cured prior to the earlier of (A) the Business Day prior to the End Date or (B) the date that is sixty (60) days after the date that notice of such breach or inaccuracy is provided to Sabine Investor Holdings by Forest; *provided*, *however*, that Forest shall not have the foregoing right to terminate if, at the time of such termination, Forest is in material breach of any of its representations, warranties or covenants contained herein such as would result in any of the closing conditions set forth in Section 7.2(a) or 7.2(b) not being satisfied;

(d) by Sabine Investor Holdings if any of the representations or warranties of Forest was or becomes inaccurate or any breach or breaches by Forest of any covenant or other agreement of the parties contained in this Agreement occurs and, (i) as a result of any such breach or inaccuracies, the condition set forth in Section 7.2(a) or 7.2(b), as applicable, would not then be capable of being satisfied, and (ii) any such breaches or inaccuracies are not curable, or, if curable have not been cured prior to the earlier of (A) the Business Day prior to the End Date or (B) the date that is sixty

(60) days after the date that notice of such breach or inaccuracy is provided to Forest by Sabine Investor Holdings; *provided*, *however*, that Sabine Investor Holdings shall not have the

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foregoing right to terminate if, at the time of such termination, the Sabine Parties or AIV Holdings are in material breach of any of their respective representations, warranties and covenants contained herein such as would result in any of the closing conditions set forth in Section 7.3(a) or 7.3(b) not being satisfied;

(e) by Sabine Investor Holdings if:

(i) a Forest Recommendation Change shall have occurred whether or not permitted by this Agreement; or

(ii) Forest shall have engaged in a Willful and Material Breach of its obligations under Section 6.4, other than in the case where (A) such Willful and Material Breach is a result of an isolated action by a person that is a Representative of Forest (other than any officer, director or employee of any Forest Entity), (B) such Willful and Material Breach was not caused, encouraged or knowingly facilitated by, or taken with the Knowledge of, Forest, (C) Forest uses reasonable best efforts to immediately remedy such Willful and Material Breach upon the discovery thereof by Forest or any officer, director or employee of any Forest Entity and (D) the Sabine Parties and AIV Holdings are not significantly harmed as a result thereof;

(f) by either Sabine Investor Holdings or Forest if the Forest Stockholder Meeting (or any postponement or adjournment thereof) shall have concluded and the Forest Stockholder Approval shall not have been obtained; or

(g) by Forest, prior to receipt of the Forest Stockholder Approval and the Authorized Share Amendment Approval and if Forest has complied in all material respects with its obligations under Section 6.4(f), in order to enter into a definitive agreement with respect to a Superior Proposal (which definitive agreement shall be entered into concurrently with the termination of this Agreement pursuant to this Section 8.1(g)).

8.2 ***Notice of Termination; Effect of Termination***.

(a) A terminating party shall provide notice of termination to the other party specifying with particularity the reason for such termination, and any such termination in accordance with Section 8.1 shall be effective immediately upon delivery of such written notice to the other party.

(b) In the event of termination of this Agreement by any party as provided in Section 8.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any party except with respect to this Section 8.2, the first sentence of Section 6.3(b), Section 8.3 and Article X which shall remain in full force and effect; *provided*, *however*, that, notwithstanding anything to the contrary herein, no such termination shall relieve any party from liability for any damages resulting from or arising out of fraud or Willful and Material Breach of this Agreement.

8.3 ***Expenses and Other Payments***.

(a) Except as otherwise provided in this Agreement, including in this Section 8.3, each party shall pay its own expenses incident to preparing for, entering into and carrying out this Agreement and the consummation of the transactions contemplated by this Agreement, whether or not the Transactions shall be consummated.

(b) If Sabine Investor Holdings terminates this Agreement pursuant to (i) Section 8.1(e) or (ii) Section 8.1(d) due to a Willful and Material Breach of Section 6.2, then Forest shall pay Sabine Holdings the Termination Fee, in cash by wire transfer of immediately available funds to an account designated by Sabine Holdings, no later than two (2) Business Days after such termination.

(c) If Forest terminates this Agreement pursuant to Section 8.1(f) and (i) prior to the Forest Stockholder Meeting, there shall have been publicly announced, disclosed or otherwise made known a bona fide Acquisition

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Proposal for Forest that has not been withdrawn at least five (5) days prior to the Forest Stockholder Meeting; and (ii) within twelve (12) months after such termination, Forest enters into a definitive agreement with respect to or consummates any Acquisition Proposal (*provided*, that, for purposes of this clause (ii), any reference in the definition of Acquisition Proposal to 15% shall be deemed to be a reference to 50%), then on the earliest of (A) the date of entering into such definitive agreement or (B) the closing or other consummation of such Acquisition Proposal, Forest shall pay Sabine Holdings the Termination Fee, in cash by wire transfer of immediately available funds to an account designated by Sabine Holdings.

(d) If Forest terminates this Agreement pursuant to Section 8.1(g), then Forest shall pay Sabine Holdings the Termination Fee, in cash by wire transfer of immediately available funds to an account designated by Sabine Holdings, upon termination of this Agreement and as a condition to the effectiveness of such termination.

(e) The parties acknowledge and agree that the agreements contained in this Section 8.3 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, the parties would not enter into this Agreement. If a party fails to promptly pay the amount due by it pursuant to this Section 8.3, interest shall accrue on such amount from the date such payment was required to be paid pursuant to the terms of this Agreement until the date of payment at the prime rate of J.P. Morgan Chase, N.A. in effect on the date such payment was required to be made. If, in order to obtain payment, the other party commences a suit that results in judgment for such party, the defaulting party shall pay the other party its reasonable costs and expenses (including reasonable attorneys fees and expenses) incurred in connection with such suit. Each of the parties further acknowledges that the payment of the amounts by Sabine Investor Holdings and Forest specified in this Section 8.3 is not a penalty, but in each case is liquidated damages in a reasonable amount that will compensate Sabine Holdings (and Sabine Investor Holdings, in the case of a payment to Sabine Holdings) or Forest, as the case may be, in the circumstances in which such fees are payable for the efforts and resources expended and the opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the transactions contemplated hereby, which amount would otherwise be impossible to calculate with precision. In no event shall Forest be required to pay the Termination Fee more than once. The parties agree that, in the event that Sabine Holdings is entitled to receive the Termination Fee in accordance with the provisions herein and Forest pays the Termination Fee to Sabine Holdings, Forest has no further liability to Sabine Investor Holdings or Sabine Holdings of any kind in respect of this Agreement and the Transactions and the other transactions contemplated hereby; *provided*, *however*, that nothing in this sentence shall relieve any party of any liability for any damages resulting from or arising out of fraud or Willful and Material Breach of this Agreement.

ARTICLE IX

DEFINITIONS

9.1 ***Definitions***. For purposes of this Agreement, the following terms, when used in this Agreement with initial capital letters, shall have the respective meanings set forth in this Agreement:

2014 LTIP has the meaning set forth in Section 6.1(a).

2014 LTIP Proposal means a proposal substantially in the form of the 2014 LTIP Proposal as set forth and described in the Registration Statement on Form S-4 filed with the SEC by New Forest on May 29, 2014.

2014 LTIP Proposal Approval means the approval of the 2014 LTIP Proposal by the affirmative vote of a majority of the shares of Forest Common Stock represented and entitled to vote at the Forest Stockholder Meeting.

2019 Indenture has the meaning set forth in Section 6.18(a).

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2019 Notes has the meaning set forth in Section 6.18(a).

2020 Indenture has the meaning set forth in Section 6.18(a).

2020 Notes has the meaning set forth in Section 6.18(a).

Acceptable Confidentiality Agreement means a confidentiality agreement that contains provisions as to confidentiality that are no less favorable to Forest than those contained in the Confidentiality Agreement.

Acquisition Proposal has the meaning set forth in Section 6.4(j).

Affiliate means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. A Person shall be deemed to control another Person if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

Agreement means this Agreement, as it may be amended from time to time.

AIV Holdings has the meaning set forth in the preamble hereto.

Alternative Acquisition Agreement has the meaning set forth in Section 6.4(b).

Amended Execution Date has the meaning set forth in the preamble hereto.

Antitrust Counsel Only Material has the meaning set forth in Section 6.5(b).

Authorized Share Amendment means a certificate of amendment to the Forest Charter providing for an increase in the number of authorized shares of Forest Common Stock in substantially the form attached as Exhibit A-2 to this Agreement.

Authorized Share Amendment Approval means approval of the Authorized Share Amendment by the affirmative vote of holders of a majority of the outstanding shares of Forest Common Stock.

Bank Financing has the meaning set forth in Section 6.16(a).

Benefits Continuation Period has the meaning set forth in Section 6.9(a).

Business Day means any day on which the principal offices of the SEC in Washington, D.C. are open to accept filings, or, in the case of determining a date when any payment is due, any day on which banks are not required or authorized to close in the City of Houston in the United States of America.

Certificates of Sabine Mergers has the meaning set forth in Section 1.1(c)(ii).

Closing has the meaning set forth in Section 1.2.

Closing Date has the meaning set forth in Section 1.2.

Code has the meaning set forth in the recitals.

Commitment Letter has the meaning set forth in Section 4.24(a).

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Confidentiality Agreement has the meaning set forth in Section 6.3(b).

Consent Solicitation has the meaning set forth in Section 6.18(a).

Contract means any written agreement, lease, license, note, evidence of indebtedness, mortgage, security agreement, understanding, instrument or other legally binding arrangement.

Contributed Corporations has the meaning set forth in the recitals.

Contributed Corporations Mergers has the meaning set forth in the recitals.

Contributed Corporations Merger Agreement has the meaning set forth in Section 1.1(b)(i).

Contributed Corporations Merger Effective Time has the meaning set forth in Section 1.1(b)(ii).

Contributed LLC Interests has the meaning set forth in the recitals.

Contributed LLC Interests Consideration means, (a) if the Authorized Share Amendment Approval is obtained at the Forest Stockholder Meeting, (i) 1,258,900 shares of Forest Class A Senior Preferred Stock and (ii) 123,837,490 shares of Forest Common Stock and (b) if the Authorized Share Amendment Approval is not obtained at the Forest Stockholder Meeting, (i) 1,258,900 shares of Forest Class A Senior Preferred Stock, (ii) 860,155 shares of Forest Class B Senior Preferred Stock and (iii) 37,822,023 shares of Forest Common Stock. Contributed Stock Interests has the meaning set forth in the recitals.

Contributed Stock Interests Consideration means, (a) if the Authorized Share Amendment Approval is obtained at the Forest Stockholder Meeting, (i) 405,349 shares of Forest Class A Senior Preferred Stock and (ii) 39,874,020 shares of Forest Common Stock and (b) if the Authorized Share Amendment Approval is not obtained at the Forest Stockholder Meeting, (i) 405,349 shares of Forest Class A Senior Preferred Stock, (ii) 276,958 shares of Forest Class B Senior Preferred Stock and (iii) 12,178,187 shares of Forest Common Stock.

Contribution has the meaning set forth in the recitals.

Covered Employees has the meaning set forth in Section 6.9(c).

Covered Key Employee has the meaning set forth in Section 6.9(b).

Creditors Rights has the meaning set forth in Section 3.2(b).

D&O Insurance has the meaning set forth in Section 6.8(c).

Debt Financing has the meaning set forth in Section 4.24(a).

Debt Offer has the meaning set forth in Section 6.18(a).

Debt Offer Documents has the meaning set forth in Section 6.18(a).

Debt Tender has the meaning set forth in Section 6.18(a).

DeGolyer has the meaning set forth in Section 3.9(b)(i).

Delaware LP Act means the Delaware Revised Uniform Limited Partnership Act, as amended.

Derivative Transactions means any swap transaction, option, warrant, forward purchase or sale transaction, futures transaction, cap transaction, floor transaction or collar transaction relating to one or more currencies, commodities, bonds, equity securities, loans, interest rates, catastrophe events, weather-related events, credit-related events or conditions or any indexes, or any other similar transaction (including any option with respect to any of these transactions) or combination of any of these transactions, including collateralized mortgage obligations or other similar instruments or any debt or equity instruments evidencing or embedding any such types of transactions, and any related credit support, collateral or other similar arrangements related to such transactions.

DGCL means the Delaware General Corporation Law, as amended.

DLLCA means the Limited Liability Company Act of the State of Delaware, as amended.

DOJ has the meaning set forth in Section 6.5(b).

Effective Time has the meaning set forth in Section 1.1(a)(i).

Employee has the meaning set forth in Section 6.9(a).

Encumbrances means liens, pledges, charges, hypothecations, claims, mortgages, deeds of trust, security interests, leases, restrictions of any nature (including any restrictions on transfer or the profession, exercise or transfer of any other attribute or ownership of any asset), rights of first refusal, preemptive rights, community property interests, defects and other imperfections in title, burdens, options or other encumbrances of any kind.

End Date has the meaning set forth in Section 8.1(b)(ii).

Environmental Laws means all applicable federal, state, local and foreign laws (including international conventions, protocols and treaties), common law, rules, regulations, published and legally binding guidance documents, ordinances, orders, decrees, judgments, binding agreements or Environmental Permits issued, promulgated or entered into, by or with any Governmental Entity, relating to pollution, contamination, Hazardous Substances, natural resources, protection of the environment or human health or safety relating to exposure to Hazardous Substances.

Environmental Permits means all permits, notices, approvals, consents, licenses, registrations, exemptions and other authorizations of or from any Governmental Entity required under applicable Environmental Laws.

Equity Interest means any share, capital stock, partnership, limited liability company, membership, member or similar interest in any Person, and any option, warrant, right or security (including debt securities) convertible, exchangeable or exercisable thereto or therefor.

ERISA means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

ERISA Affiliate means any Person under common control with another Person within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.

Event means any event, change, development, effect, condition, circumstance, matter, occurrence or state of facts.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

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Original Execution Date has the meaning set forth in the preamble hereto.

Existing Forest Credit Agreement has the meaning set forth in Section 4.24(b).

FCPA has the meaning set forth in Section 3.6(b).

FERC means the Federal Energy Regulatory Commission of the United States of America.

Financing Commitments has the meaning set forth in Section 4.24(a).

Financing Sources means the entities that have committed to provide or otherwise entered into agreements pursuant to the Commitment Letter, together with their successors and assigns.

Forest has the meaning set forth in the preamble hereto.

Forest Benefit Plans has the meaning set forth in Section 3.16(a).

Forest Board has the meaning set forth in the recitals.

Forest Charter means the Forest certificate of incorporation.

Forest Common Stock means the common stock, par value $0.10 per share, of Forest.

Forest Director Resignations has the meaning set forth in Section 3.24.

Forest Disclosure Letter has the meaning set forth in Article III.

Forest Entities means Forest and all Subsidiaries of Forest, with each such entity, a Forest Entity.

Forest ESPP has the meaning set forth in Section 3.5(a).

Forest Financial Advisor has the meaning set forth in Section 3.22.

Forest Financial Statements has the meaning set forth in Section 3.7(b).

Forest Junior Preferred Stock has the meaning set forth in the recitals.

Forest Insurance Policies has the meaning set forth in Section 3.18.

Forest Intervening Event means any material Event that is unknown to the Forest Board as of the Original Execution Date (or if known, the magnitude or consequences of which were not known or understood by the Forest Board as of the Original Execution Date), which Event, magnitude or consequences becomes known to or by the Forest Board of Directors prior to obtaining the Forest Stockholder Approval and the Authorized Share Amendment Approval; *provided* that (a) in no event shall the receipt, existence or terms of an Acquisition Proposal constitute a Forest Intervening Event and (b) any effect resulting from any of the following Events shall not be considered when determining whether a Forest Intervening Effect shall have occurred: (i) any change in general economic, political, business or other capital market conditions (including prevailing interest rates and any effects on the economy arising as a result of acts of terrorism); (ii) any change or developments in prices for oil, natural gas or other commodity

prices or for raw material inputs and end products; (iii) any change affecting the oil and gas exploration and production industry generally; (iv) any change in accounting requirements or principles imposed by GAAP or any change in Law after the Original Execution Date; (v) earthquakes, any weather-related or other force majeure event or natural disasters or outbreak or escalation of hostilities or acts of

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war; except in each of cases (i), (ii), (iii), (iv) and (v), where such Event disproportionately affects the Forest Entities, taken as a whole, relative to the Sabine Entities, taken as a whole, or vice versa.

Forest Material Adverse Effect means a material adverse effect on the business, financial condition or continuing results of operations of the Forest Entities, taken as a whole; *provided*, that any effect resulting from any of the following Events shall not be considered when determining whether a Forest Material Adverse Effect shall have occurred: (i) any change in general economic, political, business or other capital market conditions (including prevailing interest rates and any effects on the economy arising as a result of acts of terrorism); (ii) any change or developments in prices for oil, natural gas or other commodity prices or for Forest s raw material inputs and end products; (iii) any change affecting the oil and gas exploration and production industry generally; (iv) any change in accounting requirements or principles imposed by GAAP or any change in Law after the Original Execution Date; (v) any change resulting from the execution of this Agreement or the announcement of the transactions contemplated hereby; (vi) any change resulting from compliance by the Forest Entities with the terms of this Agreement or taken at the request of any of the Sabine Entities; (vii) earthquakes, any weather-related or other force majeure event or natural disasters or outbreak or escalation of hostilities or acts of war; (viii) any failure by Forest to meet any financial projections or forecasts or estimates of revenues, earnings or other financial metrics for any period (*provided that* the underlying causes of such failures by Forest may be considered); or (ix) any changes in the share price or trading volume of the Forest Common Stock or in the credit rating of any Forest Entities debt securities (*provided* that, in either case, the underlying causes of such changes may be considered); except in each case with respect to clauses (i), (ii), (iii), (iv) and (vii) where the effect resulting from such events disproportionately affects the Forest Entities, taken as a whole, relative to other similarly-situated companies in the oil and gas exploration and production industry.

Forest Material Contracts has the meaning set forth in Section 3.12(b).

Forest Owned Real Property has the meaning set forth in Section 3.9(a).

Forest Performance Unit Award means any performance unit award granted pursuant to a Forest Stock Plan that entitles the holder to receive a number of shares of Forest Common Stock, or cash equal to the value thereof, subject to the satisfaction of conditions based on performance.

Forest Phantom Unit Award means any phantom unit award granted pursuant to a Forest Stock Plan that entitles the holder to receive cash equal to the value of a number of shares of Forest Common Stock, subject to the satisfaction of conditions based on continued service.

Forest Preferred Stock has the meaning set forth in Section 3.5(a).

Forest Recommendation has the meaning set forth in Section 6.2.

Forest Recommendation Change has the meaning set forth in Section 6.4(e).

Forest Reserve Reports has the meaning set forth in Section 3.9(b)(i).

Forest Restricted Share means any share of Forest Common Stock granted pursuant to a Forest Stock Plan that is subject to restrictions based on continuing service.

Forest SEC Documents has the meaning set forth in Section 3.7(a).

Forest Severance Plan has the meaning set forth in Section 6.9(c).

Forest Senior Preferred Stock means the Forest Series A Senior Preferred Stock and the Forest Series B Senior Preferred Stock.

Forest Series A Senior Preferred Stock means a new series of validly issued, fully paid and nonassessable senior preferred stock of Forest, par value $0.01 per share bearing the rights, preferences and limitations of the Forest Series A Senior Common-Equivalent Preferred Stock set forth in the form of certificate of amendment to the Forest Charter attached as Exhibit A-1 hereto.

Forest Series B Senior Preferred Stock means a new series of validly issued, fully paid and nonassessable senior preferred stock of Forest, par value $0.01 per share bearing the rights, preferences and limitations of the Forest Series B Senior Common-Equivalent Preferred Stock set forth in the form of certificate of amendment to the Forest Charter attached as Exhibit A-1 hereto.

Forest Stock Option means a stock option to acquire Forest Common Stock granted pursuant to a Forest Stock Plan.

Forest Stock Plan means the Forest Oil Corporation 2001 Stock Incentive Plan, the Forest Oil Corporation 2007 Stock Incentive Plan, the Forest Oil Corporation 1999 Employee Stock Purchase Plan, each as amended, and each other Forest Benefit Plan that provides for the award of rights of any kind to receive shares of Forest Common Stock or benefits measured in whole or in part by reference to shares of Forest Common Stock or the value thereof.

Forest Stockholder Approval has the meaning set forth in Section 3.19.

Forest Stockholder Meeting has the meaning set forth in Section 6.2.

Forest Stock Measurement Price means the closing sale price of Forest Common Stock on the NYSE (as reported in The Wall Street Journal, or if not reported therein, in another authoritative source mutually selected by Forest and Sabine Investor Holdings) on the last trading day prior the Closing Date.

Forest Surviving Corporation has the meaning set forth in Section 1.1(b)(i).

FTC has the meaning set forth in Section 6.5(b).

GAAP means generally accepted accounting principles in the United States of America.

Governmental Entity means any (a) nation, region, state, province, county, city, town, village, district or other jurisdiction, (b) federal, state, local, municipal, foreign or other government, (c) governmental or quasi-Governmental Entity of any nature (including any governmental agency, branch, department, court or tribunal, or other entities), (d) multinational organization or body or (e) body entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

Hazardous Substances means all substances defined as Hazardous Substances, Oils, Pollutants or Contaminants in the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. § 300.5, or defined as such by, or regulated as such under, any Environmental Law, including any regulated pollutant or contaminant (including any constituent, raw material, product or by-product thereof), petroleum or natural gas hydrocarbons or any liquid or fraction thereof, asbestos or asbestos-containing material, polychlorinated biphenyls, lead paint, any hazardous, industrial or solid waste, and any toxic, radioactive, infectious or hazardous substance, material or agent.

HSR Act has the meaning set forth in Section 6.5(b).

Hydrocarbons means crude oil, natural gas, casinghead gas, condensate, drip gas and gasoline and natural gas liquids and all other liquids and gaseous hydrocarbons and all products, by-products and other substances (including

minerals) produced, derived, refined or separated therefrom or otherwise associated therewith.

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Indebtedness means all indebtedness, liabilities and obligations, now existing or hereafter arising, for money borrowed by a Person, or any contingent liability for or guaranty by a Person of any obligation of any other Person (including the pledge of any collateral or grant of any security interest by a Person in any property as security for any such liability, guaranty or obligation) whether or not any of the foregoing is evidenced by any note, indenture, guaranty or agreement, but excluding all trade payables incurred in the ordinary course of business.

Indemnified Parties has the meaning set forth in Section 6.8(a).

Indentures has the meaning set forth in Section 6.18(a).

Intellectual Property means patents, trademarks, copyrights, and trade secrets.

IRS means the United States Internal Revenue Service.

Key Employee means an individual that is a party to a Key Employee Severance Agreement.

Key Employee Severance Agreement means an individual severance agreement maintained between a Forest Entity and an employee that was deemed to be a vice president or higher within the organization, or an individual severance agreement maintained between a Forest Entity and an employee that provided the employee with the same level of benefits and severance benefits as other employees that are vice presidents or higher within the organization.

Knowledge of a party means the knowledge of the persons listed in Section 9.1(a) of the Forest Disclosure Letter with respect to Forest or its Subsidiaries, or the persons listed in Section 9.1(a) of the Sabine Disclosure Letter with respect to Sabine Investor Holdings or its Subsidiaries.

Law means any law, statute, code, ordinance, order, rule, rule of common law, regulation, judgment, decree, injunction, franchise, permit, certificate, license or authorization of any Governmental Entity.

Lenders has the meaning set forth in Section 4.24(a).

LLC Interest Contribution has the meaning set forth in the recitals.

LTIP Proposals means the 2014 LTIP Proposal and the Section 162(m) Proposal.

LTIP Proposal Approvals means the 2014 LTIP Proposal Approval and the Section 162(m) Proposal Approval.

Marketing Period means the first period of 20 consecutive days commencing after the date hereof and throughout which (a) the Sabine Parties shall have the Requested Information, (b) the conditions set forth in Sections 7.1 and 7.2 (other than Sections 7.2(c) and 7.2(d)) are satisfied (other than those conditions that are by their nature to be satisfied at Closing) and (c) nothing has occurred and no condition exists that would cause any of the conditions set forth in Sections 7.1 and 7.2 (other than Section 7.2(c) and 7.2(d)) to fail to be satisfied, assuming that such conditions were applicable at any time during such 20 consecutive day period; provided that (i) the Marketing Period shall end on any earlier date that is the date on which the Refinancing has been consummated or Successful Solicitations (as defined in the Commitment Letter) that permit the Sabine Mergers have occurred with respect to each series of the Notes and (ii) (A) July 4, 2014, July 5, 2014, July 6, 2014, November 27, 2014, November 28, 2014, November 29, 2014, November 30, 2014 and each day from and including December 20, 2014 through and including December 31, 2014 shall not be deemed days for purposes of calculating the Marketing Period (but there shall not be a failure to achieve 20 consecutive days because of

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any such exclusion) and (B) if the Marketing Period has not ended on or prior to August 15, 2014, then the Marketing Period shall not commence prior to September 2, 2014, (iii) the Marketing Period shall not be deemed to have commenced if, prior to the completion of the Marketing Period:

(A) Ernst & Young LLP shall have withdrawn its audit opinion with respect to any financial statements contained in the Forest SEC Documents, in which case the Marketing Period shall not be deemed to commence unless and until, at the earliest, a new unqualified audit opinion is issued with respect to the consolidated financial statements of Forest for the applicable periods by Ernst & Young LLP or another independent public accounting firm reasonably acceptable to Sabine Investor Holdings;

(B) the financial statements included in the Requested Information that is available to the Sabine Parties on the first day of any such 20 consecutive day period would not be sufficiently current on any day during such 20 consecutive day period to permit a registration statement using such financial statements to be declared effective by the SEC on the last day of such 20 consecutive day period, in which case the Marketing Period shall not be deemed to commence unless and until, at the earliest, the receipt by the Sabine Parties of updated Requested Information that would be sufficiently current to permit a registration statement using such financial statements to be declared effective by the SEC on the last day of such new 20 consecutive day period; or

(C) Forest issues a public statement indicating its intent to restate any historical financial statements of Forest or that any such restatement is under consideration or may be a possibility, in which case the Marketing Period shall not be deemed to commence unless and until, at the earliest, such restatement has been completed and the relevant Forest SEC Document or Forest SEC Documents have been amended or Forest has announced that it has concluded that no restatement shall be required in accordance with GAAP; and

(D) without limiting clause (iii), if Forest is delinquent in filing any Annual Report on Form 10-K or Quarterly Report on Form 10-Q or any other material Forest SEC Document, any day that occurs during such delinquency shall not be deemed a day for purposes of calculating the Marketing Period (but there shall not be a failure to achieve 20 consecutive days because of any such exclusion and the Marketing Period shall be extended by 5 Business Days, if there were less than 5 Business Days left in the Marketing Period at the time of such delinquency).

Name Change Amendment means a certificate of amendment to the Forest Charter providing for the name of Forest to be changed to Sabine Oil & Gas Corporation in substantially the form attached as Exhibit A-3 to this Agreement.

Name Change Amendment Approval means approval of the Name Change Amendment by the affirmative vote of holders of a majority of the outstanding shares of Forest Common Stock.

New Benefit Plan has the meaning set forth in Section 6.9(d).

New Forest has the meaning set forth in the recitals.

Notes has the meaning set forth in Section 6.18(a).

NYBCL means the Business Corporation Law of the State of New York, as amended.

NYSE has the meaning set forth in Section 6.2.

Oil and Gas Contracts of any Person, means any of the following Contracts to which such Person or any of its Subsidiaries is a party (other than, in each case, an Oil and Gas Lease): all farm-in and farm-out agreements, areas of

mutual interest agreements, joint venture agreements, development agreements, production sharing agreements, operating agreements, unitization, pooling and communitization agreements, declarations

and orders, division orders, transfer orders, royalty deeds, oil and gas sales agreements, exchange agreements, gathering and processing Contracts and agreements, drilling, service and supply Contracts, geophysical and geological Contracts, land broker, title attorney and abstractor Contracts and all other Contracts relating to Hydrocarbons or revenues therefrom and claims and rights thereto, and, in each case, all rights, titles and interests thereunder.

Oil and Gas Leases of any Person, means all leases, subleases, licenses or other occupancy or similar agreements under which such Person or any of its Subsidiaries leases, subleases or licenses or otherwise acquires or obtains operating rights in and to Hydrocarbons or any other real property.

Oil and Gas Properties means (a) direct and indirect interests in and rights with respect to Hydrocarbons and related properties and assets of any kind and nature, direct or indirect, including working, leasehold interests and operating rights and royalties, overriding royalties, production payments, net profit interests and other non-working interests and non-operating interests; (b) all interests in and all rights with respect to Hydrocarbons and all revenues therefrom; (c) all Oil and Gas Leases and the leasehold estates created thereby and the lands covered by the Oil and Gas Leases or included in the units with which the Oil and Gas Leases may have been pooled or unitized, (d) all Oil and Gas Contracts, (e) all surface interests, fee interests, reversionary interests, reservations and concessions, (f) all easements, rights of way, surface use agreements, licenses and permits and other similar interests associated with, appurtenant to, or necessary for the operation or development of any of Oil and Gas Leases, the drilling of wells or the production, gathering, processing, storage, disposition, transportation or sale of Hydrocarbons produced from (or otherwise attributable to) any Oil and Gas Leases (or lands unitized or pooled therewith); (g) all rights and interests in, under or derived from unitization and pooling agreements in effect with respect to the assets, properties and interests described in clauses (a) and (c) above and the units created thereby which accrue or are attributable to the interest of the holder thereof, (h) all interests in machinery, equipment (including wells, well equipment and well machinery), oil and gas production, gathering, transmission, treating, processing and storage facilities (including tanks, tank batteries, pipelines, flow lines, gathering systems and metering equipment), pumps, water plants, electric plants, gasoline and gas platforms, processing plants, separation plants, refineries and testing and monitoring equipment, in each case, to the extent associated with, appurtenant to or necessary for the operation or development of any of the Oil and Gas Leases, the drilling of wells or the production, gathering, processing, storage, disposition, transportation or sale of Hydrocarbons produced from (or otherwise attributable to) any Oil and Gas Leases (or lands unitized or pooled therewith) and (i) all other interests of any kind or character associated with, appurtenant to, or necessary for the development and/or operation of any of the assets, properties and/or interests described in clauses (a) and (c) above and/or the units created thereby which accrue or are attributable to the interest of the holder thereof.

Organizational Documents means, with respect to any Person, the articles of incorporation, certificate of incorporation, certificate of formation, certificate of limited partnership, bylaws, limited liability company agreement, operating agreement, partnership agreement, Stockholder s agreement and all other similar documents, instruments or certificates executed, adopted or filed in connection with the creation, formation or organization of such Person, including any amendments thereto.

Original Agreement has the meaning set forth in the recitals.

Permits means all permits, approvals, consents, licenses, franchises, exemptions and other authorizations, consents and approvals of or from Governmental Entities.

Permitted Encumbrances means with respect to any Person, (a) statutory Encumbrances for Taxes or other governmental charges (x) not yet due and payable or (y) the amount or validity of which is being contested in good faith by appropriate Proceedings and for which adequate accruals or reserves (based on good-faith estimates of management) have been established, (b) mechanics , vendors , materialmens , carriers , workers , landlords , repairers ,

warehousemen s, construction and other similar statutory Encumbrances arising or incurred in the ordinary course of business or with respect to liabilities that are not yet due and payable or, if due, are not

delinquent or are being contested in good faith by appropriate Proceedings or for which adequate accruals or reserves (based on good-faith estimates of management) have been established, (c) Encumbrances imposed or promulgated by applicable Law or any Governmental Entity with respect to real property, including zoning, entitlement, building and other land use regulations, (d) covenants, conditions, restrictions, easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, or the like, easements for pipelines, railways and other easements and rights-of-way, and other similar non-monetary matters of record affecting title to such Person s owned or leased real property, which do not materially impair the occupancy or use of such real property for the purposes for which it is currently used in connection with such Person s businesses, (e) any right of way or easement related to public roads and highways, (f) Encumbrances arising under workers compensation, unemployment insurance, social security, retirement and similar legislation, (g) Encumbrances relating to intercompany borrowings among such Person and its wholly owned Subsidiaries, (h) Encumbrances that are disclosed on the most recent consolidated balance sheet of such Person included in the Forest SEC Documents (in the case of Forest) or the Sabine Annual Reports (in the case of any Sabine Parties) or the notes thereto or securing liabilities reflected on such balance sheet, (i) Encumbrances arising under or pursuant to the organizational documents of such Person or any of its Subsidiaries, (j) lessors royalties, overriding royalties, and division orders and sales contracts covering Hydrocarbons, reversionary interests and similar burdens if and to the extent the net cumulative effect of such burdens does not operate to reduce the net revenue interest at any time in any property to less than the net revenue interest set forth in Section 9.1(b) of the Sabine Disclosure Letter or Section 9.1(b) of the Forest Disclosure Letter, (k) all other liens, charges, Encumbrances, contracts, agreements, instruments, obligations, defects and irregularities (including liens of operators relating to obligations not yet due or pursuant to which such Person is not in default) that do not reduce the net revenue interest set forth in Section 9.1(b) of the Sabine Disclosure Letter or Section 9.1(b) of the Forest Disclosure Letter, or do not prevent the receipt of proceeds of production therefrom, or do not increase the share of costs above the working interest set forth in Section 9.1(b) of the Sabine Disclosure Letter or Section 9.1(b) of the Forest Disclosure Letter, or which do not materially impair the occupancy or use of such real property for the purposes for which it is currently used in connection with such Person s businesses, or (l) other Encumbrances that do not, individually or in the aggregate, materially impair the present or intended use of the property encumbered thereby.

Person means an individual, a group (including a group under Section 13(d) of the Exchange Act), a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a Governmental Entity or any department, agency or political subdivision thereof.

Proceeding means any civil, criminal or administrative actions, suits, investigations or other proceedings.

Production Burdens means all royalty interests, overriding royalty interests, production payments, net profits interests or other similar interests that constitute a burden on, and are measured by or are payable out of, the production of Hydrocarbons or the proceeds realized from the sale or other disposition thereof other than Taxes and assessments of Governmental Entities.

Proxy Statement has the meaning set forth in Section 6.1(a).

Refinancing has the meaning set forth in Section 4.24(b).

Registration Rights Agreement has the meaning set forth in the recitals.

Regulatory Divestiture has the meaning set forth in Section 6.5(c).

Regulatory Law means the Sherman Act of 1890, the Clayton Antitrust Act of 1914, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, the Federal Trade Commission Act, and all other federal, state or foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other Laws,

including any antitrust, competition or trade regulation Laws, that are designed or intended to (i) prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition through merger or acquisition or (ii) protect the national security or the national economy of any nation.

Related Parties has the meaning set forth in Section 10.16.

Release means any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, dumping, or disposing.

Representatives has the meaning set forth in Section 6.3(a).

Requested Information has the meaning set forth in Section 6.16(a).

Rights Plan has the meaning set forth in the recitals.

Ryder Scott has the meaning set forth in Section 4.9(b)(i).

Sabine Annual Reports means the Annual Reports for the year ended December 31, 2013 and for the year ended December 31, 2012 posted by Sabine O&G, in the form posted on its web site at www.sabineoil.com as of the Original Execution Date.

Sabine Benefit Plans has the meaning set forth in Section 4.16(a).

Sabine Business means the business of Sabine O&G as described in the Sabine Annual Reports and the Sabine Financial Statements.

Sabine Contribution Consideration has the meaning set forth in Section 1.1(a)(i).

Sabine Disclosure Letter has the meaning set forth in Article IV.

Sabine Entities means Sabine Holdings, each of its Subsidiaries, and each of the Contributed Corporations and any Subsidiary of any Contributed Corporation, with each such entity a Sabine Entity.

Sabine Financial Statements means the audited consolidated balance sheets of Sabine O&G as of December 31, 2012 and 2013 and audited consolidated income statements and statements of cash flows of Sabine O&G for the twelve month periods ended December 31, 2012 and 2013.

Sabine Holdings has the meaning set forth in the preamble hereto.

Sabine Holdings Pre-Closing Income Tax Return has the meaning set forth in Section 6.17(a).

Sabine Insurance Policies has the meaning set forth in Section 4.18.

Sabine Investor Holdings has the meaning set forth in the preamble hereto.

Sabine Investor Holdings Board means the board of managers of Sabine Investor Holdings.

Sabine Material Adverse Effect means a material adverse effect on the business, financial condition or continuing results of operations of the Sabine Entities, taken as a whole; *provided*, that any effect resulting from any of the following Events shall not be considered when determining whether a Sabine Material Adverse Effect shall have occurred: (i) any change in general economic, political, business or other capital market conditions (including prevailing interest rates and any effects on the economy arising as a result of acts of terrorism);

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(ii) any change or developments in prices for oil, natural gas or other commodity prices or for any Sabine Entity s raw material inputs and end products; (iii) any change affecting the oil and gas exploration and production industry generally; (iv) any change in accounting requirements or principles imposed by GAAP or any change in Law after the Original Execution Date; (v) any change resulting from the execution of this Agreement or the announcement of the transactions contemplated hereby; (vi) any change resulting from compliance by the Sabine Entities with the terms of this Agreement or taken at the request of any of the Forest Entities, (vii) earthquakes, any weather-related or other force majeure event or natural disasters or outbreak or escalation of hostilities or acts of war, (viii) any failure by any Sabine Entity to meet any financial projections or forecasts or estimates of revenues, earnings or other financial metrics for any period (*provided that* the underlying causes of such failures by such Sabine Entity may be considered); or (ix) any changes in the credit rating of any Sabine Entities debt securities (*provided* that the underlying causes of such changes may be considered); except, in each case with respect to clauses (i), (ii), (iii), (iv) and (vii) where the effect resulting from such events disproportionately affects the Sabine Entities, taken as a whole, relative to other similarly-situated companies in the oil and gas exploration and production industry.

Sabine Material Contracts has the meaning set forth in Section 4.12(b).

Sabine Mergers has the meaning set forth in the recitals.

Sabine Mergers Effective Time has the meaning set forth in Section 1.1(c)(i).

Sabine Nominees has the meaning set forth in Section 1.4.

Sabine O&G has the meaning set forth in the preamble hereto.

Sabine Owned Real Property has the meaning set forth in Section 4.9(a).

Sabine Parties has the meaning set forth in the preamble hereto.

Sabine Reserve Reports has the meaning set forth in Section 4.9(b)(i).

Sabine Revolving Credit Agreement means the Amended and Restated Credit Agreement dated as of April 28, 2009, among NFR Energy LLC, BNP Paribas, Capital One, N.A. and Bank of America, N.A., and the lenders party thereto, as amended from time to time.

Sabine-Forest Surviving Corporation has the meaning set forth in Section 1.1(c)(i).

SEC means the United States Securities and Exchange Commission.

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Section 162(m) Proposal means a proposal substantially in the form of the Section 162(m) Proposal as set forth and described in the Registration Statement on Form S-4 filed with the SEC by New Forest on May 29, 2014.

Section 162(m) Proposal Approval means the approval of the Section 162(m) Proposal by the affirmative vote of a majority of the shares of Forest Common Stock represented and entitled to vote at the Forest Stockholder Meeting.

SOGH II has the meaning set forth in the preamble hereto.

Stockholder s Agreement has the meaning set forth in the recitals.

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Subsidiary means with respect to any party, any corporation, partnership, limited liability company or other legal entity or organization, whether incorporated or unincorporated, of which: (1) such party or any other Subsidiary of such party is a general partner or a managing member or has similar authority; or (2) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation, partnership, limited liability company or other legal entity or organization is, directly or indirectly, owned or controlled by such party or by any one or more of its Subsidiaries.

Superior Proposal has the meaning set forth in Section 6.4(j).

Takeover Laws has the meaning set forth in Section 3.19.

Tax means (a) any tax, charge, fee, levy, or other assessment imposed by any United States federal, state, local or foreign Governmental Entity, including any excise, property, income, receipts, gross receipts, profits, alternative minimum, capital, sales, use, transfer, ad valorem, value added, inventory, capital stock, license, registration, lease, service, service use, margin, franchise, payroll, withholding, social security, capital gains, estimated, employment, unemployment, welfare, workers compensation, disability, environmental, alternative or add-on, occupancy, escheat or unclaimed property, unincorporated business, capital production, premium, windfall profits, title, stamp, occupation or other tax, and any interest, penalties or additions imposed by a Governmental Entity attributable thereto, whether disputed or not; (b) any liability for the payment of any amounts of the type described in clause (a) as a result of being or having been a member of any consolidated, combined or unitary group for any period; and (c) any liability for the payment of any amounts of the type described in clause (a) or (b) as a result of the operation of law or any Tax sharing, indemnity or allocation agreement or any express or implied obligation to indemnify any other Person.

Tax Representation Letter has the meaning set forth in Section 6.14.

Tax Returns means any return, report, information return, declaration, claim for refund or other document (including any related or supporting information or schedules) submitted or filed, or required to be submitted or filed, with any Governmental Entity with respect to Taxes and including any supplement or attachment thereto or any amendment thereof.

Termination Fee means $15,000,000.

Transaction Agreements means this Agreement, the Registration Rights Agreement, the Stockholder s Agreement, the Confidentiality Agreement, and each Agreement and certificate required to be delivered at the Closing pursuant to the terms of this Agreement.

Transaction Litigation has the meaning set forth in Section 6.12.

Transactions has the meaning set forth in the recitals.

USA PATRIOT Act has the meaning set forth in Section 3.6(b).

Vinson & Elkins has the meaning set forth in Section 6.14.

WARN Act has the meaning set forth in Section 3.16(g).

Willful and Material Breach means a willful, material breach that is the consequence of an act by the breaching party or the failure by the breaching party to take an act it is required to take under this Agreement with the knowledge that the taking of such act or failure to take such act would, or would be reasonably expected to, cause a material breach of this Agreement.

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9.2 ***Construction***. Unless the context otherwise requires, as used in this Agreement (i) words defined in the singular have the parallel meaning in the plural and vice versa, (ii) words of one gender shall be construed to apply to each gender, (iii) the term "party" refers to a party to this Agreement and the term "parties" refers to the parties to this Agreement other than, unless the context specifically requires, AIV Holdings, and (iv) a reference to any Person includes such Person's successors and permitted assigns. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

ARTICLE X

MISCELLANEOUS

10.1 ***Non-Survival of Representations and Warranties***. This Article X, Section 6.8 (Indemnification of Directors and Officers), Section 6.17 (Certain Tax Matters) and Section 6.20 (Further Assurances) shall survive the consummation of the Transactions. This Article X, the agreements of Sabine Investor Holdings, AIV Holdings and Forest contained in the first sentence of Section 6.3(b) (Confidentiality), Section 8.2 (Notice of Termination; Effect of Termination), Section 8.3 (Expenses and Other Payments) and the Confidentiality Agreement shall survive the termination of this Agreement. No other representations, warranties, covenants and agreements in this Agreement shall survive the consummation of the Transactions or the termination of this Agreement.

10.2 ***Notices***. Any notice or other communication required or permitted under, or otherwise in connection with, this Agreement shall be in writing and shall be deemed to have been duly given (a) when delivered in person; (b) when received when sent by email by the party to be notified; *provided*, *however*, that notice given by email shall not be effective unless either (i) a duplicate copy of such email notice is promptly given by one of the other methods described in this Section 10.2 or (ii) the receiving party delivers a written confirmation of receipt for such notice either by email or any other method described in this Section 10.2; or (c) when delivered by a courier (with confirmation of delivery), in each case addressed as follows:

Notices to any Sabine Party or AIV Holdings (prior to the Transactions) and to Sabine Investor Holdings and AIV Holdings (following the Transactions):

Sabine Investor Holdings LLC

1415 Louisiana Street, Suite 1600
Houston, Texas 77002
Telephone: (832) 242-9600
Email: tyang@sabineoil.com
Attention: Senior Vice President, General Counsel and Secretary

And a copy to (which shall not constitute notice):

Vinson & Elkins LLP
1001 Fannin, Suite 2500
Houston, Texas 77007
Telephone: (713) 758-2194
Email: jfloyd@velaw.com
dmcwilliams@velaw.com

Attention: Jeffery B. Floyd and Douglas E. McWilliams

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Notices to Forest (prior to the Transactions):

Forest Oil Corporation
707 17th Street
Suite 3600
Denver, Colorado 80202
Telephone: (303) 812-1461
Email: RWSchelin@forestoil.com
Attention: General Counsel

And a copy to (which shall not constitute notice):

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Telephone: (212) 403-1000
Email: MGordon@wlrk.com
DKLam@wlrk.com
Attention: Mark Gordon and David K. Lam

Notices to Forest (after the Transactions):

Sabine Oil & Gas Corporation
1415 Louisiana Street, Suite 1600
Houston, Texas 77002
Telephone: (832) 242-9600
Email: tyang@sabineoil.com
Attention: Senior Vice President, General Counsel and Secretary

10.3 ***Severability***. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated by this Agreement are fulfilled to the extent possible.

10.4 ***Entire Agreement***. This Agreement, the exhibits hereto, the Forest Disclosure Letter, the Sabine Disclosure Letter, and the other documents delivered pursuant hereto and the Confidentiality Agreement constitute the entire agreement of the parties and supersede all prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter of this Agreement.

10.5 ***Assignment***. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties, in whole or in part (whether by operation of Law or otherwise), without the prior written consent of the other parties, and any attempted or purported assignment without such consent shall be null and void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

10.6 ***Extension; Waiver***. At any time prior to the Effective Time, the parties, by action taken or authorized by their respective Boards of Directors, may to the extent legally allowed, (a) extend the time for performance of any of the

obligations or other acts of the other parties hereunder, (b) waive any breach or inaccuracy in the representations and warranties of the other contained herein or in any document delivered pursuant hereto and (c) waive compliance by the other of any of the agreements or conditions contained herein. Notwithstanding the

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foregoing, no failure or delay by any party in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any right hereunder. No agreement on the part of a party hereto to any extension or waiver shall be valid unless set forth in an instrument in writing signed on behalf of such party.

10.7 ***Third-Party Beneficiaries***. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors and assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, other than (a) the rights of any Indemnified Party solely pursuant to Section 6.8 (which shall not arise unless and until the Effective Time shall occur), (b) the rights of holders of Forest Common Stock and holders of equity awards of Forest to pursue claims for damages and other relief, including equitable relief, for any Sabine Party s or AIV Holdings breach or wrongful termination of this Agreement; provided that such rights pursuant to this clause (b) shall be enforceable only by Forest, on behalf of the holders of Forest Common Stock and/or equity awards of Forest, in Forest s sole discretion, (c) the rights of holders of Forest Common Stock and holders of equity awards of Forest to receive the consideration specified in Article II (which shall not arise unless and until the Effective Time shall occur), and (d) the rights of the Financing Sources and their respective current former or future equity holders, controlling persons, Affiliates and Representatives, to be third-party beneficiaries of this Section 10.7, Section 10.9, Section 10.14 and Section 10.16.

10.8 ***Interpretation***.

(a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to an Article, Section, Schedule, Exhibit or Annex, such reference shall be to an Article of, a Section of, a Schedule to, an Exhibit to or Annex to this Agreement unless otherwise indicated. Whenever the words include, includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation.

(b) Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein shall mean United States (U.S.) dollars, $ refers to United States dollars and all payments hereunder shall be made in United States dollars by wire transfer in immediately available funds to such account as shall have been specified in writing by the recipient thereof.

(c) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any arty by virtue of the authorship of any provision of this Agreement.

10.9 ***Governing Law and Venue; Consent to Jurisdiction***.

(a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN, AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF, THE STATE OF DELAWARE EXCEPT TO THE EXTENT MANDATORY PROVISIONS OF THE NYBCL ARE APPLICABLE WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF TO THE EXTENT THAT SUCH PRINCIPAL WOULD DIRECT A MATTER TO ANOTHER JURISDICTION.

(b) The parties hereby irrevocably submit to the personal jurisdiction of the courts of the State of Delaware and the Federal courts of the United States of America located in the State of Delaware solely in respect of the interpretation

and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement of this Agreement or if

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any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties irrevocably agree that all claims relating to such action, proceeding or transactions shall be heard and determined in such a Delaware State or Federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and, to the extent permitted by Law, over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 10.2 or in such other manner as may be permitted by Law shall be valid and sufficient service thereof.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, INCLUDING ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THE DEBT FINANCING OR COMMITMENT LETTER OR THE TRANSACTIONS CONTEMPLATED THEREBY. EACH PARTY AGREES THAT IT WILL NOT, AND WILL NOT PERMIT ITS AFFILIATES TO, BRING OR SUPPORT ANY PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR IN EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE FINANCING SOURCES IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, INCLUDING WITH RESPECT TO ANY DISPUTE ARISING OUT OF OR RELATING IN ANY WAY TO THE BANK FINANCING AND/OR THE DEBT FINANCING OR THE PERFORMANCE THEREOF, IN ANY FORUM OTHER THAN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK OR ANY COURT OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK AND AGREE THAT THE WAIVER OF JURY TRIAL SET FORTH IN THIS SECTION 10.9(C) HEREOF SHALL BE APPLICABLE TO ANY SUCH PROCEEDING. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.9(c).

10.10 ***Disclosure Letters***. The statements in the Forest Disclosure Letter and the Sabine Disclosure Letter relate to the provisions in the section of this Agreement to which they expressly relate; *provided*, *however*, that any information set forth in one section of the Forest Disclosure Letter or the Sabine Disclosure Letter, as the case may be, shall also be deemed to apply to each other section (other than Sections 3.8(b), 3.15, 4.8(b), and 4.15), to which its relevance is reasonably apparent. In the Forest Disclosure Letter and the Sabine Disclosure Letter, (a) all capitalized terms used but not defined therein shall have the meanings assigned to them in this Agreement; (b) the section numbers correspond to the section numbers in this Agreement; and (c) inclusion of any item in a disclosure letter (i) does not represent a determination that such item is material or establish a standard of materiality, (ii) does not represent a determination that such item did not arise in the ordinary course of business and (iii) shall not constitute, or be deemed to be, an admission to any third party concerning such item.

10.11 ***Specific Performance***. The parties acknowledge and agree that each would be irreparably damaged in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached and that any non-performance or breach of this Agreement by any party could not be adequately

compensated by money damages alone and that the parties would not have any adequate remedy at law. Each party agrees that, in the event of any breach or threatened breach by any other party of any provisions

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contained in this Agreement, the non-breaching party shall be entitled (in addition to any other remedy that may be available to it whether in law or equity, including monetary damages, except as limited by Section 8.3) to seek and obtain (a) a decree or order of specific performance to enforce the observance and performance of such provisions, and (b) an injunction restraining such breach or threatened breach. Each party further agrees that no other party or any other Person shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 10.11, and each party irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument. The parties further agree that they shall not object to the granting of any injunctive relief on the basis that an adequate remedy at law may exist.

10.12 ***Joint Liability; Obligation***. Each representation, warranty, covenant and agreement made in this Agreement by any Sabine Party or AIV Holdings on the one hand or Forest on the other hand shall be deemed a representation, warranty, covenant and agreement made by all of such respective parties jointly and all liability and obligations relating thereto shall be deemed a joint liability and obligation of all such respective parties. Whenever this Agreement requires a Subsidiary of Forest, Sabine Investor Holdings or AIV Holdings to take any action, such requirement shall be deemed to include an undertaking on the part of Forest, Sabine Investor Holdings or AIV Holdings, as appropriate, to cause such Subsidiary to take such action.

10.13 ***Counterparts***. This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

10.14 ***Amendment***. Subject to the provisions of applicable Law, and except as otherwise provided in this Agreement, this Agreement may be amended, modified or supplemented only by a written instrument executed and delivered by all the parties, whether before or after approval of the Contribution and/or Merger; *provided, however*, that, after any such approval, no amendment shall be made for which applicable Law or the rules of any relevant stock exchange requires further approval by stockholders or members without such further approval. Notwithstanding the foregoing, no amendment shall be made to Section 10.7, Section 10.9, this Section 10.14 or Section 10.16 which would be adverse to the Financing Sources without the prior written consent of such Financing Sources.

10.15 ***Representation by Counsel***. Each of the parties agrees that it has been represented by independent counsel of its choice during the negotiation and execution of this Agreement and the documents referred to herein, and that it has executed the same upon the advice of such independent counsel. Each party and its counsel cooperated in the drafting and preparation of this Agreement and the documents referred to herein, and any and all drafts relating thereto shall be deemed the work product of the parties and may not be construed against any party by reason of its preparation. Therefore, the parties waive the application of any Law providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

10.16 ***Certain Agreements with Respect to Financing Sources***. Each of the parties agree on behalf of themselves and their respective equity holders, controlling persons, Affiliates, and Representatives (collectively, the Related Parties) that (a) the Financing Sources and their and their respective current former or future equity holders, controlling persons, Affiliates or Representatives and each of their successors and assigns shall be subject to no liability or claims by the Related Parties arising out of or relating to this Agreement, the financing or the transactions contemplated hereby or in connection with the Bank Financing or Debt Financing, or the performance of services by such Financing Sources or their Affiliates or Representatives with respect to the foregoing and (b) no Related Parties (other than the Sabine Parties and AIV Holdings) shall be subject to any liability or claims by the Financing Sources arising out of or relating to this Agreement; provided, however, that

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nothing in this Section 10.16 shall limit the rights or obligations that any Party would have to the Financing or Debt Financing pursuant to the Commitment Letter related fee letters or any definitive documentation in respect of the foregoing.

[*Signature pages follow*]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

FOREST OIL CORPORATION

By: /s/ Patrick R. McDonald
Name: Patrick R. McDonald
Title: President

SABINE INVESTOR HOLDINGS LLC

By: /s/ David J. Sambrooks
Name: David J. Sambrooks
Title: Chief Executive Officer

SABINE OIL & GAS HOLDINGS LLC

By: /s/ David J. Sambrooks
Name: David J. Sambrooks
Title: Chief Executive Officer

SABINE OIL & GAS HOLDINGS II LLC

By: /s/ David J. Sambrooks
Name: David J. Sambrooks
Title: Chief Executive Officer

SABINE OIL & GAS LLC

By: /s/ David J. Sambrooks
Name: David J. Sambrooks
Title: Chief Executive Officer

FR XI ONSHORE AIV, LLC

By: /s/ Michael G. France
Name: Michael G. France
Title: Authorized Person

[Signature Page to Amended and Restated Agreement and Plan of Merger]

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Annex D

EXECUTION VERSION

STOCKHOLDER S AGREEMENT

by and among

SABINE INVESTOR HOLDINGS LLC,

FOREST OIL CORPORATION

AND

FR XI ONSHORE AIV, LLC

DATED AS OF JULY 9, 2014

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This **AMENDED AND RESTATED STOCKHOLDER S AGREEMENT** (this Agreement) is dated as of May 5, 2014 and amended and restated as of July 9, 2014, by and among Sabine Investor Holdings LLC, a Delaware limited liability company (SIH), Forest Oil Corporation, a New York corporation (the Company), and FR XI Onshore AIV, LLC, a Delaware limited liability company (AIV Holdings). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to such terms in that certain Amended and Restated Agreement and Plan of Merger, dated as of the date hereof (the Merger Agreement), by and among the Stockholders, Sabine Oil & Gas Holdings LLC (Sabine Holdings), Sabine Oil & Gas Holdings II LLC, Sabine Oil & Gas LLC, and the Company.

R E C I T A L S

WHEREAS, pursuant to the Merger Agreement, SIH will contribute to the Company its limited liability company interests in Sabine Holdings and AIV Holdings will contribute to the Company the Contributed Stock Interests, as a result of which Sabine Holdings shall become a wholly owned Subsidiary of the Company;

WHEREAS, the Company and the Stockholders desire to establish in this Agreement certain rights and obligations in respect of the shares of common stock, par value $0.10 per share, of the Company (the Company Common Stock), shares of Series A senior common-equivalent preferred stock, par value $0.01 per share, of the Company (the Series A Senior Preferred Stock) and shares of Series B senior common-equivalent preferred stock, par value $0.01 per share, of the Company (the Series B Senior Preferred Stock and, together with the Company Common Stock and the Series A Senior Preferred Stock, the Company Stock); and

WHEREAS, the Company and the Stockholders desire to establish in this agreement certain obligations of the Company to take actions necessary to (i) create, as a wholly-owned subsidiary of the Company, a Delaware corporation (Delaware Holdco) and create, as a wholly-owned subsidiary of Delaware Holdco, a New York corporation (New York Merger Sub), (ii) adopt and approve, on behalf of the Company, Delaware Holdco and New York Merger Sub, an Agreement and Plan of Merger in the form attached as Exhibit A hereto, with such changes therein as reasonably requested by the Stockholders (the Reincorporation Merger Agreement), providing for the merger of New York Merger Sub with and into the Company, with the Company surviving as a wholly-owned subsidiary of Delaware Holdco and the shareholders of the Company receiving stock in Delaware Holdco in exchange for their Company Stock, all on the terms and conditions more specifically set forth therein (the Reincorporation Merger).

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement, the following terms shall have the meanings indicated below:

Affiliate shall mean with respect to any Person, a Person that directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with such Person; provided, that, for purposes of this Agreement, neither the Company nor any of its Subsidiaries shall be deemed to be an Affiliate of either of the Stockholders or any of their respective Affiliates.

Affiliated Directors shall mean Directors who are also officers, employees, directors or Affiliates of either of the Stockholders or any of their respective Affiliates.

Agreement shall have the meaning set forth in the Preamble.

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AIV Holdings shall have the meaning set forth in the Preamble.

Beneficially Own shall mean, with respect to any securities, having beneficial ownership of such securities for purposes of Rule 13d-3 or 13d-5 under the Exchange Act (or any successor statute or regulation).

Board shall mean, as of any date, the Board of Directors of the Company (and following the Reincorporation Merger, the Board of Directors of Delaware Holdco) in office on that date.

Chosen Courts shall have the meaning set forth in Section 7.6(a).

Company shall have the meaning set forth in the Preamble.

Company Common Stock shall have the meaning set forth in the Recitals.

Company Stock shall have the meaning set forth in the Recitals.

Control shall mean the possession, direct or indirect, of the power to direct, or cause the direction of, the management and policies of a Person, whether through the ownership of voting securities, voting equity, limited liability company interests, general partner interests, or voting interests, by contract or otherwise.

Delaware Holdco shall have the meaning set forth in the Recitals.

DGCL shall mean the Delaware General Corporation Law, as amended.

Director shall mean any member of the Board.

Encumbrance shall mean any lien, pledge, charge, claim, encumbrance, hypothecation, security interest, option, lease, license, mortgage, easement or other restriction or third-party right of any kind, including any right of first refusal, tag-along or drag-along rights or restriction on voting, transferring, lending, disposing or assigning, in each case other than pursuant to this Agreement.

Merger shall have the meaning set forth in the Recitals.

Merger Agreement shall have the meaning set forth in the Preamble.

New York Merger Sub shall have the meaning set forth in the Recitals.

Non-Stockholder Directors shall mean all Directors who are not Stockholder Designees.

NYBCL shall mean the New York Business Corporation Law, as amended.

Proxy Statement shall have the meaning set forth in Section 5.3(a).

Registration Statement shall have the meaning set forth in Section 5.3(a).

Reincorporation Approval shall have the meaning set forth in Section 5.3(a).

Reincorporation Merger shall have the meaning set forth in the Recitals.

Reincorporation Merger Agreement shall have the meaning set forth in the Recitals.

Sabine Holdings shall have the meaning set forth in the Preamble.

Series A Senior Preferred Stock shall have the meaning set forth in the Recitals.

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Series B Senior Preferred Stock shall have the meaning set forth in the Recitals.

SIH shall have the meaning set forth in the Preamble.

Stockholders shall mean, collectively, SIH and AIV Holdings, provided that either of the foregoing shall cease to be a Stockholder at such time that it no longer directly owns any shares of Company Stock.

Stockholder Designees shall have the meaning set forth in Section 3.2(a); provided, that, for clarity, the Stockholder Designees as of the date of this Agreement are Michael G. France, Alex T. Krueger and Brooks Shughart.

Transfer shall mean any direct or indirect sale, transfer, assignment, pledge, hypothecation, mortgage, license, gift, creation of a security interest in or lien on, placement in trust (voting or otherwise), Encumbrance or other disposition to any Person, including those by way of distribution, dividend, spin-off, hedging or derivative transactions or otherwise.

Transferee shall have the meaning set forth in Article IV.

Votes shall mean the number of votes entitled to be cast generally in the election of Directors.

Voting Percentage of a Person shall mean, as of any date of determination, the ratio, expressed as a percentage, of (i) the Votes entitled to be cast by the holders of the Voting Securities Beneficially Owned by such Person as of such date to (ii) the aggregate Votes entitled to be cast by all holders of the then-outstanding Voting Securities as of such date.

Voting Securities shall mean, together, (i) the Company Common Stock, (ii) the Series A Senior Preferred Stock, (iii) the Series B Senior Preferred Stock and (iv) any class of capital stock or other securities of the Company (other than the Company Common Stock) that are entitled to vote generally in the election of Directors.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the Company. The Company represents and warrants to the Stockholders that:

(a) The Company is an entity duly organized, validly existing and in good standing under the laws of its state of incorporation or organization.

(b) The Company has the requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery by the Company of this Agreement and the performance of its obligations hereunder have been duly and validly authorized by the Company and no other corporate proceedings on the part of the Company is necessary to authorize this Agreement.

(c) This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the Stockholders of this Agreement, constitutes the valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by Creditors Rights.

(d) The execution and delivery of this Agreement by the Company and the performance of its obligations hereunder does not and will not: (i) result in any breach of any provision of the organizational documents of any Forest Entity; (ii) constitute a default (or an event that with notice or passage of time or both would give rise to a default) under, or give rise to any right of termination, cancellation, amendment or acceleration (with or without

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the giving of notice, or the passage of time, or both) under any of the terms, conditions or provisions of any Contract to which any Forest Entity is a party or by which any property or asset of any Forest Entity is bound or affected; (iii) violate any Law to which any Forest Entity is subject or by which any Forest Entity s properties or assets is bound; or (iv) constitute (with or without the giving of notice or the passage of time, or both) an event which would result in the creation of any Encumbrance (other than Permitted Encumbrances) on any asset of any Forest Entity, except, in the case of clauses (ii), (iii) and (iv), for such defaults or rights of termination, cancellation, amendment, acceleration, violations or Encumbrances that would not, individually or in the aggregate, reasonably be likely to impair in any material respect the ability of the Company to perform its obligations under this Agreement.

Section 2.2 Representations and Warranties of the Stockholders. Each of the Stockholders represents and warrants, severally and not jointly, to the Company that:

(a) Such Stockholder is an entity duly organized, validly existing and in good standing under the laws of its state of formation or organization.

(b) Such Stockholder has the requisite limited liability company power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery by such Stockholder of this Agreement and the performance of its obligations hereunder have been duly and validly authorized by such Stockholder and no other limited liability company proceedings on the part of such Stockholder are necessary to authorize this Agreement.

(c) This Agreement has been duly executed and delivered by such Stockholder and, assuming the due authorization, execution and delivery of this Agreement by the other Stockholder and the Company, constitutes the valid and binding agreement of such Stockholder, enforceable against such Stockholder in accordance with its terms, except as such enforceability may be limited by Creditors Rights.

(d) The execution and delivery of this Agreement by such Stockholder and the performance of its obligations hereunder does not and will not: (i) result in any breach of any provision of the organizational documents of such Stockholder; (ii) constitute a default (or an event that with notice or passage of time or both would give rise to a default) under, or give rise to any right of termination, cancellation, amendment or acceleration (with or without the giving of notice, or the passage of time, or both) under any of the terms, conditions or provisions of any Contract to which such Stockholder is a party or by which any property or asset of such Stockholder is bound or affected; (iii) violate any Law to which such Stockholder is subject or by which any of its properties or assets is bound; or (iv) constitute (with or without the giving of notice or the passage of time, or both) an event which would result in the creation of any Encumbrance (other than Permitted Encumbrances) on any asset of such Stockholder, except, in the case of clauses (ii), (iii) and (iv), for such defaults or rights of termination, cancellation, amendment, acceleration, violations or Encumbrances that would not, individually or in the aggregate, reasonably be likely to impair in any material respect the ability of such Stockholder to perform its obligations under this Agreement.

ARTICLE III

CORPORATE GOVERNANCE

Section 3.1 Board. The Board as of immediately after the Effective Time shall be designated in accordance with Section 1.4(a) of the Merger Agreement.

Section 3.2 Board Representation by Stockholders. At all times when the Stockholders combined Voting Percentage is fifteen percent (15%) or more:

(a) The Stockholders shall have the right to designate a number of individuals to be nominees for election to the Board (Stockholder Designees) equal to the Stockholders combined Voting Percentage multiplied by the total number of Directors that the Company would have if there were no vacancies, rounded to the nearest whole

number (and in any event not less than one), and the Company and the Stockholders shall use their reasonable best efforts to cause such Stockholder Designees to be elected to the Board; provided, however, that the Stockholders may elect to designate fewer than the full number of Stockholder Designees they have a right to designate under this Section 3.2(a), in which case the individuals so designated shall be the Stockholder Designees under this Agreement; and provided further, that the number of Directors who are Affiliated Directors shall not in any event exceed a number equal to the Stockholders combined Voting Percentage multiplied by the total number of Directors that the Company would have if there were no vacancies, rounded to the nearest whole number greater than zero. If at any time the Stockholders combined Voting Percentage is less than fifteen percent (15%), the contractual rights of the Stockholders to designate one or more Stockholder Designees pursuant to this Article III shall forever terminate.

(b) No Person may qualify as a Stockholder Designee if such Person would be prohibited or disqualified from serving as a Director pursuant to any rule or regulation of the SEC, the NYSE or any other or additional exchange on which securities of the Company are listed or by applicable Law. The Stockholders shall, and shall cause the Stockholder Designees to, timely provide the Company with accurate and complete information relating to the Stockholders and the Stockholder Designees that may be required to be disclosed by the Company under the Securities Act or the Exchange Act, including such information required to be furnished by the Company with respect to the Stockholder Designees in a proxy statement pursuant to Rule 14a-101 promulgated under the Exchange Act, and the nationality of such Stockholder Designee. In addition, at the Company s request, the Stockholders shall cause the Stockholder Designees to complete and execute the Company s director and officer questionnaire prior to being elected to the Board or standing for reelection at an annual meeting of stockholders or at such other time as may be reasonably requested by the Company.

(c) With respect to each meeting of stockholders of the Company at which Directors are to be elected, the Company shall provide the Stockholders with notice of such meeting not less than one hundred and twenty (120) days prior to the date thereof requesting designation of the Stockholder Designees, and the Stockholders shall provide the Company with written notice of the names (together with all other information requested by the Company pursuant to Section 3.2(b)) of the Stockholder Designees to be nominated for election at such meeting not more than thirty (30) days following the delivery of such notice. If the Stockholders shall fail to timely provide the Company with the names of that number of Stockholder Designees equal to the number of Stockholder Designees the Stockholders are entitled to designate pursuant to this Article III, then the Nominating and Corporate Governance Committee of the Board may select alternative nominees for such positions. If any Stockholder Designee is not qualified, available or eligible to stand for election, then the Stockholders may name an acceptable and available replacement Stockholder Designee and any such Stockholder Designee will be included as a nominee for election at such meeting if written notice of the name of such Stockholder Designee is provided to the Company within a reasonable period of time prior to the mailing of the proxy statement for such meeting. The Company shall cause the Stockholder Designees to be included in the slate of Directors approved and recommended by the Board for election at such meeting and shall use its reasonable best efforts to cause the election of each such Stockholder Designee, including soliciting proxies in favor of the election of such Stockholder Designees at such meeting.

(d) Upon the resignation, retirement, death or other removal (with or without cause) from office of any Stockholder Designee serving as a Director at a time when the Stockholders have the right under this Section 3.2 to designate a replacement Stockholder Designee, (i) the Stockholders shall be entitled promptly to designate a replacement Stockholder Designee and (ii) the Company shall cause the prompt appointment or election of such replacement Stockholder Designee as a Director.

Section 3.3 Remainder of Board. During the period specified in Section 3.2, for all persons other than the Stockholder Designees to be elected as Directors to the Board, the Stockholders will vote their shares of Company Common Stock in accordance with the recommendation of the Nominating and Corporate Governance Committee of the Board, with

such recommendation to be made by all of the members of the Nominating and Corporate Governance Committee who are Non-Stockholder Directors.

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ARTICLE IV

TRANSFERS OF COMPANY COMMON STOCK

Prior to the three-month anniversary of the Effective Time, neither Stockholder shall Transfer to any Person (Transferee) (a) any shares of Voting Securities, (b) any other securities issued by the Company or any of its Subsidiaries that derive their value from any Voting Securities or (c) any rights, options or other derivative securities or contracts or instruments to acquire such ownership that derive their value from such securities, except for Transfers (i) approved by a majority of the Directors, which majority includes a majority of the Non-Stockholder Directors, (ii) in connection with any transaction (including any merger or other consolidation or reorganization, tender or exchange offer, or any other similar transaction) generally available to all holders of outstanding Company Common Stock, or to which shares of Company Common Stock are subject, on terms at least as favorable to such holders of Company Common Stock as those on which such Stockholder participates in such transaction, (iii) to such Stockholder s Affiliates or the other Stockholder, or (iv) by means of distributions to such Stockholder s partners or members, provided, however, that in the case of clauses (iii) and (iv), the Transfer shall only be permissible if the Company, such Stockholder and the Transferee enter into a written agreement pursuant to which the Transferee agrees, effective as of the consummation of such Transfer, to be bound by the terms of this Agreement as if it were such Stockholder (it being understood that such agreement shall not affect such Stockholder s obligations and liabilities under this Agreement).

ARTICLE V

OBLIGATIONS TO SEEK SHAREHOLDER APPROVAL

Section 5.1 Formation of Delaware Holdco and New York Merger Sub. Promptly following the Closing, the Company shall take any and all action necessary to (i) form Delaware Holdco as a Delaware corporation and wholly owned subsidiary of the Company, in accordance with the provisions of the DGCL and (ii) form New York Merger Sub as a New York corporation and wholly owned subsidiary of Delaware Holdco, in accordance with the provisions of the NYBCL. The Organizational Documents of such entities shall be in a form acceptable to the Stockholders.

Section 5.2 Approval of Reincorporation Merger Agreement. Promptly following the Closing, the Company shall take any and all action necessary to approve and to cause Delaware Holdco and New York Merger Sub to approve, adopt, execute and deliver the Reincorporation Merger Agreement, in accordance with the applicable provisions of the NYBCL.

Section 5.3 Preparation of Proxy Statement; Shareholders Meeting; Recommendation.

(a) Promptly following the Closing, the Company shall and shall cause Delaware Holdco to prepare and file with the SEC a registration on Form S-4 (together with any amendments thereof or supplements thereto, the Registration Statement) that will contain a proxy statement of the Company that is also a prospectus of Delaware Holdco (together with any amendments thereof or supplements thereto, the Proxy Statement) in order to seek the approval of (i) the Reincorporation Merger by holders of Voting Securities required by the Company s Organizational Documents or applicable Law (the Reincorporation Approval) and (ii) if the Authorized Share Amendment was not approved at the Forest Stockholder Meeting, the Authorized Share Amendment Approval. The Registration Statement shall comply as to form in all material respects with the applicable provisions of the Securities Act and the Exchange Act and the rules and regulations thereunder and other applicable Law. Each of Delaware Holdco and the Company will use its reasonable best efforts to have the Registration Statement cleared by the SEC as promptly as is practicable after filing, and each of Delaware Holdco and the Company shall use its respective reasonable best efforts to cause the Proxy

Statement to be mailed to the holders of Forest Common Stock as promptly as practicable after the Proxy Statement shall have been cleared by the SEC. No amendment or supplement to the Registration Statement or Proxy Statement shall be filed without the approval of the Stockholders (such approval not to be unreasonably withheld, conditioned or delayed) if such amendment or supplement relates to information in such document relating to any Stockholder or its business, financial condition or results of operations.

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(b) The Company shall take, in accordance with the rules and regulations of the NYSE, the NYBCL and the Forest Organizational Documents, all actions reasonably necessary to call, give notice of, convene and hold a meeting of its stockholders as soon as reasonably practicable after the Registration Statement is declared effective for the purpose of securing the Reincorporation Approval and, if applicable, the Authorized Share Amendment Approval. The Proxy Statement shall (i) state that the Forest Board has (A) approved the Reincorporation Merger Agreement and the transactions contemplated thereby; (B) determined that the Reincorporation Merger Agreement and the transactions contemplated thereby are fair to and in the best interests of the Company and its stockholders; and (C) include the recommendation of the Forest Board that the holders of Forest Common Stock approve the Reincorporation Merger Agreement and the Reincorporation Merger and, if applicable, the Authorized Share Amendment.

Section 5.4 Consummation of Reincorporation Merger. Promptly following the receipt of the Reincorporation Approval and the satisfaction of the other conditions set forth in the Reincorporation Merger Agreement, the Company shall and shall cause each of Delaware HoldCo and New York Merger Sub to consummate the transactions contemplated by the Reincorporation Merger Agreement on the terms set forth therein.

Section 5.5 Further Assurances and Cooperation. It is the intention of the Stockholders and the Company that the Company be obligated to cooperate with the Stockholders to cause the Reincorporation Merger to be completed or, if the Stockholders and the Company agree that the completion thereof is no longer practicable or desirable, to cause the terms and provisions of the Organizational Documents of Delaware Holdco contemplated by the Reincorporation Merger Agreement to be incorporated into the Organizational Documents of the Company through the amendment of such Organizational Documents, to the fullest extent permitted by law. Accordingly, in the event that the Reincorporation Merger is not approved and consummated as contemplated by this Article V, the Company shall, upon the written request of the Stockholders, cooperate with respect to the calling and holding of any additional meetings of stockholders, and the preparation, filing and mailing of any additional proxy materials, to seek the approval of the holders of Company Stock necessary to effect any of the transactions contemplated by this Section 5.5; provided, however, in no event shall the obligations of the Company set forth in this Section 5.5 require the Company to cooperate with respect to the calling and holding of more than three special meetings of holders of Company Stock.

ARTICLE VI

SERIES B CONVERSION EVENT

Section 6.1 Series B Conversion Event. If the Authorized Share Amendment was not approved at the Forest Stockholder Meeting:

(a) the Stockholders shall, and shall cause the Company and each of their Affiliates to, use their reasonable best efforts to cause a Series B Conversion Event (as defined in the Forest certificate of incorporation) to occur, and to occur prior to the Grace Period Expiration Date (as defined in the Forest certificate of incorporation), to take all actions reasonably necessary to call, give notice of, convene and hold a meeting of its stockholders as promptly as practicable for the purpose of securing the Authorized Share Amendment Approval and to promptly file the Authorized Share Amendment with the Department of State of the State of New York in accordance with the NYBCL; and

(b) the Stockholders shall vote, and shall cause each of their Affiliates to vote, all of their Voting Securities in favor of the Authorized Share Amendment Approval or any other proposal or action in furtherance of causing a Series B Conversion Event to occur.

Section 6.2 Authorized Share Amendment. The valid approval and filing of the Authorized Share Amendment with the Department of State of the State of New York in accordance with the NYBCL shall constitute a Series B Conversion Event pursuant to the Forest certificate of incorporation.

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ARTICLE VII

MISCELLANEOUS

Section 7.1 Injunctive Relief. Each party hereto acknowledges that it would be impossible to determine the amount of damages that would result from any breach of any of the provisions of this Agreement and that the remedy at law for any breach, or threatened breach, of any of such provisions would likely be inadequate and, accordingly, agrees that the other party shall, in addition to any other rights or remedies which it may have, be entitled to such equitable and injunctive relief as may be available from any court of competent jurisdiction to compel specific performance of, or restrain any party from violating, any of such provisions. In connection with any action or proceeding for injunctive relief, each party hereto hereby waives the claim or defense that a remedy at law alone is adequate and agrees, to the maximum extent permitted by Law, to have each provision of this Agreement specifically enforced against it, without the necessity of posting bond or other security against it, and consents to the entry of injunctive relief against it enjoining or restraining any breach or threatened breach of such provisions of this Agreement.

Section 7.2 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, legal representatives and permitted assigns. Neither party may directly or indirectly assign any of its rights or delegate any of its obligations under this Agreement, by operation of law or otherwise, without the prior written consent of the other party. Any purported direct or indirect assignment in violation of this Section 7.2 shall be null and void *ab initio*.

Section 7.3 Amendments; Waiver. No amendment, modification or discharge of this Agreement, and no waiver hereunder, and no extension of time for the performance of any of the obligations hereunder, shall be valid or binding unless set forth in writing and duly executed by (a) the Company where enforcement of the amendment, modification, discharge, waiver or extension is sought against the Company or (b) any Stockholder where enforcement of the amendment, modification, discharge, waiver or extension is sought against such Stockholder. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time. The waiver by the Company or any Stockholder of a breach of, or a default under, any of the provisions hereof, or to exercise any right or privilege hereunder, shall not be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. Except as expressly provided in this Agreement, the rights and remedies herein provided are cumulative and none is exclusive of any other, or of any rights or remedies that any party may otherwise have at law or in equity.

Section 7.4 Termination.

(a) Except as otherwise provided in this Agreement, this Agreement shall terminate if the Effective Time has not occurred and the Merger Agreement is terminated in accordance with its terms.

(b) This Agreement shall automatically terminate at any time following the Effective Time at which the Stockholders combined Voting Percentage falls below fifteen percent (15%).

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Section 7.5 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing and delivered personally or sent by registered or certified mail, return receipt requested and postage prepaid, or by facsimile (providing confirmation of such facsimile transmission):

if to SIH, to:

Sabine Investor Holdings LLC
1415 Louisiana Street
Suite 1600
Houston, Texas 77002
Telephone: (832)242-9600
Facsimile: (713)581-7041
Attention: General Counsel

with a copy to (which shall not constitute notice):

Vinson & Elkins LLP
1001 Fannin, Suite 2500
Houston, Texas 77007
Telephone: (713)758-3613
Facsimile: (713)615-5725
Attention: Douglas E. McWilliams and Matthew R. Pacey

if to AIV Holdings, to:

FR XI Onshore AIV, LLC
One Lafayette Place, 3rd Floor
Greenwich, CT 06830
Facsimile: (203) 661-6729
Attention: General Counsel

with a copy to (which shall not constitute notice):

Vinson & Elkins LLP
1001 Fannin, Suite 2500
Houston, Texas 77007
Telephone: (713) 758-3613
Facsimile: (713) 615-5725
Attention: Douglas E. McWilliams and Matthew R. Pacey

if to the Company after the Effective Time:

Sabine Oil & Gas Corporation
1415 Louisiana Street
Suite 1600
Houston, Texas 77002
Telephone: (832) 242-9600
Facsimile: (713) 581-7041
Attention: General Counsel

with a copy to (which shall not constitute notice):

Vinson & Elkins LLP
1001 Fannin, Suite 2500
Houston, Texas 77007
Telephone: (713) 758-3613
Facsimile: (713) 615-5725
Attention: Douglas E. McWilliams and Matthew R. Pacey

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if to the Company prior to the Effective Time:

Forest Oil Corporation
707 17th Street
Suite 3600
Denver, Colorado 80202
Telephone: (303)812-1461
Facsimile: (303)812-1445
Attention: General Counsel

with a copy to (which shall not constitute notice):

Wachtell, Lipton, Rosen & Katz
Telephone: (212)403-1343
Facsimile: (212)403-2343
Attention: Mark Gordon and David K. Lam

or to such other Persons or addresses as may be designated in writing by the party to receive such notice as provided above.

Section 7.6 Governing Law; Jurisdiction; Forum; Waiver of Trial by Jury.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THEREOF. Each party hereto agrees that it shall bring any action or proceeding in respect of any claim arising out of, or related to, this Agreement or the Transactions, exclusively in the Delaware Court of Chancery, New Castle County, or solely if that court does not have jurisdiction, a federal court sitting in the State of Delaware (the Chosen Courts), and solely in connection with claims arising under this Agreement or the Transactions (a) irrevocably submits to the exclusive jurisdiction of the Chosen Courts, (b) waives any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waives any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any party hereto, and (d) agrees that service of process upon such party in any such action or proceeding shall be effective if notice is given in accordance with Section 7.5.

(b) EACH PARTY HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF, OR RELATING TO, THIS AGREEMENT.

Section 7.7 Actions of the Company. The Non-Stockholder Directors shall be entitled to require the Company to enforce any and all rights of the Company under this Agreement, and any amendment, modification, discharge or waiver of this Agreement by the Company shall only be valid if approved by a majority of the Non-Stockholder Directors.

Section 7.8 Interpretation.

(a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to an Article, Section, Schedule, Exhibit or Annex, such reference shall be to an Article of, a Section of, a Schedule to, an Exhibit to or Annex to this Agreement unless otherwise indicated. Whenever the words include, includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation.

(b) Unless otherwise specified in this Agreement, all references to currency, monetary values and dollars set forth herein shall mean United States (U.S.) dollars, _$ refers to United States dollars and all payments hereunder shall be made in United States dollars by wire transfer in immediately available funds to such account as shall have been specified in writing by the recipient thereof.

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(c) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

Section 7.9 Reincorporation Merger. Concurrently with the consummation of the Reincorporation Merger, the Company shall, and the Stockholders shall cause the Company to, take all actions to cause Delaware Holdco to become a party to this Agreement such that, following such joinder, each agreement or obligation of the Stockholders with reference to the Company, each agreement or obligation of the Company with respect to the Stockholders, and each reference to the Company in Articles I, II, III, IV and VII hereof shall be deemed to be an agreement or obligation of the Stockholders with reference to Delaware Holdco, an agreement or obligation of Delaware Holdco with respect to the Stockholders, or a reference to Delaware Holdco, as applicable.

Section 7.11 Entire Agreement; No Other Representations. This Agreement and the Merger Agreement constitute the entire agreement, and supersede all other prior and contemporaneous agreements, understandings, undertakings, arrangements, representations and warranties, both written and oral, among the parties with respect to the subject matter hereof.

Section 7.12 No Third-Party Beneficiaries. This Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 7.13 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the intent and purpose of this Agreement are fulfilled to the extent possible.

Section 7.14 Counterparts. This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective authorized officers as of the date first written above.

FOREST OIL CORPORATION

By: /s/ Patrick R. McDonald
Name: Patrick R. McDonald
Title: President

SABINE INVESTOR HOLDINGS LLC

By: /s/ David J. Sambrooks
Name: David J. Sambrooks
Title: Chief Executive Officer

FR XI ONSHORE AIV, LLC

By: /s/ Michael G. France
Name: Michael G. France
Title: Authorized Person

[Signature Page to Stockholder s Agreement]

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Annex E

EXECUTION VERSION

AMENDED AND RESTATED

REGISTRATION RIGHTS AGREEMENT

BY AND AMONG

SABINE INVESTOR HOLDINGS LLC,

FR XI ONSHORE AIV, LLC,

AND

FOREST OIL CORPORATION

Dated as of July 9, 2014

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AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

This Amended and Restated Registration Rights Agreement (this "Agreement") is dated as of May 5, 2014 and amended and restated as of July 9, 2014, by and among Sabine Investor Holdings LLC, a Delaware limited liability company ("Sabine Investor Holdings"), FR XI Onshore AIV, LLC, a Delaware limited liability company ("AIV Holdings") and Forest Oil Corporation, a New York corporation (the "Company").

WITNESSETH:

WHEREAS, Sabine Investor Holdings, the Company, New Forest Oil Inc., a Delaware Corporation ("New Forest") and certain of their affiliates are parties to an Agreement and Plan of Merger, dated as of May 5, 2014 (the "Original Merger Agreement");

WHEREAS, Sabine Investor Holdings, the Company, AIV Holdings and certain of their affiliates amended and restated the Original Merger Agreement, effective as of the date hereof (the "Merger Agreement") pursuant to which, among other transactions contemplated thereby, the Company will issue Company Preferred Shares and Company Shares to Sabine Investor Holdings and AIV Holdings;

WHEREAS, Sabine Investor Holdings, the Company and New Forest, are parties to the Registration Rights Agreement, dated as of May 5, 2014 (the "Original Agreement");

WHEREAS, in connection with the consummation of the transactions contemplated by the Merger Agreement, and pursuant to the terms of the Merger Agreement, the parties desire to amend and restate the Original Agreement and enter into this Agreement in order to provide for certain registration rights as set forth below.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants and agreements of the parties hereto, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

SECTION 1.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Active Management Holder" means any Management Holder who (i) as of any date of determination, is actively employed by, or serving as a director of, the Company, Sabine Investor Holdings or any of their respective Subsidiaries or (ii) was actively employed by, or serving as a director of, the Company, Sabine Investor Holdings or any of their respective Subsidiaries at any time in the six (6) month period immediately prior to such date of determination.

"Adverse Disclosure" means public disclosure of material, non-public information that, in the good faith judgment of the Board, after consultation with outside counsel to the Company, (i) would be required to be made in any Registration Statement or report filed with the SEC by the Company so that such Registration Statement or report would not be materially misleading and would not be required to be made at such time but for the filing of such Registration Statement or report; and (ii) the Company has a bona fide business purpose for not disclosing such information publicly.

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Affiliate has the meaning specified in Rule 12b-2 under the Exchange Act; provided, that no securityholder of the Company shall be deemed an Affiliate of any other securityholder of the Company solely by reason of an investment in the Company; provided further that portfolio companies (as such term is commonly used in the private equity industry) of First Reserve shall be deemed to not be Affiliates of First Reserve. The term Affiliated has a correlative meaning.

Agreement has the meaning set forth in the preamble.

AIV Holdings has the meaning set forth in the preamble.

Automatic Shelf Registration Statement means a registration statement filed on Form S-3 by a WKSI pursuant to General Instruction I.D. or I.C. (or other successor or appropriate instruction) of such form.

Board means the board of directors of the Company.

Business Day means any day other than a Saturday, Sunday or a day on which commercial banks located in New York, New York are required or authorized by law or executive order to be closed.

Company has the meaning set forth in the preamble.

Company Preferred Shares means (i) the Series A Senior Common-Equivalent Preferred Stock, par value $0.01 per share, bearing the rights, preferences and limitations set forth in the Company s certificate of incorporation issued to Sabine Investor Holdings and AIV Holdings in connection with the transactions contemplated by the Merger Agreement and (ii) the Series B Senior Common-Equivalent Preferred Stock of the Company, par value $0.01 per share, bearing the rights, preferences and limitations set forth in the Company s certificate of incorporation, if any, issued to Sabine Investor Holdings and AIV Holdings in connection with the transactions contemplated by the Merger Agreement.

Company Public Sale has the meaning set forth in Section 2.03(a).

Company Share Equivalent means securities exercisable or exchangeable for or convertible into, Company Shares.

Company Shares means the common stock of the Company, par value $0.01 per share (including any Conversion Shares), any securities into which such shares shall have been changed or converted, any securities distributed in respect of such shares, or any securities resulting from any reclassification, recapitalization, exchange or similar transactions with respect to such shares.

Conversion Shares means the common stock of the Company, par value $0.01 per share issuable upon the conversion of the Company Preferred Shares.

Demand Company Notice has the meaning set forth in Section 2.01(d).

Demand Notice has the meaning set forth in Section 2.01(a).

Demand Period has the meaning set forth in Section 2.01(c).

Demand Registration has the meaning set forth in Section 2.01(a).

Demand Registration Statement has the meaning set forth in Section 2.01(a).

Demand Suspension has the meaning set forth in Section 2.01(e).

ERISA means the U.S. Employee Retirement Income Security Act of 1974, as amended, and any successor thereto, and the regulations promulgated thereunder. Any reference to a section of ERISA shall include a reference to any successor provision thereto.

Exchange Act means the Securities Exchange Act of 1934, as amended, and any successor thereto, and any rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

Excluded Holder has the meaning set forth in Section 2.02(c).

First Reserve means First Reserve Fund XI, L.P. and any successor funds thereto.

First Reserve Parties means First Reserve and its Affiliates that are direct or indirect equity investors in the Company, including Sabine Investor Holdings and AIV Holdings.

First Reserve Underwritten Offering has the meaning set forth in Section 2.12.

FINRA means the Financial Industry Regulatory Authority.

Form S-1 means a registration statement on Form S-1 under the Securities Act, or any comparable or successor form or forms thereto.

Form S-3 means a registration statement on Form S-3 under the Securities Act, or any comparable or successor form or forms thereto.

Holder means (i) any record holder of Registrable Securities or Company Preferred Shares or (ii) any Person that is entitled to acquire Registrable Securities or Company Preferred Shares pursuant to the terms of the Sabine Investor Holdings Operating Agreement, in each case that is a party hereto or that succeeds to rights hereunder pursuant to Section 3.06.

Issuer Free Writing Prospectus means an issuer free writing prospectus, as defined in Rule 433 under the Securities Act, relating to an offer of Registrable Securities.

Long-Form Registration has the meaning set forth in Section 2.01(a).

Loss or Losses has the meaning set forth in Section 2.09(a).

Majority Holder Counsel has the meaning set forth in Section 2.08.

Management Holder means a Holder (including, with respect to any estate planning, personal services or similar vehicle, its Affiliates) who has in the past provided services to the Company, Sabine Investor Holdings or any of their respective Subsidiaries as an employee, director or independent contractor for the Company, Sabine Investor Holdings or any of their respective Subsidiaries.

Marketed Underwritten Offering means any Underwritten Offering (including a Marketed Underwritten Shelf Take-Down, but, for the avoidance of doubt, not including any Shelf Take-Down that is not a Marketed Underwritten Shelf Take-Down) that involves a customary road show (including an electronic road show) or other substantial marketing effort by the Company and the underwriters over a period of at least 48 hours.

Marketed Underwritten Shelf Take-Down has the meaning set forth in Section 2.02(e)(iii).

Material Adverse Change means (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States (other than

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ordinary course limitations on hours or numbers of days of trading); (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States; (iii) a material outbreak or escalation of armed hostilities or other international or national calamity involving the United States or the declaration by the United States of a national emergency or war or a material adverse change in national or international financial, political or economic conditions; and (iv) any event, change, circumstance or effect that is or is reasonably likely to be materially adverse to the business, properties, assets, liabilities, condition (financial or otherwise), operations, results of operations or prospects of the Company and its Subsidiaries taken as a whole.

Merger Agreement has the meaning set forth in the preamble.

New Forest has the meaning set forth in the preamble.

Original Merger Agreement has the meaning set forth in the preamble.

Participating Holder means, with respect to any Registration, any Holder of Registrable Securities covered by the applicable Registration Statement.

Permitted Assignee has the meaning set forth in Section 3.06.

Person means any individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof or any other entity.

Piggyback Registration has the meaning set forth in Section 2.03(a).

Prospectus means the prospectus included in any Registration Statement, all amendments and supplements to such prospectus, including pre- and post-effective amendments to such Registration Statement, and all other material incorporated by reference in such prospectus.

Registrable Securities means any Company Shares and any securities that may be issued or distributed or be issuable or distributable in respect of, or in substitution for, any Company Shares by way of conversion, exercise, dividend, stock split or other distribution, merger, consolidation, exchange, recapitalization or reclassification or similar transaction, in each case whether now owned or hereinafter acquired; provided that any such Registrable Securities shall cease to be Registrable Securities to the extent (i) a Registration Statement with respect to the sale of such security has been declared effective under the Securities Act and such security has been disposed of in accordance with the plan of distribution set forth in such Registration Statement, (ii) such security may be publicly sold without limitation (including volume limitations) pursuant to Rule 144 (or any successor provision) under the Securities Act or is otherwise freely transferrable to the public without further registration under the Securities Act or (iii) such security ceases to be outstanding.

Registration means a registration with the SEC of the Company s securities for offer and sale to the public under a Registration Statement. The term Register shall have a correlative meaning.

Registration Expenses has the meaning set forth in Section 2.08.

Registration Statement means any registration statement of the Company filed with, or to be filed with, the SEC under the rules and regulations promulgated under the Securities Act, including the related Prospectus, amendments and supplements to such registration statement, including pre- and post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement; provided that any reference to a Registration

Statement without reference to a time includes such Registration Statement as amended by any post-effective amendments as of the time of first contract of sale for the Registrable Securities.

Representatives means, with respect to any Person, any of such Person s officers, directors, employees, agents, attorneys, accountants, actuaries, consultants, equity financing partners or financial advisors or other Person associated with, or acting on behalf of, such Person.

Rule 144 means Rule 144 (or any successor provisions) under the Securities Act.

Sabine Investor Holdings Operating Agreement means the Amended and Restated Operating Agreement of Sabine Investor Holdings.

SEC means the Securities and Exchange Commission.

Securities Act means the Securities Act of 1933, as amended, and any successor thereto, and any rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

Shelf Holder has the meaning set forth in Section 2.02(c).

Shelf Notice has the meaning set forth in Section 2.02(a).

Shelf Period has the meaning set forth in Section 2.02(b).

Shelf Registration means a Registration effected pursuant to Section 2.02.

Shelf Registration Statement means a Registration Statement of the Company filed with the SEC on either (i) Form S-3 (or any successor form or other appropriate form under the Securities Act) or (ii) if the Company is not permitted to file a Registration Statement on Form S-3, an evergreen Registration Statement on Form S-1 (or any successor form or other appropriate form under the Securities Act), in each case for an offering to be made on a continuous basis pursuant to Rule 415 (or any successor provision) under the Securities Act covering all or any portion of the Registrable Securities, as applicable.

Shelf Suspension has the meaning set forth in Section 2.02(d).

Shelf Take-Down has the meaning set forth in Section 2.02(e).

Short-Form Registration has the meaning set forth in Section 2.01(a).

Special Registration has the meaning set forth in Section 2.12.

Subsidiary means, with respect to any Person, any entity of which (i) a majority of the total voting power of shares of stock or equivalent ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, trustees or other members of the applicable governing body thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if no such governing body exists at such entity, a majority of the total voting power of shares of stock or equivalent ownership interests of the entity is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated (or has the right to be allocated, through membership interests, partnership interests or otherwise) a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control the managing member or general partner of such limited liability company, partnership, association or other business entity.

Underwritten Offering means a Registration in which securities of the Company are sold to an underwriter or underwriters on a firm commitment basis for reoffering to the public.

Underwritten Shelf Take-Down Notice has the meaning set forth in Section 2.02(e).

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WKSI means a well-known seasoned issuer as defined in Rule 405 promulgated under the Securities Act and which (i) is a well-known seasoned issuer under paragraph (1)(i)(A) of such definition or (ii) is a well-known seasoned issuer under paragraph (1)(i)(B) of such definition and is also eligible to register a primary offering of its Securities relying on General Instruction I.B.1 of Form S-3 or Form F-3 under the Securities Act.

SECTION 1.02 Other Interpretive Provisions. (a) In this Agreement, except as otherwise provided:

(i) A reference to an Article, Section, Schedule or Exhibit is a reference to an Article or Section of, or Schedule or Exhibit to, this Agreement, and references to this Agreement include any recital in or Schedule or Exhibit to this Agreement.

(ii) The Schedules and Exhibits form an integral part of and are hereby incorporated by reference into this Agreement.

(iii) Headings and the Table of Contents are inserted for convenience only and shall not affect the construction or interpretation of this Agreement.

(iv) Unless the context otherwise requires, words importing the singular include the plural and vice versa, words importing the masculine include the feminine and vice versa, and words importing persons include corporations, associations, partnerships, joint ventures and limited liability companies and vice versa.

(v) Unless the context otherwise requires, the words hereof and herein, and words of similar meaning refer to this Agreement as a whole and not to any particular Article, Section or clause. The words include, includes and including shall be deemed to be followed by the words without limitation.

(vi) A reference to any legislation or to any provision of any legislation shall include any successor legislation and any amendment, modification or re-enactment thereof and any legislative provision substituted therefor.

(vii) All determinations to be made by First Reserve hereunder may be made by First Reserve in its sole discretion, and First Reserve may determine, in its sole discretion, whether or not to take actions that are permitted, but not required, by this Agreement to be taken by First Reserve, including the giving of consents required hereunder.

(b) The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intention or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

ARTICLE II.

REGISTRATION RIGHTS

SECTION 2.01 Demand Registration.

(a) Demand by First Reserve. On or after the Effective Time (as defined in the Merger Agreement), First Reserve may, subject to Section 2.11, make a written request (a Demand Notice) to the Company for Registration of all or part of the Registrable Securities held by (or in the case of Conversion Shares not yet issued, issuable to) the First Reserve Parties (i) on Form S-1 (a Long-Form Registration) or (ii) on Form S-3 (a Short-Form Registration) if the Company qualifies to use such short form for the Registration of such Registrable Securities on behalf of the First Reserve Parties (any such requested Long-Form Registration or

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Short-Form Registration, a Demand Registration). Each Demand Notice shall specify the aggregate amount of Registrable Securities of the First Reserve Parties to be registered and the intended methods of disposition thereof. Subject to Section 2.11, after delivery of such Demand Notice, the Company (x) shall file promptly (and, in any event, within (i) ninety (90) days in the case of a request for a Long-Form Registration or (ii) thirty (30) days in the case of a request for a Short-Form Registration, in each case, following delivery of such Demand Notice) with the SEC a Registration Statement relating to such Demand Registration (a Demand Registration Statement), and (y) shall use its reasonable best efforts to cause such Demand Registration Statement to promptly be declared effective under (i) the Securities Act and (ii) the Blue Sky laws of such jurisdictions as any Participating Holder or any underwriter, if any, reasonably requests.

(b) Demand Withdrawal. First Reserve may withdraw the First Reserve Parties Registrable Securities from a Demand Registration at any time prior to the effectiveness of the applicable Demand Registration Statement. Upon delivery of a notice by First Reserve to such effect, the Company may elect to cease all efforts to secure effectiveness of the applicable Demand Registration Statement, and, notwithstanding Section 2.01(c), such Registration nonetheless shall be deemed a Demand Registration with respect to First Reserve for purposes of Section 2.11 unless (i) First Reserve shall have paid or reimbursed the Company for its pro rata share of all reasonable and documented out-of-pocket fees and expenses incurred by the Company in connection with the Registration of such withdrawn Registrable Securities (based on the number of securities First Reserve sought to register, as compared to the total number of securities included on such Demand Registration Statement) or (ii) the withdrawal is made (A) following the occurrence of a Material Adverse Change or (B) because the Registration would require the Company to make an Adverse Disclosure. In addition, any other Holder that has requested its Registrable Securities be included in a Demand Registration pursuant to Section 2.01(d) may withdraw its Registrable Securities from a Demand Registration at any time prior to the effectiveness of the applicable Demand Registration Statement.

(c) Effective Registration. The Company shall be deemed to have effected a Demand Registration with respect to First Reserve for purposes of Section 2.11 if the Demand Registration Statement is declared effective by the SEC and remains effective for not less than 180 days (or such shorter period as shall terminate when all Registrable Securities of the First Reserve Parties covered by such Registration Statement have been sold or withdrawn), or if such Registration Statement relates to an Underwritten Offering, such longer period as, in the opinion of counsel for the underwriter or underwriters, a Prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter or dealer (the applicable period, the Demand Period). No Demand Registration shall be deemed to have been effected for purposes of Section 2.11 if (i) during the Demand Period such Registration or the successful completion of the relevant sale is prevented by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court or (ii) the conditions to closing specified in the underwriting agreement, if any, entered into in connection with such Registration are not satisfied other than by reason of a wrongful act, misrepresentation or breach of such applicable underwriting agreement by First Reserve.

(d) Demand Company Notice. Subject to Section 2.11, promptly upon delivery of any Demand Notice pursuant to Section 2.01(a) (but in no event more than two (2) Business Days thereafter), the Company shall deliver a written notice (a Demand Company Notice) of such Demand Notice to all Holders (other than the First Reserve Parties) and the Company shall include in such Demand Registration all such Registrable Securities of such Holders which the Company has received a written request for inclusion therein within ten (10) Business Days after the date that such Demand Company Notice has been delivered to such Holders. All requests made pursuant to this Section 2.01(d) shall specify the aggregate amount of Registrable Securities of such Holder requested to be registered.

(e) Delay in Filing; Suspension of Registration. If the Company shall furnish to the Participating Holders a certificate signed by the Chief Executive Officer or other senior executive officer of the Company stating that the filing, effectiveness or continued use of a Demand Registration Statement would require the Company to make an Adverse

Disclosure, then the Company may delay the filing (but not the preparation of) or initial effectiveness

of, or suspend use of, the Demand Registration Statement (a "Demand Suspension"); provided that the Company, unless otherwise approved in writing by First Reserve, shall not be permitted to exercise aggregate Demand Suspensions and Shelf Suspensions more than once, or for more than an aggregate of ninety (90) days, in each case, during any twelve (12) month period; provided further that in the event of a Demand Suspension, such Demand Suspension shall terminate at such time as the Company would no longer be required to make any Adverse Disclosure. Each Participating Holder shall keep confidential the fact that a Demand Suspension is in effect, the certificate referred to above and its contents unless and until otherwise notified by the Company, except (A) for disclosure to such Holder's Affiliates, and its and their respective employees, agents and professional advisers who reasonably need to know such information for purposes of assisting the Holder with respect to its investment in the Company Shares and agree to keep it confidential, (B) for disclosures to the extent required in order to comply with reporting obligations to its limited partners or other direct or indirect investors who have agreed to keep such information confidential, (C) if and to the extent such matters (i) are publicly disclosed by the Company or any of its Subsidiaries or any other Person that, to the actual knowledge of such Holder, was not subject to an obligation or duty of confidentiality to the Company and its Subsidiaries or (ii) are disclosed by the Company or any of its Subsidiaries or any other Person on a non-confidential basis without breach of any confidentiality obligations by such disclosing party, (D) for disclosures that are necessary to comply with any law, rule or regulation, including formal and informal investigations or requests from any regulatory authority, (E) for disclosures to potential limited partners or investors of a Holder who have agreed to keep such information confidential and (F) for disclosures to potential transferees of a Holder's Registrable Securities who have agreed to keep such information confidential. In the case of a Demand Suspension, the Holders agree to suspend use of the applicable Prospectus and any Issuer Free Writing Prospectus in connection with any sale or purchase of, or offer to sell or purchase, Registrable Securities, upon delivery of the notice referred to above. The Company shall promptly notify the Holders upon the termination of any Demand Suspension, amend or supplement the Prospectus and any Issuer Free Writing Prospectus, if necessary, so it does not contain any untrue statement or omission and furnish to the Holders such numbers of copies of the Prospectus and any Issuer Free Writing Prospectus as so amended or supplemented as the Holders may reasonably request. Upon the termination of any Demand Suspension, the Company agrees, if necessary, to supplement or make amendments to the Demand Registration Statement if required by the registration form used by the Company for the applicable Registration or by the instructions applicable to such registration form or by the Securities Act or the rules or regulations promulgated thereunder, or as may reasonably be requested by First Reserve.

(f) Underwritten Offering. If First Reserve so requests, an offering of Registrable Securities pursuant to a Demand Registration shall be in the form of an Underwritten Offering, and First Reserve shall have the right to select the managing underwriter or underwriters to administer the offering; provided that such managing underwriter or underwriters shall be reasonably acceptable to the Company. If a First Reserve Party intends to sell the Registrable Securities covered by First Reserve's Demand Registration by means of an Underwritten Offering, First Reserve shall so advise the Company as part of its Demand Notice, and the Company shall include such information in the Demand Company Notice.

(g) Priority of Securities Registered Pursuant to Demand Registrations. If the managing underwriter or underwriters of a proposed Underwritten Offering of the Registrable Securities included in a Demand Registration advise the Company in writing that, in its or their opinion:

(i) the number of securities requested to be included in such Demand Registration exceeds the number which can be sold in such offering without being likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, the securities to be included in such Demand Registration (A) first, shall be allocated pro rata among the Holders that have requested to participate in such Demand Registration based on the relative number of Registrable Securities requested to be included in such Demand Registration by each such Holder; provided that any securities thereby allocated to a Holder that exceed such Holder's request shall be

reallocated among the remaining requesting Holders in a like manner; provided further that First Reserve may freely re-allocate any number of Registrable Securities held by the First Reserve Parties (or any of their Permitted Assignees) which may be included in such Demand Registration to any of their respective Affiliates (or any of their respective Permitted Assignees) for purposes of determining the pro

rata allocation of securities to be included in such Demand Registration, (B) second, and only if all the securities referred to in clause (A) have been included in such Registration, the number of securities that the Company proposes to include in such Registration that, in the opinion of the managing underwriter or underwriters, can be sold without having such adverse effect and (C) third, and only if all of the securities referred to in clause (B) have been included in such Registration, any other securities eligible for inclusion in such Registration that, in the opinion of the managing underwriter or underwriters, can be sold without having such adverse effect; or

(ii) the participation of any Active Management Holder in such Demand Registration is reasonably likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, such Active Management Holder s participation in such Demand Registration shall be limited to the extent necessary to avoid such adverse effect; provided that First Reserve shall engage in good faith discussions with the managing underwriter or underwriters with a view toward facilitating the participation of such Active Management Holder without such adverse effect.

(h) In the event any Holder requests to participate in a Demand Registration pursuant to this Section 2.01 in connection with a distribution of Registrable Securities to its partners or members, the Registration Statement shall provide for resale by such partners or members, if requested by the Holder.

SECTION 2.02 Shelf Registration.

(a) Filing. On or after the Effective Time (as defined in the Merger Agreement), First Reserve may, subject to Section 2.11, make a written request (a Shelf Notice) to the Company to file a Shelf Registration Statement, which Shelf Notice shall specify whether such Registration shall be a Long-Form Registration or, if the Company qualifies to use such short form, a Short-Form Registration, the aggregate amount of Registrable Securities of the First Reserve Parties to be registered therein and the intended methods of distribution thereof. Following the delivery of a Shelf Notice, the Company (x) shall file promptly (and, in any event, within (i) ninety (90) days in the case of a request for a Long-Form Registration or (ii) thirty (30) days in the case of a request for a Short-Form Registration, in each case, following delivery of such Shelf Notice) with the SEC such Shelf Registration Statement (which shall be an Automatic Shelf Registration Statement if the Company qualifies at such time to file an Automatic Shelf Registration Statement) relating to the offer and sale of all Registrable Securities requested for inclusion therein by First Reserve and, to the extent requested under Section 2.02(c), the other Holders from time to time in accordance with the methods of distribution elected by such Holders (to the extent permitted in this Section 2.02) and set forth in the Shelf Registration Statement and (y) shall use its reasonable best efforts to cause such Shelf Registration Statement promptly to be declared effective under the Securities Act (including upon the filing thereof if the Company qualifies to file an Automatic Shelf Registration Statement); provided that any request for a Marketed Underwritten Offering shall be deemed to be, for purposes of Section 2.11, a Demand Registration effected by First Reserve and subject to the limitations set forth therein.

(b) Continued Effectiveness. The Company shall use its reasonable best efforts to keep any Shelf Registration Statement filed pursuant to Section 2.02(a) continuously effective under the Securities Act in order to permit the Prospectus forming a part thereof to be usable by Shelf Holders until the earliest of (i) the date as of which all Registrable Securities have been sold pursuant to the Shelf Registration Statement or another Registration Statement filed under the Securities Act (but in no event prior to the applicable period referred to in Section 4(3) of the Securities Act and Rule 174 thereunder) and (ii) such shorter period as First Reserve with respect to such Shelf Registration shall agree in writing (such period of effectiveness, the Shelf Period). Subject to Section 2.02(d), the Company shall not be deemed to have used its reasonable best efforts to keep the Shelf Registration Statement effective during the Shelf Period if the Company voluntarily takes any action or omits to take any action that would result in Shelf Holders not being able to offer and sell any Registrable Securities pursuant to such Shelf Registration Statement during the Shelf

Period, unless such action or omission is (x) a Shelf Suspension permitted pursuant to Section 2.02(d) or (y) required by applicable law, rule or regulation.

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(c) Company Notices. Promptly upon delivery of any Shelf Notice pursuant to Section 2.02(a) (but in no event more than five (5) Business Days thereafter), the Company shall deliver a written notice of such Shelf Notice to all Holders other than (A) the First Reserve Parties and (B) with respect to any Shelf Take-Down (other than a Marketed Underwritten Shelf Take-Down), any other Holder who is actively employed by the Company or any of its Subsidiaries as of the date such written notice is delivered (such other Holder, an Excluded Holder), and the Company shall include in such Shelf Registration all such Registrable Securities of such Holders (other than with respect to any Shelf Take-Down (other than a Marketed Underwritten Shelf Take-Down), any Excluded Holder) which the Company has received written requests for inclusion therein within five (5) Business Days after such written notice is delivered to such Holders (each such Holder delivering such a request (excluding for the avoidance of doubt any Excluded Holder other than in the case of a Marketed Underwritten Shelf Takedown), together with the First Reserve Parties, a Shelf Holder); provided that if the managing underwriter or underwriters of any proposed Underwritten Offering of Registrable Securities included in a Shelf Registration informs the Company and the Holders that have requested to participate in such Shelf Registration in writing that, in its or their opinion, the participation of any Active Management Holder in such Shelf Registration is reasonably likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, such Active Management Holder s participation in such Shelf Registration shall be limited to the extent necessary to avoid such adverse effect; provided further that First Reserve shall engage in good faith discussions with the managing underwriter or underwriters with a view toward facilitating the participation of such Active Management Holder without such adverse effect. If the Company is permitted by applicable law, rule or regulation to add selling stockholders to a Shelf Registration Statement without filing a post-effective amendment, a Holder may request the inclusion of an amount of such Holder s Registrable Securities in such Shelf Registration Statement at any time or from time to time after the filing of a Shelf Registration Statement, and the Company shall add such Registrable Securities to the Shelf Registration Statement as promptly as reasonably practicable, and such Holder shall be deemed a Shelf Holder.

(d) Suspension of Registration. If the Company shall furnish to the Shelf Holders a certificate signed by the Chief Executive Officer or other senior executive officer of the Company stating that the continued use of a Shelf Registration Statement filed pursuant to Section 2.02(a) would require the Company to make an Adverse Disclosure, then the Company may suspend use of the Shelf Registration Statement (a Shelf Suspension); provided that the Company, unless otherwise approved in writing by First Reserve, shall not be permitted to exercise aggregate Demand Suspensions and Shelf Suspensions more than once, or for more than an aggregate of ninety (90) days, in each case, during any twelve (12)-month period; provided further that in the event of a Shelf Suspension, such Shelf Suspension shall terminate at such time as the Company would no longer be required to make any Adverse Disclosure. Each Shelf Holder shall keep confidential the fact that a Shelf Suspension is in effect, the certificate referred to above and its contents unless and until otherwise notified by the Company, except (A) for disclosure to such Shelf Holder s Affiliates, and its and their respective employees, agents and professional advisers who reasonably need to know such information for purposes of assisting the Holder with respect to its investment in the Company Shares and agree to keep it confidential, (B) for disclosures to the extent required in order to comply with reporting obligations to its limited partners or other direct or indirect investors who have agreed to keep such information confidential, (C) if and to the extent such matters (i) are publicly disclosed by the Company or any of its Subsidiaries or any other Person that, to the actual knowledge of such Shelf Holder, was not subject to an obligation or duty of confidentiality to the Company and its Subsidiaries or (ii) are disclosed by the Company or any of its Subsidiaries or any other Person on a non-confidential basis without breach of any confidentiality obligations by such disclosing party, (D) for disclosures that are necessary to comply with any law, rule or regulation, including formal and informal investigations or requests from any regulatory authority, (E) for disclosures to potential limited partners or investors of a Shelf Holder who have agreed to keep such information confidential and (F) for disclosures to potential transferees of a Shelf Holder s Registrable Securities who have agreed to keep such information confidential. In the case of a Shelf Suspension, the Holders agree to suspend use of the applicable Prospectus and any Issuer Free Writing Prospectus in connection with any sale or purchase of, or offer to sell or purchase, Registrable Securities, upon delivery of the notice referred to

above. The Company shall promptly notify the Holders upon the termination of any Shelf Suspension, amend or supplement the Prospectus and any Issuer Free Writing Prospectus, if necessary, so it does

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not contain any untrue statement or omission and furnish to the Shelf Holders such numbers of copies of the Prospectus and any Issuer Free Writing Prospectus as so amended or supplemented as the Shelf Holders may reasonably request. The Company agrees, if necessary, to supplement or make amendments to the Shelf Registration Statement if required by the registration form used by the Company for the applicable Registration or by the instructions applicable to such registration form or by the Securities Act or the rules or regulations promulgated thereunder, or as may reasonably be requested by First Reserve.

(e) Shelf Take-Downs.

(i) An offering or sale of Registrable Securities pursuant to a Shelf Registration Statement (each, a Shelf Take-Down) may, subject to Section 2.11, be initiated at any time on or after the Effective Time (as defined in the Merger Agreement) by First Reserve. Except as set forth in Section 2.02(e)(iii) with respect to Marketed Underwritten Shelf Take-Downs, First Reserve shall not be required to permit the offer and sale of Registrable Securities by other Shelf Holders in connection with any such Shelf Take-Down initiated by First Reserve.

(ii) Subject to Section 2.11, if First Reserve elects by written request to the Company, a Shelf Take-Down shall be in the form of an Underwritten Offering (an Underwritten Shelf Take-Down Notice) and the Company shall amend or supplement the Shelf Registration Statement for such purpose as soon as practicable. First Reserve shall have the right to select the managing underwriter or underwriters to administer such offering; provided that such managing underwriter or underwriters shall be reasonably acceptable to the Company. The provisions of Section 2.01(g) shall apply to any Underwritten Offering pursuant to this Section 2.02(e), notwithstanding that Section 2.01(g) refers only to Demand Registrations.

(iii) If the plan of distribution set forth in any Underwritten Shelf Take-Down Notice includes a customary road show (including an electronic road show) or other substantial marketing effort by the Company and the underwriters over a period expected to exceed forty-eight (48) hours (a Marketed Underwritten Shelf Take-Down), promptly upon delivery of such Underwritten Shelf Take-Down Notice (but in no event more than three (3) Business Days thereafter), the Company shall promptly deliver a written notice (a Marketed Underwritten Shelf Take-Down Notice) of such Marketed Underwritten Shelf Take-Down to all Shelf Holders (other than the First Reserve Parties), and, subject to Section 2.02(e)(i), the Company shall include in such Marketed Underwritten Shelf Take-Down all such Registrable Securities of such Shelf Holders that are Registered on such Shelf Registration Statement for which the Company has received written requests, which requests must specify the aggregate amount of such Registrable Securities of such Holder to be offered and sold pursuant to such Marketed Underwritten Shelf Take-Down, for inclusion therein within three (3) Business Days after the date that such Marketed Underwritten Shelf Take-Down Notice has been delivered. The provisions of Section 2.01(g) shall apply to any Marketed Underwritten Shelf Take-Down pursuant to this Section 2.02(e)(iii), notwithstanding that Section 2.01(g) only refers to Demand Registrations.

SECTION 2.03 Piggyback Registration.

(a) Participation. If the Company at any time on or after the Effective Time (as defined in the Merger Agreement) proposes to file a Registration Statement with respect to any offering of its equity securities for its own account or for the account of any other Persons (other than (i) a Registration under Section 2.01 or 2.02, it being understood that this clause (i) does not limit the rights of Holders to make written requests pursuant to Sections 2.01 or 2.02 or the right of the Holders to request that their Registrable Securities be included in any Registration under Section 2.01 or Section 2.02 pursuant to Section 2.01(d) or Section 2.02(c), as applicable, or otherwise limit the applicability thereof, (ii) a Registration Statement on Form S-4 or S-8 (or such other similar successor forms then in effect under the Securities Act), (iii) a registration of securities solely relating to an offering and sale to employees, directors or

consultants of the Company or its Subsidiaries pursuant to any employee stock plan or other employee benefit plan arrangement, (iv) a registration not otherwise covered by clause (ii) above pursuant to which the Company is offering to exchange its own securities for other securities,

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(v) a Registration Statement relating solely to dividend reinvestment or similar plans, or (vi) a Shelf Registration Statement pursuant to which only the initial purchasers and subsequent transferees of debt securities of the Company or any of its Subsidiaries that are convertible or exchangeable for Company Shares and that are initially issued pursuant to Rule 144A and/or Regulation S (or any successor provisions) of the Securities Act may resell such notes and sell the Company Shares into which such notes may be converted or exchanged) (a Company Public Sale), then, (A) as soon as practicable, the Company shall give written notice of such proposed filing to the Holders (other than the First Reserve Parties), and such notice shall offer each such Holder the opportunity to Register under such Registration Statement such number of Registrable Securities as such Holder may request in writing within five (5) days of delivery of such written notice by the Company; provided, however that in the case of an overnight or bought offering, such requests must be made within one (1) business day after the delivery of any such written notice by the Company. Subject to Sections 2.03(b) and (c), the Company shall include in such Registration Statement all such Registrable Securities that are requested by Holders to be included therein in compliance with the immediately foregoing sentence (a Piggyback Registration); provided that if at any time after giving written notice of its intention to Register any equity securities and prior to the effective date of the Registration Statement filed in connection with such Piggyback Registration, the Company shall determine for any reason not to Register or to delay Registration of the equity securities covered by such Piggyback Registration, the Company shall give written notice of such determination to each Holder that had requested to Register its, his or her Registrable Securities in such Registration Statement and, thereupon, (1) in the case of a determination not to Register, shall be relieved of its obligation to Register any Registrable Securities in connection with such Registration (but not from its obligation to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights of First Reserve to request that such Registration be effected as a Demand Registration under Section 2.01, and (2) in the case of a determination to delay Registering, in the absence of a request by First Reserve to request that such Registration be effected as a Demand Registration under Section 2.01, shall be permitted to delay Registering any Registrable Securities, for the same period as the delay in Registering the other equity securities covered by such Piggyback Registration. If the offering pursuant to such Registration Statement is to be underwritten, the Company shall so advise the Holders as a part of the written notice given pursuant this Section 2.03(a), and each Holder making a request for a Piggyback Registration pursuant to this Section 2.03(a) must, and the Company shall make such arrangements with the managing underwriter or underwriters so that each such Holder may, participate in such Underwritten Offering, subject to the conditions of Section 2.03(b) and (c). If the offering pursuant to such Registration Statement is to be on any other basis, the Company shall so advise the Holders as part of the written notice given pursuant to this Section 2.03(a), and each Holder making a request for a Piggyback Registration pursuant to this Section 2.03(a) must, and the Company shall make such arrangements so that each such Holder may, participate in such offering on such basis, subject to the conditions of Section 2.03(b) and (c). Each Holder shall be permitted to withdraw all or part of its Registrable Securities from a Piggyback Registration at any time prior to the effectiveness of such Registration Statement; provided, that such withdrawal shall be irrevocable and, after making such withdrawal, a Holder shall no longer have any right to include Registrable Securities in the Piggyback Registration as to which such withdrawal was made.

(b) Priority of Piggyback Registration. If the managing underwriter or underwriters of any proposed Underwritten Offering of Registrable Securities included in a Piggyback Registration informs the Company and the Holders that have requested to participate in such Piggyback Registration in writing that, in its or their opinion:

(i) the number of securities which such Holders and any other Persons intend to include in such offering exceeds the number which can be sold in such offering without being likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, then the securities to be included in such Registration shall be (A) first, 100% of the securities that the Company or (subject to Section 2.07) any Person (other than a Holder) exercising a contractual right to demand Registration, as the case may be, proposes to sell, and (B) second, and only if all the securities referred to in clause (A) have been included, the number of Registrable Securities that, in the opinion of such managing underwriter or underwriters, can be sold without having

such adverse effect in such Registration, with such number to be allocated pro rata among such Holders (including the First Reserve Parties so long as any of the First Reserve

Parties are a Holder, and, subject to Section 2.03(b)(ii), including any other Holder so long as such other Holder is eligible to participate in such Registration pursuant to the terms hereof) that have requested to participate in such Registration based on the relative number of Registrable Securities requested to be included in such Piggyback Registration by each such Holder; provided that any securities thereby allocated to a Holder that exceed such Holder s request shall be reallocated among the remaining requesting Holders in like manner; provided further that First Reserve may freely re-allocate any number of Registrable Securities held by the First Reserve Parties (or any of their Permitted Assignees) which may be included in such Registration to any of their respective Affiliates (or any of their respective Permitted Assignees) for purposes of determining the pro rata allocation of securities to be included in such Registration and (C) third, and only if all of the Registrable Securities referred to in clause (B) have been included in such Registration, any other securities eligible for inclusion in such Registration that, in the opinion of the managing underwriter or underwriters, can be sold without having such adverse effect in such Registration; or

(ii) the participation of any Active Management Holder in such Piggyback Registration is reasonably likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, such Active Management Holder s participation in such Piggyback Registration shall be limited to the extent necessary to avoid such adverse effect; provided that the Company shall engage in good faith discussions with the managing underwriter or underwriters with a view toward facilitating the participation of such Active Management Holder without such adverse effect.

(c) Restrictions on Certain Holders. Notwithstanding any provisions contained herein to the contrary, (i) Holders shall not be able to exercise the right to a Piggyback Registration except in compliance with this Section 2.03; (ii) Holders, other than (A) the First Reserve Parties and (B) Management Holders who are actively employed by the Company or any of its Subsidiaries on the date such Management Holder exercises his/her right to a Piggyback Registration, shall not be able to exercise the right to a Piggyback Registration unless such Registration is a Marketed Underwritten Offering.

(d) No Effect on Demand Registrations. No Registration of Registrable Securities effected pursuant to a request under this Section 2.03 shall be deemed to have been effected pursuant to Sections 2.01 or 2.02 or shall relieve the Company of its obligations under Sections 2.01 or 2.02.

SECTION 2.04 Black-out Periods.

(a) Black-out Periods for Holders. In the event of any Company Public Sale of the Company s equity securities in an Underwritten Offering, and without limiting the rights of the Holders set forth in Section 2.03, each of the Holders agrees, if requested by the managing underwriter or underwriters in such Underwritten Offering, not to (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any Company Shares (including Company Shares that may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the SEC and Company Shares that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for Company Shares, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of Company Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Company Shares or other securities, in cash or otherwise, (3) make any demand for or exercise any right or cause to be filed a Registration Statement, including any amendments thereto, with respect to the registration of any Company Shares or securities convertible into or exercisable or exchangeable for Company Shares or any other securities of the Company unless such Holder agrees that such Registration Statement or amendment thereto need not be filed until the expiration of the period described in this Section 2.04 or (4) publicly disclose the intention to do any of the foregoing, in each case, during the period beginning seven days before and ending 45 days (or such other period as may be

reasonably requested by the Company or the managing underwriter or underwriters to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but

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not limited to, the restrictions contained in the FINRA rules or any successor provisions or amendments thereto) after the date of the underwriting agreement entered into in connection with such Company Public Sale, to the extent timely notified in writing by the Company or the managing underwriter or underwriters. If requested by the managing underwriter or underwriters of any such Company Public Sale, the Holders shall execute a separate agreement to the foregoing effect. The Company may impose stop-transfer instructions with respect to the Company Shares (or other securities) subject to the foregoing restriction until the end of the period referenced above.

(b) Black-out Period for the Company and Others. In the case of an offering of Registrable Securities pursuant to Section 2.01 or 2.02 that is a Marketed Underwritten Offering, the Company and each of the Holders agree, if requested by First Reserve or the managing underwriter or underwriters with respect to such Marketed Underwritten Offering, not to (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any Company Shares (including Company Shares that may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the SEC and Company Shares that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for Company Shares, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of Company Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Company Shares or other securities, in cash or otherwise, (3) make any demand for or exercise any right or cause to be filed a Registration Statement, including any amendments thereto, with respect to the registration of any Company Shares or securities convertible into or exercisable or exchangeable for Company Shares or any other securities of the Company unless such Holder agrees that such Registration Statement or amendment thereto need not be filed until the expiration of the period described in this Section 2.04 or (4) publicly disclose the intention to do any of the foregoing, in each case, during the period beginning seven days before, and ending 45 days (or (a) such lesser period as may be agreed by First Reserve or, if applicable, the managing underwriter or underwriters or (b) such other period as may be reasonably requested by First Reserve or the managing underwriter or underwriters to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in the FINRA rules or any successor provisions or amendments thereto) after, the date of the underwriting agreement entered into in connection with such Marketed Underwritten Offering, to the extent timely notified in writing by First Reserve or the managing underwriter or underwriters, as the case may be. Notwithstanding the foregoing, the Company may effect a public sale or distribution of securities of the type described above and during the periods described above if such sale or distribution is made pursuant to Registrations on Form S-4 or S-8 or any successor form to such Forms or as part of any Registration of securities for offering and sale to employees, directors or consultants of the Company and its Subsidiaries pursuant to any employee stock plan or other employee benefit plan arrangement. The Company agrees to use its reasonable best efforts to obtain from each holder of restricted securities of the Company which securities are the same as or similar to the Registrable Securities being Registered, or any restricted securities convertible into or exchangeable or exercisable for any of such securities, an agreement not to effect any public sale or distribution of such securities during any such period referred to in this paragraph, except as part of any such Registration, if permitted. Without limiting the foregoing (but subject to Section 2.07), if after the date hereof the Company grants any Person (other than a Holder) any rights to demand or participate in a Registration, the Company agrees that the agreement with respect thereto shall include such Person s agreement to comply with any black-out period required by this Section as if it were a Holder hereunder. If requested by the managing underwriter or underwriters of any such Marketed Underwritten Offering, the Holders shall execute a separate agreement to the foregoing effect. The Company may impose stop-transfer instructions with respect to the Company Shares (or other securities) subject to the foregoing restriction until the end of the period referenced above.

(c) Management Lock-Up. Notwithstanding anything in this Agreement to the contrary, each Holder who is a Management Holder acknowledges and agrees that he/she may be subject to a black-out period of longer duration than

that applicable to the First Reserve Parties or other Holders in respect of such Underwritten

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Offering; provided that such black-out period shall be no more restrictive than that applicable to individual officers and directors of the Company or its Subsidiaries generally. If requested by the managing underwriter or underwriters of any such Underwritten Offering, such Management Holder shall execute a separate agreement to the foregoing effect.

SECTION 2.05 Registration Procedures.

(a) In connection with the Company s Registration obligations under Sections 2.01, 2.02 and 2.03 and subject to the applicable terms and conditions set forth therein, the Company shall use its reasonable best efforts to effect such Registration to permit the sale of such Registrable Securities in accordance with the intended method or methods of distribution thereof as expeditiously as reasonably practicable, and in connection therewith the Company shall:

(i) prepare the required Registration Statement including all exhibits and financial statements required under the Securities Act to be filed therewith, and before filing a Registration Statement, Prospectus or any Issuer Free Writing Prospectus, or any amendments or supplements thereto, (x) furnish to the underwriters, if any, and First Reserve copies of all such documents, which documents shall be subject to the review of such underwriters and First Reserve and their respective counsel and (y) except in the case of a Registration under Section 2.03, not file any Registration Statement or Prospectus or amendments or supplements thereto to or use any Issuer Free Writing Prospectus to which First Reserve or the underwriters, if any, shall reasonably object;

(ii) as promptly as practicable file with the SEC a Registration Statement relating to the Registrable Securities including all exhibits and financial statements required by the SEC to be filed therewith, and use its reasonable best efforts to cause such Registration Statement to become effective under the Securities Act as soon as practicable;

(iii) prepare and file with the SEC such pre- and post-effective amendments to such Registration Statement, supplements to the Prospectus and such amendments or supplements to any Issuer Free Writing Prospectus as may be (x) reasonably requested by First Reserve, (y) reasonably requested by any other Participating Holder (to the extent such request relates to information relating to such Holder), or (z) necessary to keep such Registration effective for the period of time required by this Agreement, and comply with provisions of the applicable securities laws with respect to the sale or other disposition of all securities covered by such Registration Statement during such period in accordance with the intended method or methods of disposition by the sellers thereof set forth in such Registration Statement;

(iv) notify the Participating Holders and the managing underwriter or underwriters, if any, and (if requested) confirm such advice in writing and provide copies of the relevant documents, as soon as reasonably practicable after notice thereof is received by the Company (A) when the applicable Registration Statement or any amendment thereto has been filed or becomes effective, and when the applicable Prospectus or Issuer Free Writing Prospectus or any amendment or supplement thereto has been filed, (B) of any written comments by the SEC or any request by the SEC or any other federal or state governmental authority for amendments or supplements to such Registration Statement, Prospectus or Issuer Free Writing Prospectus or for additional information, (C) of the issuance by the SEC of any stop order suspending the effectiveness of such Registration Statement or any order by the SEC or any other regulatory authority preventing or suspending the use of any preliminary or final Prospectus or any Issuer Free Writing Prospectus or the initiation or threatening of any proceedings for such purposes, (D) if, at any time, the representations and warranties of the Company in any applicable underwriting agreement cease to be true and correct in all material respects, (E) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for offering or sale in any jurisdiction and (F) of the receipt by the Company of any notification with respect to the initiation or threatening of any proceeding for the suspension of the qualification of the Registrable Securities for offering or sale in any jurisdiction;

(v) promptly notify the Participating Holders and the managing underwriter or underwriters, if any, when the Company becomes aware of the occurrence of any event as a result of which the applicable Registration

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Statement, the Prospectus included in such Registration Statement (as then in effect) or any Issuer Free Writing Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of such Prospectus, any preliminary Prospectus or any Issuer Free Writing Prospectus, in light of the circumstances under which they were made) not misleading, when any Issuer Free Writing Prospectus includes information that may conflict with the information contained in the Registration Statement, or, if for any other reason it shall be necessary during such time period to amend or supplement such Registration Statement, Prospectus or Issuer Free Writing Prospectus in order to comply with the Securities Act and, in either case as promptly as reasonably practicable thereafter, prepare and file with the SEC, and furnish without charge to the Participating Holders and the managing underwriter or underwriters, if any, an amendment or supplement to such Registration Statement, Prospectus or Issuer Free Writing Prospectus which shall correct such misstatement or omission or effect such compliance;

(vi) use its reasonable best efforts to prevent, or obtain the withdrawal of, any stop order or other order suspending the use of any preliminary or final Prospectus or any Issuer Free Writing Prospectus;

(vii) promptly incorporate in a prospectus supplement, Issuer Free Writing Prospectus or post-effective amendment to the applicable Registration Statement such reasonable information as the managing underwriter or underwriters and First Reserve agree should be included therein relating to the plan of distribution with respect to such Registrable Securities, and make all required filings of such prospectus supplement, Issuer Free Writing Prospectus or post-effective amendment as soon as reasonably practicable after being notified of the matters to be incorporated in such prospectus supplement, Issuer Free Writing Prospectus or post-effective amendment;

(viii) furnish to each Participating Holder and each underwriter, if any, without charge, as many conformed copies as such Holder or underwriter may reasonably request of the applicable Registration Statement and any amendment or post-effective amendment thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference);

(ix) deliver to each Participating Holder and each underwriter, if any, without charge, as many copies of the applicable Prospectus (including each preliminary Prospectus), any Issuer Free Writing Prospectus and any amendment or supplement thereto as such Holder or underwriter may reasonably request (it being understood that the Company consents to the use of such Prospectus, any Issuer Free Writing Prospectus and any amendment or supplement thereto by such Holder and the underwriters, if any, in connection with the offering and sale of the Registrable Securities thereby) and such other documents as such Holder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities by such Holder or underwriter;

(x) on or prior to the date on which the applicable Registration Statement is declared effective, use its reasonable best efforts to register or qualify, and cooperate with the Participating Holders, the managing underwriter or underwriters, if any, and their respective counsel, in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or Blue Sky laws of each state and other jurisdiction of the United States as any Participating Holder or managing underwriter or underwriters, if any, or their respective counsel reasonably request in writing and do any and all other acts or things reasonably necessary or advisable to keep such registration or qualification in effect for such period as required by Section 2.01(c) or 2.02(b), whichever is applicable, provided that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to taxation or general service of process in any such jurisdiction where it is not then so subject;

(xi) use its reasonable best efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable

the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities;

(xii) make such representations and warranties to the Participating Holders and the underwriters or agents, if any, in form, substance and scope as are customarily made by issuers in secondary underwritten public offerings;

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(xiii) enter into such customary agreements (including underwriting and indemnification agreements) and take all such other actions as First Reserve or the managing underwriter or underwriters, if any, reasonably request in order to expedite or facilitate the registration and disposition of such Registrable Securities;

(xiv) obtain for delivery to the underwriter or underwriters, if any, an opinion or opinions from counsel for the Company dated the effective date of the Registration Statement or, in the event of an Underwritten Offering, the date of the closing under the underwriting agreement, in customary form, scope and substance, which opinions shall be reasonably satisfactory to such underwriters and their respective counsel;

(xv) in the case of an Underwritten Offering, obtain for delivery to the Company and the managing underwriter or underwriters, with copies to the Participating Holders, a cold comfort letter from the Company s independent certified public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters as the managing underwriter or underwriters reasonably request, dated the date of execution of the underwriting agreement and brought down to the closing under the underwriting agreement;

(xvi) cooperate with each Participating Holder and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the FINRA;

(xvii) use its reasonable best efforts to comply with all applicable securities laws and make available to its security holders, as soon as reasonably practicable, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and the rules and regulations promulgated thereunder;

(xviii) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities;

(xix) make available upon reasonable notice at reasonable times and for reasonable periods for inspection by First Reserve, by any underwriter participating in any disposition to be effected pursuant to such Registration Statement and by any attorney, accountant, professional advisor or other agent retained by First Reserve or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company s officers, directors and employees and the independent public accountants who have certified its financial statements to make themselves available to discuss the business of the Company and to supply all information reasonably requested by any such Person in connection with such Registration Statement as shall be necessary to enable them to exercise their due diligence responsibility;

(xx) in the case of an Underwritten Offering, cause the senior executive officers of the Company to participate in the customary road show presentations that may be reasonably requested by the managing underwriter or underwriters in any such Underwritten Offering and otherwise to facilitate, cooperate with, and participate in each proposed offering contemplated herein and customary selling efforts related thereto;

(xxi) take no direct or indirect action prohibited by Regulation M under the Exchange Act;

(xxii) take all reasonable action to ensure that any Issuer Free Writing Prospectus utilized in connection with any registration covered by Section 2.01, Section 2.02 or Section 2.03 complies in all material respects with the Securities Act, is filed in accordance with the Securities Act to the extent required thereby, is retained in accordance with the Securities Act to the extent required thereby and, when taken together with the related Prospectus, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(xxiii) take all reasonable actions to ensure that the information available to investors at the time of pricing includes all information required by applicable law (including the information required by Sections 12(a)(2) and 17(a)(2) of the Securities Act); and

(xxiv) take all such other commercially reasonable actions as are necessary or advisable in order to expedite or facilitate the disposition of such Registrable Securities in accordance with the terms hereof.

(b) If the Issuer files any Shelf Registration Statement, the Issuer agrees that it shall include in such Shelf Registration Statement such disclosures as may be required by Rule 430B under the Securities Act (referring to the unnamed selling security holders in a generic manner by identifying the initial offering of the securities to the Holders) in order to ensure that the Holders may be added to such Shelf Registration Statement at a later time through the filing of a prospectus supplement rather than a post-effective amendment.

(c) The Company may require each Participating Holder to furnish to the Company such information regarding the distribution of such securities and such other information relating to such Holder and its ownership of Registrable Securities as the Company may from time to time reasonably request in writing. Each Participating Holder agrees to furnish such information to the Company and to cooperate with the Company as reasonably necessary to enable the Company to comply with the provisions of this Agreement.

(d) Each Participating Holder agrees that, upon delivery of any notice by the Company of the occurrence of any event of the kind described in Section 2.05(a)(iv)(C), (D), or (E) or Section 2.05(a)(v), such Holder will forthwith discontinue disposition of Registrable Securities pursuant to such Registration Statement until (i) such Holder s receipt of the copies of the supplemented or amended Prospectus or Issuer Free Writing Prospectus contemplated by Section 2.05(a)(v), (ii) such Holder is advised in writing by the Company that the use of the Prospectus or Issuer Free Writing Prospectus, as the case may be, may be resumed, (iii) such Holder is advised in writing by the Company of the termination, expiration or cessation of such order or suspension referenced in Section 2.05(a)(iv)(C) or (E) or (iv) such Holder is advised in writing by the Company that the representations and warranties of the Company in such applicable underwriting agreement are true and correct in all material respects. If so directed by the Company, such Holder shall deliver to the Company (at the Company s expense) all copies, other than permanent file copies then in such Holder s possession, of the Prospectus or any Issuer Free Writing Prospectus covering such Registrable Securities current at the time of delivery of such notice. In the event the Company shall give any such notice, the period during which the applicable Registration Statement is required to be maintained effective shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered by such Registration Statement either receives the copies of the supplemented or amended Prospectus or Issuer Free Writing Prospectus contemplated by Section 2.05(a)(v) or is advised in writing by the Company that the use of the Prospectus or Issuer Free Writing Prospectus may be resumed.

(e) To the extent that First Reserve or any of its Affiliates is deemed to be an underwriter of Registrable Securities pursuant to any SEC comments or policies or otherwise, the Company agrees that (1) the indemnification and contribution provisions contained in this Agreement shall be applicable to the benefit of First Reserve or its Affiliates in its role as deemed underwriter in addition to their capacity as Holder and (2) First Reserve and its Affiliates shall be entitled to conduct such activities which it would normally conduct in connection with satisfying its due diligence defense as an underwriter in connection with an offering of securities registered under the Securities Act, including conducting due diligence and the receipt of customary opinions and comfort letters.

SECTION 2.06 Underwritten Offerings.

(a) Demand and Shelf Registrations. If requested by the underwriters for any Underwritten Offering requested by First Reserve pursuant to a Registration under Section 2.01 or Section 2.02, the Company shall enter into an underwriting agreement with such underwriters for such offering, such agreement to be reasonably satisfactory in substance and form to the Company, First Reserve and the underwriters, and to contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of that type, including indemnities no less

favorable to the recipient thereof than those provided in Section 2.09.

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First Reserve shall cooperate with the Company in the negotiation of such underwriting agreement and shall give consideration to the reasonable suggestions of the Company regarding the form thereof. The Participating Holders shall be parties to such underwriting agreement, which underwriting agreement shall (i) contain such representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such Participating Holders as are customarily made by issuers to selling stockholders in secondary underwritten public offerings and (ii) provide that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also shall be conditions precedent to the obligations of such Participating Holders. Any such Participating Holder shall not be required to make any representations or warranties to or agreements with the Company or the underwriters in connection with such underwriting agreement other than representations, warranties or agreements regarding such Participating Holder, such Participating Holder s title to the Registrable Securities, such Participating Holder s authority to sell the Registrable Securities, such Participating Holder s intended method of distribution, absence of liens with respect to the Registrable Securities, enforceability of the applicable underwriting agreement as against such Participating Holder, receipt of all consents and approvals with respect to the entry into such underwriting agreement and the sale of such Registrable Securities by such Participating Holder or any other representations required to be made by such Participating Holder under applicable law, rule or regulation, and the aggregate amount of the liability of such Participating Holder in connection with such underwriting agreement shall not exceed such Participating Holder s net proceeds from such Underwritten Offering (less underwriting discounts and commissions).

(b) Piggyback Registrations. If the Company proposes to register any of its securities under the Securities Act as contemplated by Section 2.03 and such securities are to be distributed in an Underwritten Offering through one or more underwriters, the Company shall, if requested by any Holder pursuant to Section 2.03 and subject to the provisions of Sections 2.03(b) and (c), use its reasonable best efforts to arrange for such underwriters to include on the same terms and conditions that apply to the other sellers in such Registration all the Registrable Securities to be offered and sold by such Holder among the securities of the Company to be distributed by such underwriters in such Registration. The Participating Holders shall be parties to the underwriting agreement between the Company and such underwriters, which underwriting agreement shall (i) contain such representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such Participating Holders as are customarily made by issuers to selling stockholders in secondary underwritten public offerings and (ii) provide that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also shall be conditions precedent to the obligations of such Participating Holders. Any such Participating Holder shall not be required to make any representations or warranties to, or agreements with the Company or the underwriters in connection with such underwriting agreement other than representations, warranties or agreements regarding such Participating Holder, such Participating Holder s title to the Registrable Securities, such Participating Holder s authority to sell the Registrable Securities, such Participating Holder s intended method of distribution, absence of liens with respect to the Registrable Securities, enforceability of the applicable underwriting agreement as against such Participating Holder, receipt of all consents and approvals with respect to the entry into such underwriting agreement and the sale of such Registrable Securities by such Participating Holder or any other representations required to be made by such Participating Holder under applicable law, rule or regulation, and the aggregate amount of the liability of such Participating Holder in connection with such underwriting agreement shall not exceed such Participating Holder s net proceeds from such Underwritten Offering (less underwriting discounts and commissions).

(c) Participation in Underwritten Registrations. Subject to the provisions of Sections 2.06(a) and (b) above, no Person may participate in any Underwritten Offering hereunder unless such Person (i) agrees to sell such Person s securities on the basis provided in any underwriting arrangements approved by the Persons entitled to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

(d) Price and Underwriting Discounts. In the case of an Underwritten Offering under Section 2.01 or 2.02, the price, underwriting discount and other financial terms for the Registrable Securities shall be determined by

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First Reserve in such Registration. In addition, in the case of any Underwritten Offering, each of the Holders may withdraw their request to participate in the registration pursuant to Section 2.01, 2.02 or 2.03 after being advised of such price, discount and other terms and shall not be required to enter into any agreements or documentation that would require otherwise.

SECTION 2.07 No Inconsistent Agreements; Additional Rights. The Company is not currently a party to, and shall not hereafter enter into without the prior written consent of First Reserve, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders by this Agreement, including allowing any other holder or prospective holder of any securities of the Company (a) registration rights in the nature or substantially in the nature of those set forth in Section 2.01, Section 2.02 or Section 2.03 that would have priority over or be pari passu with the Registrable Securities with respect to the inclusion of such securities in any Registration (except to the extent such registration rights are solely related to registrations of the type contemplated by Section 2.03(a)(ii) through (iv)) or (b) demand registration rights in the nature or substantially in the nature of those set forth in Section 2.01 or Section 2.02 that are exercisable prior to or at such time as First Reserve can first exercise its rights under Section 2.01 or Section 2.02.

SECTION 2.08 Registration Expenses. All expenses incident to the Company s performance of or compliance with this Agreement shall be paid by the Company, including (i) all registration and filing fees, and any other fees and expenses associated with filings required to be made with the SEC, FINRA and if applicable, the fees and expenses of any qualified independent underwriter, as such term is defined in Rule 2720 of the National Association of Securities Dealers, Inc. (or any successor provision), and of its counsel, (ii) all fees and expenses in connection with compliance with any securities or Blue Sky laws (including fees and disbursements of counsel for the underwriters in connection with Blue Sky qualifications of the Registrable Securities), (iii) all printing, duplicating, word processing, messenger, telephone, facsimile and delivery expenses (including expenses of printing certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing Prospectuses and Issuer Free Writing Prospectuses), (iv) all fees and disbursements of counsel for the Company and of all independent certified public accountants of the Company (including the expenses of any special audit and cold comfort letters required by or incident to such performance), (v) Securities Act liability insurance or similar insurance if the Company so desires or the underwriters so require in accordance with then-customary underwriting practice, (vi) all fees and expenses incurred in connection with the listing of Registrable Securities on any securities exchange or quotation of the Registrable Securities on any inter-dealer quotation system, (vii) all applicable rating agency fees with respect to the Registrable Securities, (viii) all reasonable fees and disbursements of one legal counsel (the Majority Holder Counsel) and one accounting firm as selected by the holders of a majority of the Registrable Securities included in such Registration, (ix) any reasonable fees and disbursements of underwriters customarily paid by issuers or sellers of securities, (x) all fees and expenses of any special experts or other Persons retained by the Company in connection with any Registration, (xi) all of the Company s internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties), (xii) all expenses related to the road-show for any Underwritten Offering, including all travel, meals and lodging and (xiii) any other fees and disbursements customarily paid by the issuers of securities. All such expenses are referred to herein as Registration Expenses. The Company shall not be required to pay any underwriting discounts and commissions and transfer taxes, if any, attributable to the sale of Registrable Securities.

SECTION 2.09 Indemnification.

(a) Indemnification by the Company. The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each of the Holders, each of their respective direct or indirect partners, members or shareholders and each of such partner s, member s or shareholder s partners members or shareholders and, with respect to all of the foregoing Persons, each of their respective Affiliates, employees, directors, officers, trustees or agents and each

Person who controls (within the meaning of the Securities Act or the Exchange Act) such Persons and each of their respective Representatives from and against any and all losses, penalties, judgments, suits, costs, claims, damages, liabilities and expenses, joint or several (including reasonable costs of investigation and legal expenses) (each, a Loss and collectively Losses) arising out of or based upon (i) any untrue or

alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities were Registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment or supplement thereto or any documents incorporated by reference therein), any Issuer Free Writing Prospectus or amendment or supplement thereto, or any other disclosure document produced by or on behalf of the Company or any of its Subsidiaries including reports and other documents filed under the Exchange Act, (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus, preliminary Prospectus or Issuer Free Writing Prospectus, in light of the circumstances under which they were made) not misleading, (iii) any violation or alleged violation by the Company of any federal, state or common law rule or regulation applicable to the Company or any of its Subsidiaries in connection with any such registration, qualification, compliance or sale of Registrable Securities, (iv) any failure to register or qualify Registrable Securities in any state where the Company or its agents have affirmatively undertaken or agreed in writing that the Company (the undertaking of any underwriter being attributed to the Company) will undertake such registration or qualification on behalf of the Holders of such Registrable Securities (provided that in such instance the Company shall not be so liable if it has undertaken its reasonable best efforts to so register or qualify such Registrable Securities) or (v) any actions or inactions or proceedings in respect of the foregoing whether or not such indemnified party is a party thereto, whether such Registration Statement, Prospectus, preliminary Prospectus, Issuer Free Writing Prospectus or other document is issued pursuant to this Agreement or otherwise, and the Company will reimburse, as incurred, each such Holder and each of their respective direct or indirect partners, members or shareholders and each of such partner s, member s or shareholder s partners members or shareholders and, with respect to all of the foregoing Persons, each of their respective Affiliates, employees, directors, officers, trustees or agents and controlling Persons and each of their respective Representatives, for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action; provided, that the Company shall not be liable to any particular indemnified party to the extent that any such Loss arises out of or is based upon (A) an untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Statement or other document in reliance upon and in conformity with written information furnished to the Company by such indemnified party expressly for use in the preparation thereof or (B) an untrue statement or omission in a preliminary Prospectus relating to Registrable Securities, if a Prospectus (as then amended or supplemented) that would have cured the defect was furnished to the indemnified party from whom the Person asserting the claim giving rise to such Loss purchased Registrable Securities at least five days prior to the written confirmation of the sale of the Registrable Securities to such Person and a copy of such Prospectus (as amended and supplemented) was not sent or given by or on behalf of such indemnified party to such Person at or prior to the written confirmation of the sale of the Registrable Securities to such Person. This indemnity shall be in addition to any liability the Company may otherwise have. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder or any indemnified party and shall survive the transfer of such securities by such Holder. The Company shall also indemnify underwriters (including Persons (including the Holders) deemed to be underwriters by the SEC), selling brokers, dealer managers and similar securities industry professionals participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the Securities Act and the Exchange Act) to the same extent as provided above with respect to the indemnification of the indemnified parties.

(b) Indemnification by the Participating Holders. Each Participating Holder agrees (severally and not jointly) to indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act or the Exchange Act), and each other Holder, each of such other Holder s respective direct or indirect partners, members or shareholders and each of such partner s, member s or shareholder s partners, members or shareholders and, with respect to all of the foregoing Persons, each of their respective Affiliates, employees, directors, officers, trustees or agents and each Person who controls (within the meaning of the Securities Act or the Exchange Act) such Persons and each of their respective Representatives from and against any Losses resulting from (i) any untrue statement of a material fact in any

Registration Statement under which such Registrable Securities were Registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment or supplement thereto or any documents incorporated by reference therein) or any Issuer Free

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Writing Prospectus or amendment or supplement thereto, or (ii) any omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus, preliminary Prospectus or Issuer Free Writing Prospectus, in light of the circumstances under which they were made) not misleading, in each case to the extent, but only to the extent, that (x) such untrue statement or omission is contained in any information furnished in writing by such Holder to the Company specifically for inclusion in such Registration Statement and has not been corrected in a subsequent writing prior to or concurrently with the sale of the Registrable Securities to the Person asserting the claim, and (y) such untrue statement (or alleged untrue statement) or omission (or alleged omission) was made in such Registration Statement, prospectus, offering circular, free writing prospectus or other document, in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use therein. In no event shall the liability of such Holder hereunder be greater in amount than the dollar amount of the net proceeds (less underwriting discounts and commissions) received by such Holder under the sale of Registrable Securities giving rise to such indemnification obligation. The Company shall be entitled to receive indemnities from underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, to the same extent as provided above (with appropriate modification) with respect to information furnished in writing by such Persons specifically for inclusion in any Prospectus, Issuer Free Writing Prospectus or Registration Statement.

(c) Conduct of Indemnification Proceedings. Any Person entitled to indemnification under this Section 2.09 shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that any delay or failure to so notify the indemnifying party shall relieve the indemnifying party of its obligations hereunder only to the extent, if at all, that it is actually and materially prejudiced by reason of such delay or failure) and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that any Person entitled to indemnification hereunder shall have the right to select and employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (A) the indemnifying party has agreed in writing to pay such fees or expenses, (B) the indemnifying party shall have failed to assume the defense of such claim within a reasonable time after delivery of notice of such claim from the Person entitled to indemnification hereunder and employ counsel reasonably satisfactory to such Person, (C) the indemnified party has reasonably concluded (based upon advice of its counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, or (D) in the reasonable judgment of any such Person (based upon advice of its counsel) a conflict of interest may exist between such Person and the indemnifying party with respect to such claims (in which case, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If the indemnifying party assumes the defense, the indemnifying party shall not have the right to settle such action, consent to entry of any judgment or enter into any settlement, in each case without the prior written consent of the indemnified party, unless the entry of such judgment or settlement (i) includes as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of an unconditional release from all liability in respect to such claim or litigation and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of such indemnified party, and provided that any sums payable in connection with such settlement are paid in full by the indemnifying party. If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its prior written consent, but such consent may not be unreasonably withheld. It is understood that the indemnifying party or parties shall not, except as specifically set forth in this Section 2.09(c), in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements or other charges of more than one separate firm admitted to practice in such jurisdiction at any one time unless (x) the employment of more than one counsel has been authorized in writing by the indemnifying party or parties, (y) an indemnified party has reasonably concluded (based on the advice of counsel) that there may be legal defenses available to it that are different from or in addition to those available to the other

indemnified parties, or (z) a conflict or potential conflict exists or may exist (based upon advice of counsel to an indemnified party) between such indemnified party and the other

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indemnified parties, in each of which cases the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel or counsels.

(d) Contribution. If for any reason the indemnification provided for in paragraphs (a) and (b) of this Section 2.09 is unavailable to an indemnified party or insufficient in respect of any Losses referred to therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party or parties on the other hand in connection with the acts, statements or omissions that resulted in such losses, as well as any other relevant equitable considerations. In connection with any Registration Statement filed with the SEC by the Company, the relative fault of the indemnifying party on the one hand and the indemnified party on the other hand shall be determined by reference to, among other things, whether any untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section 2.09(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in this Section 2.09(d). No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The amount paid or payable by an indemnified party as a result of the Losses referred to in Sections 2.09(a) and 2.09(b) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2.09(d), in connection with any Registration Statement filed by the Company, a Participating Holder shall not be required to contribute any amount in excess of the dollar amount of the net proceeds (less underwriting discounts and commissions) received by such Holder under the sale of Registrable Securities giving rise to such contribution obligation less any amount paid by such Holders pursuant to Section 2.09(b). If indemnification is available under this Section 2.09, the indemnifying parties shall indemnify each indemnified party to the full extent provided in Sections 2.09(a) and 2.09(b) hereof without regard to the provisions of this Section 2.09(d).

(e) No Exclusivity. The remedies provided for in this Section 2.09 are not exclusive and shall not limit any rights or remedies which may be available to any indemnified party at law or in equity or pursuant to any other agreement.

(f) Survival. The indemnities provided in this Section 2.09 shall survive the transfer of any Registrable Securities by such Holder.

SECTION 2.10 Rules 144 and 144A and Regulation S; Form S-3. The Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder, and it will take such further action as: (x) First Reserve may reasonably request, to enable the Holders to sell Registrable Securities without Registration under the Securities Act within the limitation of the exemptions provided by (i) Rules 144, 144A or Regulation S under the Securities Act, as such Rules may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the SEC; or (y) is necessary to qualify the Company to file registration statements on Form S-3.

SECTION 2.11 Limitation on Registrations and Underwritten Offerings.

(a) Notwithstanding the rights and obligations set forth in Sections 2.01 and 2.02, in no event shall the Company be obligated to take any action to effect any Demand Registration or any Marketed Underwritten Shelf Take-Down at the request of First Reserve (and its Affiliates and Permitted Assignees) after the Company has effected four (4) Demand Registrations and/or Marketed Underwritten Shelf Take-Downs at the request of First Reserve and its Affiliates and

Permitted Assignees.

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(b) Notwithstanding the rights and obligations set forth in Sections 2.01 and 2.02, in no event shall the Company be obligated to take any action to (i) effect more than one (1) Marketed Underwritten Offering in any consecutive 90-day period or (ii) effect any Underwritten Offering unless the First Reserve Parties propose to sell Registrable Securities in such Underwritten Offering having a reasonably anticipated net aggregate price (after deduction of underwriter commissions and offering expenses) of at least $10,000,000 or 100% of the Registrable Securities then held by any First Reserve Party (if the value of such Registrable Securities is reasonably anticipated to have a net aggregate price of less than $10,000,000).

(c) For the avoidance of doubt, First Reserve shall have the right to obligate the Company to effect an unlimited number of Shelf Take-Downs that are not Marketed Underwritten Shelf Take-Downs.

SECTION 2.12 In-Kind Distributions. If any Holder seeks to effectuate an in-kind distribution of all or part of its Company Shares or Company Preferred Shares to its direct or indirect equityholders, the Company will, subject to applicable lockups pursuant to Section 2.04, reasonably cooperate with and assist such Holder, such equityholders and the Company s transfer agent to facilitate such in-kind distribution in the manner reasonably requested by such Holder (including the delivery of instruction letters by the Company or its counsel to the Company s transfer agent and the delivery of Company Shares or Company Preferred Shares without restrictive legends, to the extent no longer applicable).

SECTION 2.13 Section 16 Matters. The Company and Sabine Investor Holdings hereby agree to take all such steps as may be required to cause to qualify for exemption under Rule 16b-3(d) or (e), as applicable, under the Exchange Act, and be exempt for purposes of Section 16(b) under the Exchange Act, any acquisitions or dispositions of Company Shares or Company Preferred Shares by the Holders in connection with the transactions contemplated by the Merger Agreement, this Agreement or the Sabine Investor Holdings Operating Agreement, by each Holder who may reasonably be expected to be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company (with the authorizing resolutions specifying the name of each such Holder whose acquisition or disposition of securities is to be exempted and the number of securities that may be acquired and disposed of by each such person pursuant to the Merger Agreement, this Agreement or the Sabine Investor Holdings Operating Agreement).

ARTICLE III.

MISCELLANEOUS

SECTION 3.01 Term.

(a) This Agreement shall terminate with respect to any Holder at such time as such Holder (or its Permitted Assignees) (i) does not beneficially own any Registrable Securities and (ii) is not entitled to receive any Registrable Securities upon the conversion of any outstanding Company Preferred Shares. Notwithstanding the foregoing, the provisions of Sections 2.09, 2.10 and 2.12 and all of this Article III shall survive any such termination. Upon the written request of the Company, each Holder agrees to promptly deliver a certificate to the Company setting forth the number of Registrable Securities then beneficially owned by such Holder.

(b) This Agreement shall terminate if the Effective Time (as defined in the Merger Agreement) has not occurred and the Merger Agreement is terminated in accordance with its terms.

SECTION 3.02 Injunctive Relief. It is hereby agreed and acknowledged that it will be impossible to measure in money the damage that would be suffered if the parties fail to comply with any of the obligations herein imposed on

them and that in the event of any such failure, an aggrieved Person will be irreparably damaged and will not have an adequate remedy at law. Any such Person shall, therefore, be entitled (in addition to any other remedy to which it may be entitled in law or in equity) to injunctive relief, including specific

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performance, to enforce such obligations, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law.

SECTION 3.03 Attorneys Fees. In any action or proceeding brought to enforce any provision of this Agreement or where any provision hereof is validly asserted as a defense, the successful party shall, to the extent permitted by applicable law, be entitled to recover reasonable attorneys fees in addition to any other available remedy.

SECTION 3.04 Notices. In the event a notice or other document is required to be sent hereunder to the Company or any Holder, such notice or other document shall be in writing and shall be considered given and received, in all respects when personally delivered, or when sent by express or courier service or United States registered or certified mail, return receipt requested and postage and other fees prepaid, or by electronic mail, on the day such notice or document is personally delivered or delivered by electronic mail or on the third Business Day following the day on which such notice or other document is delivered to any such commercial delivery service as aforesaid. Any notice and document shall be addressed to the party entitled to receive such notice or other document (a) in the case of the Company or First Reserve, at such Person s address shown below and (b) in the case of any other party hereto, at such party s address shown on the signature pages hereto, or in each case at such other address as any such party shall request in a written notice sent to the Company. Any party hereto or its legal representatives may effect a change of address for purposes of this Agreement by giving written notice of such change to the Company, and the Company shall, upon the request of any party hereto, notify such party of such change in the manner provided herein. Until such notice of change of address is properly given, the addresses set forth herein shall be effective for all purposes.

To the Company prior to the Effective Time:

Forest Oil Corporation
707 17th Street

Suite 3600

Denver, Colorado 80202
Telephone: (303) 812-1461
Email: RWSchelin@forestoil.com
Attention: General Counsel

With a copy (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street

New York, New York 10019
Telephone: (212) 403-1000
Email: MGordon@wlrk.com

DKLam@wlrk.com
Attention: Mark Gordon and David K. Lam

To the Company following the Effective Time:

Sabine Oil & Gas Corporation
1415 Louisiana Street

Suite 1600

Houston, Texas 77002
Telephone: (832) 242-9600
Email: tyang@sabineoil.com
Attention: General Counsel

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With a copy (which shall not constitute notice) to:

Vinson & Elkins LLP
1001 Fannin, Suite 2500

Houston, Texas 77007
Telephone: (713) 758-3616
Email: dmcwilliams@velaw.com

mpacey@velaw.com
Attention: Douglas E. McWilliams and Matthew R. Pacey

To any First Reserve Party:

First Reserve Corporation
One Lafayette Place

Greenwich, CT 06830
Facsimile: (203) 661-6729
Attention: General Counsel
Email: aschwartz@firstreserve.com

with a copy (which shall not constitute notice) to:

Gibson, Dunn & Crutcher LLP
1801 California St., Suite 4200

Denver, CO 80202
Facsimile: (303) 313-2839
Attention: Beau Stark
Email: bstark@gibsondunn.com

SECTION 3.05 Amendment. The terms and provisions of this Agreement may only be amended, modified or waived at any time and from time to time by a writing executed by the Company and First Reserve (for so long as the First Reserve Parties hold any Registrable Securities); provided that any amendment, modification or waiver that would, by its terms, be materially and disproportionately adverse to the other Holders as a group as compared to First Reserve shall require the prior written consent of such other Holders holding a majority of the Registrable Securities held by the other Holders; provided that the immediately foregoing clause shall not apply with respect to amendments, modifications or waivers of provisions of this Agreement to the extent that they are not available to, or do not apply to, any other Holder. For the avoidance of doubt, any amendment to this Section 3.05 that is adverse to (y) First Reserve or (z) the other Holders as a group, shall be deemed to be materially and disproportionately adverse to such Persons for purposes of this Section 3.05.

SECTION 3.06 Successors, Assigns and Transferees. Each Holder may assign all or a portion of its rights hereunder to any Affiliate of such Person (each such Person, a " Permitted Assignee "); provided that such transferee shall only be

admitted as a party hereunder upon its, his or her execution and delivery of a joinder agreement, in form and substance acceptable to First Reserve and the Company, agreeing to be bound by the terms and conditions of this Agreement as if such Person were a party hereto (together with any other documents First Reserve or the Company determine are necessary to make such Person a party hereto), whereupon such Person will be treated as a Holder for all purposes of this Agreement, with the same rights, benefits and obligations hereunder as the transferring Holder with respect to the transferred Registrable Securities.

SECTION 3.07 Binding Effect. Except as otherwise provided in this Agreement, the terms and provisions of this Agreement shall be binding on and inure to the benefit of each of the parties hereto and their respective successors.

SECTION 3.08 Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon any Person not a party hereto (other than those Persons entitled to indemnity or contribution under Section 2.09, each of whom shall be a third party beneficiary thereof) any right, remedy or claim under or by virtue of this Agreement.

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SECTION 3.09 Governing Law; Jurisdiction. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES THEREOF. ANY ACTION OR PROCEEDING AGAINST THE PARTIES RELATING IN ANY WAY TO THIS AGREEMENT MAY BE BROUGHT AND ENFORCED EXCLUSIVELY IN THE CHANCERY COURT OF THE STATE OF DELAWARE LOCATED IN WILMINGTON, DELAWARE (OR, IF THE CHANCERY COURT OF THE STATE OF DELAWARE DECLINES TO ACCEPT JURISDICTION OVER A PARTICULAR MATTER, ANY STATE COURT LOCATED IN WILMINGTON, DELAWARE OR THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE) AND APPELLATE COURTS THEREOF. THE PARTIES HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH ACTION BROUGHT IN SUCH COURT OR ANY DEFENSE OF INCONVENIENT FORUM FOR THE MAINTENANCE OF SUCH ACTION.

SECTION 3.10 Waiver of Jury Trial. EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (IV) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 3.10.

SECTION 3.11 Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 3.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same agreement. Facsimile signatures will, for all purposes, be treated as originals.

SECTION 3.13 Headings. The heading references herein and in the table of contents hereto are for convenience purposes only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

SECTION 3.14 Joinder. Any Person that holds Company Shares or Company Preferred Shares may, with the prior written consent of First Reserve and the Company, be admitted as a party to this Agreement upon its execution and delivery of a joinder agreement, in form and substance acceptable to First Reserve and the Company, agreeing to be bound by the terms and conditions of this Agreement as if such Person were a party hereto (together with any other documents First Reserve determines are necessary to make such Person a party hereto), whereupon such Person will be treated as a Holder for all purposes of this Agreement; provided that if such Person is a Permitted Assignee of a Holder, neither the consent of First Reserve nor the Company shall be required to permit such Person to execute and deliver such joinder agreement.

SECTION 3.15 Existing Registration Statements. Notwithstanding anything herein to the contrary and subject to applicable law and regulation, the Company may satisfy any obligation hereunder to file a Registration Statement or to have a Registration Statement become effective by a specified date by designating, by notice to

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the Holders, a registration statement that previously has been filed with the SEC or become effective, as the case may be, as the relevant Registration Statement for purposes of satisfying such obligation, and all references to any such obligation shall be construed accordingly; provided, that such previously filed registration statement may be amended to add the number of Registrable Securities, and, to the extent necessary, to identify as selling stockholders those Holders demanding the filing of a Registration Statement pursuant to the terms of this Agreement. To the extent this Agreement refers to the filing or effectiveness of other registration statements by or at a specified time and the Issuer has, in lieu of then filing such registration statements or having such registration statements become effective, designated a previously filed or effective registration statement as the relevant registration statement for such purposes in accordance with the preceding sentence, such references shall be construed to refer to such designated registration statement.

SECTION 3.16 Other Activities. Notwithstanding anything in this Agreement, none of the provisions of this Agreement shall in any way limit a Holder or any of its Affiliates from engaging in any brokerage, investment advisory, financial advisory, anti-raid advisory, principaling, merger advisory, financing, asset management, trading, market making, arbitrage, investment activity and other similar activities conducted in the ordinary course of their business.

SECTION 3.17 Time of the Essence. The parties agree that time shall be of the essence in the performance of this Agreement.

[*Remainder of Page Intentionally Blank*]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY

FOREST OIL CORPORATION

By: /s/ Patrick R. McDonald
Name: Patrick R. McDonald
Title: President

SABINE INVESTOR HOLDINGS

SABINE INVESTOR HOLDINGS LLC

By: /s/ David J. Sambrooks
Name: David J. Sambrooks
Title: Chief Executive Officer

AIV HOLDINGS

FR XI ONSHORE AIV, LLC

By: /s/ Michael G. France
Name: Michael G. France
Title: Authorized Person

[Signature Page to Registration Rights Agreement]

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Annex F

FORM OF

CERTIFICATE OF AMENDMENT

of

THE CERTIFICATE OF INCORPORATION

of

FOREST OIL CORPORATION

(Pursuant to Section 805 of the Business Corporation Law)

It is hereby certified that:

FIRST: The name of the corporation is Forest Oil Corporation (hereinafter called the Corporation).

SECOND: The Certificate of Incorporation of the Corporation was filed by the Department of State on the 13th day of March, 1924 and its previous restated Certificates of Incorporation were filed by the Department of State on the 12th day of May, 1978, the 19th day of May, 1992, the 21st day of October, 1993 and the 11th day of October, 2012.

THIRD: This Certificate of Amendment creates a new subdivision D of subdivision II of Article 3 of the Certificate of Incorporation respecting a new series of Preferred Stock designated as the Series A Senior Common-Equivalent Preferred Stock **[and a new subdivision E of subdivision II of Article 3 of the Certificate of Incorporation respecting a new series of Preferred Stock designated as the Series B Senior Common-Equivalent Preferred Stock.]**

FOURTH: To effect the foregoing, subdivision II of Article 3 of the Certificate of Incorporation, relating to Preferred Stock of the Corporation, is amended to add the following as new subdivisions D **[and E]** of subdivision II of Article 3:

D. Series A Senior Common-Equivalent Preferred Stock. There is hereby created out of the 7,350,000 shares of Senior Preferred Stock, Par Value $0.01 Per Share, of the Corporation presently authorized, a series of 1,664,249 shares to be designated as the Series A Senior Common-Equivalent Preferred Stock, which series shall have the following designations, relative rights, preferences and limitations, in addition to those set forth in Paragraph 3 of the Restated Certificate of Incorporation of the Corporation.

(1) Designation and Amount. The shares of such series of Senior Preferred Stock shall be designated as Series A Senior Common-Equivalent Preferred Stock (the Series A Senior Common-Equivalent Preferred Stock) and the number of shares constituting such series shall be 1,664,249. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Series A Senior Common-Equivalent Preferred Stock to a number less than that of the shares then outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

(2) Dividends and Distributions. Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D, if the Corporation declares or pays a dividend or distribution on Common Stock, whether such dividend or distribution is payable in cash, securities or other property, the Corporation shall simultaneously declare and pay a dividend on the Series A Senior Common-Equivalent Preferred Stock on a pro rata basis with

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the Common Stock equal to (x) 100 (the "Series A Conversion Ratio") multiplied by the aggregate per share amount of all such cash dividends declared or paid on the Common Stock, plus (y) the Series A Conversion Ratio multiplied by the aggregate per share amount (payable in kind) of all such non-cash dividends or other distributions declared or paid on the Common Stock other than a dividend payable in shares of Common Stock of the Corporation or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise). Notwithstanding anything else contained herein, in no event shall the Series A Senior Common-Equivalent Preferred Stock be entitled to any dividend or distribution, and the Corporation shall not declare or pay any dividend or distribution on the Series A Senior Common-Equivalent Preferred Stock, other than (a) any such dividend or distribution payable on a pro rata basis with the Common Stock in accordance with the prior sentence and (b) any distribution upon liquidation, dissolution or winding up of the Corporation in accordance with paragraph (6) of this subdivision D.

(3) Voting Rights. The holders of shares of Series A Senior Common-Equivalent Preferred Stock shall have the following voting rights:

(i) Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D, each share of Series A Senior Common-Equivalent Preferred Stock shall entitle the holder thereof to [ ] votes on all matters submitted to a vote of the shareholders of the Corporation (the "Series A Voting Ratio").

(ii) Except as otherwise provided herein or by law, the holders of shares of Series A Senior Common-Equivalent Preferred Stock**[, Series B Senior Common-Equivalent Preferred Stock]** and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(iii) Except as set forth herein, holders of Series A Senior Common-Equivalent Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock and any other capital stock of the Corporation having general voting rights as set forth herein) for taking any corporate action.

(4) Certain Restrictions.

(i) Whenever quarterly dividends or other dividends or distributions payable on the Series A Senior Common-Equivalent Preferred Stock as provided in paragraph (2) of this subdivision D are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Senior Common-Equivalent Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(a) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Senior Common-Equivalent Preferred Stock;

(b) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Senior Common-Equivalent Preferred Stock, except dividends paid ratably on the Series A Senior Common-Equivalent Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(c) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Senior Common-Equivalent Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior

stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Senior Common-Equivalent Preferred Stock; or

[1] To equal the Series A Voting Ratio as calculated in accordance with the Merger Agreement.

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(d) purchase or otherwise acquire for consideration any shares of Series A Senior Common-Equivalent Preferred Stock, or any shares of stock ranking on a parity with the Series A Senior Common-Equivalent Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(ii) The Corporation shall not, without the prior written consent of holders of a majority of the outstanding shares of Series A Senior Common-Equivalent Preferred Stock, (a) issue or authorize the issuance of any Common Stock or any equity securities of any class convertible into or exchangeable for Common Stock, or any rights, warrants, calls or options to acquire any such securities, (b) declare or pay any dividend on Common Stock payable in shares of Common Stock, or (c) effect any subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), in the case of each of the foregoing if immediately following such issuance, declaration, payment or subdivision (assuming the exercise of any convertible or exchangeable securities so issued), the Corporation would have insufficient authorized but unissued shares of Common Stock to permit the conversion of all outstanding shares of Series A Senior Common-Equivalent Preferred Stock into Common Stock pursuant to the applicable provisions of this subdivision D.

(iii) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under subparagraph (i) of this paragraph (4) of this subdivision D, purchase or otherwise acquire such shares at such time and in such manner.

(5) Reacquired Shares. Any shares of Series A Senior Common-Equivalent Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Senior Preferred Stock and may be reissued as part of a new series of Senior Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

(6) Liquidation, Dissolution or Winding Up. Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D, upon any liquidation, dissolution or winding up of the Corporation, the holders of the Series A Senior Common-Equivalent Preferred Stock at the time outstanding will be entitled to receive for each share of Series A Senior Common-Equivalent Preferred Stock, out of the net assets of the Corporation available for distribution to shareholders (subject to the rights of the holders of any stock of the Corporation then outstanding ranking *pari passu* with the Series A Senior Common-Equivalent Preferred Stock in respect of distributions upon any such liquidation, dissolution or winding up and before any amount shall be paid or distributed with respect to holders of any stock of the Corporation then outstanding ranking junior to the Series A Senior Common-Equivalent Preferred Stock in respect of distributions upon any such liquidation, dissolution or winding up), a liquidating distribution in an amount equal to the greater of (x) the amount equal to the sum of (A) $0.01 and (B) the amount of any accrued and unpaid dividends on such share of Series A Senior Common-Equivalent Preferred Stock through the date of such liquidating distribution (the Series A Accumulated Dividend) or (y) (A) the Series A Conversion Ratio multiplied by (B) the aggregate amount to be distributed per share to holders of Common Stock assuming all Series A Senior Common-Equivalent Preferred Stock had been converted to Common Stock pursuant to paragraph (8) of this subdivision D.

(7) Consolidation, Merger, etc. Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D, in case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Senior Common-Equivalent Preferred Stock shall at the same time be

similarly exchanged or changed in an amount per share equal to the

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Series A Conversion Ratio multiplied by the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged; provided, however, that in connection with any merger, combination or other transaction contemplated by this paragraph (7) solely among or between the Corporation and one or more subsidiaries of the Corporation, each share of Series A Senior Common-Equivalent Preferred Stock shall, at the option of the holder thereof, shall be exchanged for a share of senior preferred stock in the ultimate surviving parent entity in such transaction, having substantially the same designations, relative rights and preferences as the Series A Senior Common-Equivalent Preferred Stock.

(8) Conversion at the Option of the Holder. Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D and to paragraph (13) of this subdivision D, shares of the Series A Senior Common-Equivalent Preferred Stock are convertible, in whole or in part, at the option of each holder of Series A Senior Common-Equivalent Preferred Stock, into the number of whole shares of Common Stock equal to the Series A Conversion Ratio per one (1) share of Series A Senior Common-Equivalent Preferred Stock, with such adjustment or cash payment for fractional shares as the Corporation may elect pursuant to paragraph (10)(vi) of this subdivision D; provided, that such conversion shall not be permitted at any time when the Corporation lacks sufficient authorized but unissued shares of Common Stock to convert such Series A Senior Common-Equivalent Preferred Stock into shares of Common Stock.

(9) Automatic Conversion. Subject to the provision for adjustment set forth in paragraph (11) of this subdivision D and to paragraph (13) of this subdivision D, upon the first trading day after a Series A Conversion Event (as defined below) (the Series A Automatic Conversion Date), each share of the Series A Senior Common-Equivalent Preferred Stock shall automatically be converted into the number of whole shares of Common Stock equal to the Series A Conversion Ratio per one (1) share of Series A Senior Common-Equivalent Preferred Stock, with such adjustment or cash payment for fractional shares as the Corporation may elect pursuant to paragraph (10)(vi) of this subdivision D; provided, that if a Series A Conversion Event occurs at any time when the Corporation lacks sufficient authorized but unissued shares of Common Stock to convert all of the outstanding Series A Senior Common-Equivalent Preferred Stock into shares of Common Stock, (i) such conversion shall not occur at such time, and instead, shall automatically occur immediately upon the first time thereafter at which the Corporation has sufficient authorized but unissued shares of Common Stock to convert all of the outstanding Series A Senior Common-Equivalent Preferred Stock into shares of Common Stock and (ii) the Series A Voting Ratio shall be permanently reduced to the number equal to the Conversion Ratio.

A Series A Conversion Event means the first time at which the initial holders of the Series A Senior Common-Equivalent Preferred Stock (the Initial Series A Senior Common-Equivalent Preferred Holders) do not hold, together with their affiliates, shares of Series A Senior Common-Equivalent Preferred Stock**[, Series B Senior Common-Equivalent Preferred Stock]** and Common Stock, and any other capital stock of the Corporation having general voting rights, that, together, entitle the Initial Series A Senior Common-Equivalent Preferred Holders, together with their affiliates, to vote at least two-thirds of the votes entitled to be voted on all matters submitted to a vote of shareholders of the Corporation generally.

(10) Conversion Procedure.

(i) *For the holders*. To exercise the conversion rights described in paragraph (8) of this subdivision D, a holder of Series A Senior Common-Equivalent Preferred Stock shall:

(a) deliver a written notice to the Corporation at its principal office or, if so advised by the Corporation, at the office of the agency that may be maintained for such purpose (a Series A Transfer Agent) specifying the number (in whole shares) of shares of Series A Senior Common-Equivalent Preferred Stock to be converted, the name(s) in which the

certificate(s) for shares of Common Stock issued in connection with such conversion shall be issued, and the total number of shares of Common Stock beneficially owned by such holder and its affiliates as of the date of such notice;

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(b) surrender the certificates for such shares of Series A Senior Common-Equivalent Preferred Stock to the Corporation or the Series A Transfer Agent, as applicable, accompanied, if so required by the Corporation or the Series A Transfer Agent, by a written instrument(s) of transfer in form reasonably satisfactory to the Corporation or the Series A Transfer Agent duly executed by the holder or its attorney duly authorized in writing; and

(c) pay any stock transfer, documentary, stamp or similar taxes payable in respect of the conversion that are not payable by the Corporation pursuant to paragraph (10)(iv) of this subdivision D.

The date on which a Holder complies with the procedures in this paragraph (10)(i) of this subdivision D shall be the Series A Holder Conversion Date. Immediately upon conversion, the rights of the Holders of Series A Senior Common-Equivalent Preferred Stock shall cease and the Persons entitled to receive the shares of Common Stock, upon the conversion of such shares of Series A Senior Common-Equivalent Preferred Stock, shall be treated for all purposes as having become beneficial owners of such shares of Common Stock.

(ii) *Conversion*. Conversion of shares of Series A Senior Common-Equivalent Preferred Stock into shares of Common Stock will occur immediately prior to 5:00 p.m. New York City time, on the Series A Automatic Conversion Date or the Series A Holder Conversion Date, as applicable.

(iii) *Effect of Conversion*. All shares of Series A Senior Common-Equivalent Preferred Stock converted as provided in this paragraph (10) of this subdivision D shall no longer be deemed outstanding as of the Series A Automatic Conversion Date or the Series A Holder Conversion Date, as applicable, and all rights with respect to such shares shall immediately cease and terminate as of such time, other than the right of the holder to receive shares of Common Stock and payment in lieu of any fraction of a share in exchange therefor and the right of the holder to receive any accrued but unpaid dividends. For the avoidance of doubt, until 5:00 p.m. New York City time on the applicable conversion date, a holder of shares of Series A Senior Common-Equivalent Preferred Stock shall not have any rights with respect to the shares of Common Stock issuable upon conversion of such shares of Series A Senior Common-Equivalent Preferred Stock, including voting rights, transfer or other disposition rights or rights to receive any dividends or other distributions with respect to such shares of Common Stock and such shares of Common Stock shall not be deemed to be outstanding for any purpose.

(iv) *Payment of Taxes*. The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes (excluding, for the avoidance of doubt, any taxes measured in whole or in part by reference to income or gain) imposed under the laws of the United States or any state thereof and payable in respect of the issuance or delivery of shares of Common Stock on the conversion of shares of Series A Senior Common-Equivalent Preferred Stock pursuant to paragraph (8) or paragraph (9) of this subdivision D; provided, however, that the Corporation shall not be required to pay any such tax which may be payable in respect of any registration or transfer involved in the issuance or delivery of shares of Common Stock in a name other than that of the registered holder of Series A Senior Common-Equivalent Preferred Stock converted or to be converted, and no such issuance or delivery shall be made unless and until the Person requesting such issue has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(v) *Available Shares*. Subject to paragraph (13) of this subdivision D, the Corporation shall at all times **[following a Series B Conversion Event]** reserve and keep available for issuance upon the conversion of the Series A Senior Common-Equivalent Preferred Stock such number of its authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the conversion of all outstanding shares of Series A Senior Common-Equivalent Preferred Stock pursuant to any applicable provision of this subdivision D, and shall take all action required (including promptly calling and holding one or more special meetings of the Board of Directors and the stockholders of the Company until such increase is approved in accordance with applicable law or regulation and

the Certificate of Incorporation is so amended) to increase the authorized number of shares

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of Common Stock if at any time there shall be insufficient unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of Series A Senior Common-Equivalent Preferred Stock.

(vi) *No Fractional Shares*. No fractional shares of Common Stock or securities representing fractional shares of Common Stock shall be issued upon conversion, whether voluntary or automatic, of the Series A Senior Common-Equivalent Preferred Stock. Instead, the Corporation may elect to either make a cash payment to each holder of Series A Senior Common-Equivalent Preferred Stock that would otherwise be entitled to a fractional share (based on the Closing Sale Price of such fractional share determined as of the second Trading Day immediately prior to the payment thereof) or, in lieu of such cash payment, the number of shares of Common Stock to be issued to any particular holder of Series A Senior Common-Equivalent Preferred Stock upon conversion shall be rounded up to the next whole share.

(vii) *Payment of Series A Accumulated Dividends*. Upon conversion, whether voluntary or automatic, of the Series A Senior Common-Equivalent Preferred Stock, if there are then any Series A Accumulated Dividends with respect to such Series A Senior Common-Equivalent Preferred Stock, the Corporation shall not pay such Series A Accumulated Dividends at the time of such conversion, and instead, such Series A Accumulated Dividends shall continue to be payable in accordance with the terms of, and at the time specified in, the original declaration of such Series A Accumulated Dividend, to such lawful owners of record of such Series A Senior Common-Equivalent Preferred Stock on the record date (or, if applicable, record dates) for such Series A Accumulated Dividends.

(viii) *Closing Sale Price.* For purposes of this paragraph (10) of this subdivision D, Closing Sale Price of the Common Stock means, as of any date, the closing sale price per share (or if no closing sale price is reported, the average of the closing bid and ask prices or, if more than one in either case, the average of the average closing bid and the average closing ask prices) on such date as reported on the principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by Pink Sheets LLC. In the absence of such a quotation, the Closing Sale Price shall be an amount determined in good faith by the Board of Directors to be the fair value of the Common Stock.

(11) Adjustments to the Conversion Rate and Series A Voting Ratio. In the event the Corporation shall at any time after the date hereof declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case, the Series A Conversion Ratio and the Series A Voting Ratio shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock (together with any other shares so reclassified) outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(12) Amendment. The Restated Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Senior Common-Equivalent Preferred Stock (a) so as to affect them adversely without the affirmative vote of the holders of two-thirds of the outstanding shares of Series A Senior Common-Equivalent Preferred Stock, voting together as a single class or (b) so as to affect them favorably relative to the Common Stock (including, without limitation, to increase the voting power, dividend rights or liquidation preference of the Series A Senior Common-Equivalent Preferred Stock) without the affirmative vote of holders of a majority of the Common Stock not held by holders of Series A Senior Common-Equivalent Preferred Stock or Series B Senior Common-Equivalent Preferred Stock or by any of their Affiliates.

(13) Insufficient Authorized and Unissued Shares of Common Stock. Notwithstanding anything to the contrary contained herein, and for the avoidance of doubt, the Series A Senior Common-Equivalent Preferred

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Stock is not entitled to convert into shares of Common Stock and no such conversion shall occur, at any time when the Corporation lacks sufficient authorized but unissued shares of Common Stock to convert such Series A Senior Common-Equivalent Preferred Stock into shares of Common Stock and, at any time prior to a Series B Conversion Event, any such insufficiency of authorized and unissued shares of Common Stock (and the related restriction on the conversion of Series A Senior Common-Equivalent Preferred Stock) shall not, in itself, be deemed to be a breach or default of any provision hereof, including, without limitation, paragraphs (8), (9) or (10) of this subdivision D, or entitle the holder of any such Series A Senior Common-Equivalent Preferred Stock to damages as a result of such insufficiency and prohibition on conversion.

[E. Series B Senior Common-Equivalent Preferred Stock.][2] There is hereby created out of the 7,350,000 shares of Senior Preferred Stock, Par Value $0.01 Per Share, of the Corporation presently authorized, a series of 1,137,113 shares to be designated as the Series B Senior Common-Equivalent Preferred Stock, which series shall have the following designations, relative rights, preferences and limitations, in addition to those set forth in Paragraph 3 of the Restated Certificate of Incorporation of the Corporation.

(1) Designation and Amount. The shares of such series of Senior Preferred Stock shall be designated as Series B Senior Common-Equivalent Preferred Stock (the Series B Senior Common-Equivalent Preferred Stock) and the number of shares constituting such series shall be 1,137,113. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Series B Senior Common-Equivalent Preferred Stock to a number less than that of the shares then outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

(2) Dividends and Distributions.

(i) Subject to the provision for adjustment set forth in this paragraph (2) and paragraph (11) of this subdivision E, if the Corporation declares or pays a dividend or distribution on Common Stock, whether such dividend or distribution is payable in cash, securities or other property, the Corporation shall simultaneously declare and pay a dividend on the Series B Senior Common-Equivalent Preferred Stock on a pro rata basis with the Common Stock equal to (x) the Series B Conversion Ratio multiplied by the aggregate per share amount of all such cash dividends declared or paid on the Common Stock, plus (y) the Series B Conversion Ratio multiplied by the aggregate per share amount (payable in kind) of all such non-cash dividends or other distributions declared or paid on the Common Stock, other than a dividend payable in shares of Common Stock of the Corporation or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise). The Series B Conversion Ratio shall initially equal 100, subject to adjustment in accordance with this paragraph (2). Notwithstanding anything else contained herein, in no event shall the Series B Senior Common-Equivalent Preferred Stock be entitled to any dividend or distribution, and the Corporation shall not declare or pay any dividend or distribution on the Series B Senior Common-Equivalent Preferred Stock, other than (a) any such dividend or distribution payable on a pro rata basis with the Common Stock in accordance with the prior sentence, (b) pursuant to clause (ii) below of this paragraph (2) of this subdivision E, or (c) any distribution upon liquidation, dissolution or winding up of the Corporation in accordance with paragraph (6) of this subdivision E.

Commencing [ ], 2014[4] (Grace Period Expiration Date) and terminating upon a Series B Conversion Vote, in addition to any dividends payable thereto in accordance with the prior paragraph (i), the holders of the Series B Senior Common-Equivalent Preferred Stock shall be entitled to receive dividends on each outstanding share of Series B Senior Common-Equivalent Preferred Stock at the rate of (x) 0.10 (one-tenth) of a share of Series B

[2] Amendments related to subdivision E and the creation of the Series B Senior Common-Equivalent Preferred Stock will only be adopted if the Authorized Share Amendment (as defined in the Merger Agreement) is not approved at the Forest Stockholder Meeting (as defined in the Merger Agreement) and the condition requiring such approval is waived.

[3] To be the date that is 3-months after the Closing.

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Senior Common-Equivalent Preferred Stock per annum per share multiplied by (y) the Series A Adjustment Factor, from the earliest original issue date of any shares of the Series B Senior Common-Equivalent Preferred Stock (the Issue Date), which shall be payable solely by adjusting the Series B Conversion Ratio on March 31, June 30, September 30 and December 31 of each year (each a Dividend Payment Date), beginning [ ], 201[ ], when, as and if declared by the Board of Directors, in accordance with the preference and priority described in this paragraph (2) of this subdivision E, with respect to any payment of any dividend on the Common Stock or any other class or series of stock of the Corporation. All such dividends on any Series B Senior Common-Equivalent Preferred Stock shall be paid only by means of an adjustment to the Series B Conversion Ratio (and not in the form of cash, other securities, property or additional shares of Series B Senior Common-Equivalent Preferred Stock) and only upon a liquidation or conversion of the Series B Senior Common-Equivalent Preferred Stock in accordance with the provisions of paragraphs (6), (8) and (9) of this subdivision E, provided that for all purposes of this subdivision E, such adjustment to the Series B Conversion Ratio shall be deemed to occur on the applicable Dividend Payment Date. Such dividends shall accrue on a daily basis from the Issue Date, whether or not in any period the Corporation is legally permitted to make the payment of such dividends and whether or not such dividends are declared. Notwithstanding any other provision herein, no such dividends shall be payable or accrue on the Series B Senior Common-Equivalent Preferred Stock if the Series B Automatic Conversion Date, as described in paragraph (9) of this subdivision E, occurs before the Grace Period Expiration Date. Dividends shall be calculated on the basis of the time elapsed from but excluding the last preceding Dividend Payment Date (or the Issue Date in respect to the first dividend payable on [ ], 201[ ]) to and including the Dividend Payment Date or any final distribution date relating to conversion or redemption or to a dissolution, liquidation or winding up of the Corporation. Dividends payable on the shares of Series B Senior Common-Equivalent Preferred Stock for any period of less than a full calendar year shall be prorated for the partial year on the basis of a 360-day year of twelve, 30-day months.

The Series A Adjustment Factor as of any date, shall be a fraction, (x) the numerator of which is the sum of (A) the total number of outstanding shares of Series A Senior Common-Equivalent Preferred Stock as of such date and (B) the total number of outstanding shares of Series B Senior Common-Equivalent Preferred Stock as of such date and (y) the denominator of which is the total number of outstanding shares of Series B Senior Common-Equivalent Preferred Stock as of such date.

A Series B Conversion Vote means the approval by the shareholders of the Corporation (in accordance with the requirements of the NYBCL and the Corporation s Amended and Restated Certificate of Incorporation and Bylaws) of an amendment to the Amended and Restated Certificate of Incorporation of the Corporation increasing the number of shares of Common Stock that the Corporation is authorized to issue to at least the amount of authorized, unissued and unreserved shares necessary to convert all of the shares of Series A Senior Common-Equivalent Preferred Stock and Series B Senior Common-Equivalent Preferred Stock, together with any other securities outstanding at such time that are convertible or exchangeable into Common Stock, into Common Stock.

(3) Voting Rights. The holders of shares of Series B Senior Common-Equivalent Preferred Stock shall have the following voting rights:

(i) Subject to the provision for adjustment set forth in paragraph (11) of this subdivision E, each share of Series B Senior Common-Equivalent Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation (the Series B Voting Ratio).

(ii) Except as otherwise provided herein or by law, the holders of shares of Series B Senior Common-Equivalent Preferred Stock and the holders of shares of Series A Senior Common-Equivalent Preferred Stock, Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(iii) Except as set forth herein, holders of Series B Senior Common-Equivalent Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock and any other capital stock of the Corporation having general voting rights as set forth herein) for taking any corporate action.

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(4) Certain Restrictions.

(i) Whenever quarterly dividends or other dividends or distributions payable on the Series B Senior Common-Equivalent Preferred Stock as provided in paragraph (2) of this subdivision E are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Senior Common-Equivalent Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(a) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Senior Common-Equivalent Preferred Stock;

(b) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Senior Common-Equivalent Preferred Stock, except dividends paid ratably on the Series B Senior Common-Equivalent Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(c) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Senior Common-Equivalent Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series B Senior Common-Equivalent Preferred Stock; or

(d) purchase or otherwise acquire for consideration any shares of Series B Senior Common-Equivalent Preferred Stock, or any shares of stock ranking on a parity with the Series B Senior Common-Equivalent Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(ii) The Corporation shall not, without the prior written consent of holders of a majority of the outstanding shares of Series B Senior Common-Equivalent Preferred Stock, (a) issue or authorize the issuance of any Common Stock or any equity securities of any class convertible into or exchangeable for Common Stock, or any rights, warrants, calls or options to acquire any such securities, (b) declare or pay any dividend on Common Stock payable in shares of Common Stock, or (c) effect any subdivision of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater number of shares of Common Stock, in the case of each of the foregoing if immediately following such issuance, declaration, payment or subdivision (assuming the exercise of any convertible or exchangeable securities so issued), the Corporation would have insufficient authorized but unissued shares of Common Stock to permit the conversion of all outstanding shares of Series B Senior Common-Equivalent Preferred Stock into Common Stock pursuant to the applicable provisions of this subdivision E.

(iii) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under subparagraph (i) of this paragraph (4) of this subdivision E, purchase or otherwise acquire such shares at such time and in such manner.

(5) Reacquired Shares. Any shares of Series B Senior Common-Equivalent Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of

Senior Preferred Stock and may be reissued as part of a new series of Senior Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

(6) Liquidation, Dissolution or Winding Up. Subject to the provision for adjustment set forth in paragraphs (2) and (11) of this subdivision E, upon any liquidation, dissolution or winding up of the Corporation, the holders of the Series B Senior Common-Equivalent Preferred Stock at the time outstanding will be entitled to receive for each share of Series B Senior Common-Equivalent Preferred Stock, out of the net assets of the Corporation available for distribution to shareholders (subject to the rights of the holders of any stock of the Corporation then outstanding ranking *pari passu* with the Series B Senior Common-Equivalent Preferred Stock in respect of distributions upon any such liquidation, dissolution or winding up and before any amount shall be paid or distributed with respect to holders of any stock of the Corporation then outstanding ranking junior to the Series B Senior Common-Equivalent Preferred Stock in respect of distributions upon any such liquidation, dissolution or winding up), a liquidating distribution in an amount equal to the greater of (x) the amount equal to the sum of (A) $0.01 and (B) the amount of any accrued and unpaid dividends pursuant to paragraph (2)(i) of this subdivision E on such share of Series B Senior Common-Equivalent Preferred Stock through the date of such liquidating distribution (the Series B Accumulated Dividend) or (y) (A) the Series B Conversion Ratio multiplied by (B) the aggregate amount to be distributed per share to holders of Common Stock assuming all Series B Senior Common-Equivalent Preferred Stock had been converted to Common Stock pursuant to paragraph (8) of this subdivision E.

(7) Consolidation, Merger, etc. Subject to the provision for adjustment set forth in paragraphs (2) and (11) of this subdivision E, in case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series B Senior Common-Equivalent Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Series B Conversion Ratio multiplied by the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged.

(8) Conversion at the Option of the Holder. Subject to the provision for adjustment set forth in paragraphs (2) and (11) of this subdivision E and to paragraph (13) of this subdivision E, shares of the Series B Senior Common-Equivalent Preferred Stock are convertible, in whole or in part, at the option of each holder of Series B Senior Common-Equivalent Preferred Stock, into the number of whole shares of Common Stock equal to the Series B Conversion Ratio per one (1) share of Series B Senior Common-Equivalent Preferred Stock, with such adjustment or cash payment for fractional shares as the Corporation may elect pursuant to paragraph (10)(vi) of this subdivision E; provided that such conversion shall not be permitted at any time when the Corporation lacks sufficient authorized but unissued shares of Common Stock to convert such Series B Senior Common-Equivalent Preferred Stock into shares of Common Stock.

(9) Automatic Conversion. Subject to the provision for adjustment set forth in paragraphs (2) and (11) of this subdivision E and to paragraph (13) of this subdivision E, upon the first trading day after a Series B Conversion Event (as defined below) (the Series B Automatic Conversion Date), each share of the Series B Senior Common-Equivalent Preferred Stock shall automatically be converted into the number of whole shares of Common Stock equal to the Series B Conversion Ratio per one (1) share of Series B Senior Common-Equivalent Preferred Stock, with such adjustment or cash payment for fractional shares as the Corporation may elect pursuant to paragraph (10)(vi) of this subdivision E.

A Series B Conversion Event means the approval by the shareholders of the Corporation, and filing with the Department of State of the State of New York (in each case, in accordance with the requirements of the NYBCL and

the Corporation s Amended and Restated Certificate of Incorporation and Bylaws) of an amendment to the Amended and Restated Certificate of Incorporation of the Corporation increasing the number

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of shares of Common Stock that the Corporation is authorized to issue to at least the amount of authorized, unissued and unreserved shares necessary to convert all of the shares of Series A Senior Common-Equivalent Preferred Stock and Series B Senior Common-Equivalent Preferred Stock, together with any other securities outstanding at such time that are convertible or exchangeable into Common Stock, into Common Stock.

(10) Conversion Procedure.

(i) *For the holders*. To exercise the conversion rights described in paragraph (8) of this subdivision E, a holder of Series B Senior Common-Equivalent Preferred Stock shall:

(a) deliver a written notice to the Corporation at its principal office or, if so advised by the Corporation, at the office of the agency that may be maintained for such purpose (a Series B Transfer Agent) specifying the number (in whole shares) of shares of Series B Senior Common-Equivalent Preferred Stock to be converted, the name(s) in which the certificate(s) for shares of Common Stock issued in connection with such conversion shall be issued, and the total number of shares of Common Stock beneficially owned by such holder and its affiliates as of the date of such notice;

(b) surrender the certificates for such shares of Series B Senior Common-Equivalent Preferred Stock to the Corporation or the Series B Transfer Agent, as applicable, accompanied, if so required by the Corporation or the Series B Transfer Agent, by a written instrument(s) of transfer in form reasonably satisfactory to the Corporation or the Series B Transfer Agent duly executed by the holder or its attorney duly authorized in writing; and

(c) pay any stock transfer, documentary, stamp or similar taxes payable in respect of the conversion that are not payable by the Corporation pursuant to paragraph (10)(iv) of this subdivision E.

The date on which a Holder complies with the procedures in this paragraph (10)(i) of this subdivision E shall be the Series B Holder Conversion Date . Immediately upon conversion, the rights of the Holders of Series B Senior Common-Equivalent Preferred Stock, other than the right to receive any accrued but unpaid dividend pursuant to paragraph (2)(i) of this subdivision E, shall cease and the Persons entitled to receive the shares of Common Stock, upon the conversion of such shares of Series B Senior Common-Equivalent Preferred Stock, shall be treated for all purposes as having become beneficial owners of such shares of Common Stock.

(ii) *Conversion*. Conversion of shares of Series B Senior Common-Equivalent Preferred Stock into shares of Common Stock will occur immediately prior to 5:00 p.m. New York City time, on the Series B Automatic Conversion Date or Series B Holder Conversion Date, as applicable.

(iii) *Effect of Conversion*. All shares of Series B Senior Common-Equivalent Preferred Stock converted as provided in this paragraph (10) of this subdivision E shall no longer be deemed outstanding as of the Series B Automatic Conversion Date or Series B Holder Conversion Date, as applicable, and all rights with respect to such shares shall immediately cease and terminate as of such time, other than the right of the holder to receive shares of Common Stock and payment in lieu of any fraction of a share in exchange therefor and the right of the holder to receive any accrued but unpaid dividends. For the avoidance of doubt, until 5:00 p.m. New York City time on the applicable conversion date, a holder of shares of Series B Senior Common-Equivalent Preferred Stock shall not have any rights with respect to the shares of Common Stock issuable upon conversion of such shares of Series B Senior Common-Equivalent Preferred Stock, including voting rights, transfer or other disposition rights or rights to receive any dividends or other distributions with respect to such shares of Common Stock and such shares of Common Stock shall not be deemed to be outstanding for any purpose.

(iv) *Payment of Taxes*. The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes (excluding, for the avoidance of doubt, any taxes measured in whole or in part by reference to income or gain) imposed under the laws of the United States or any state thereof and payable in respect of the

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issuance or delivery of shares of Common Stock on the conversion of shares of Series B Senior Common-Equivalent Preferred Stock pursuant to paragraph (8) or paragraph (9) of this subdivision E; provided, however, that the Corporation shall not be required to pay any such tax which may be payable in respect of any registration or transfer involved in the issuance or delivery of shares of Common Stock in a name other than that of the registered holder of Series B Senior Common-Equivalent Preferred Stock converted or to be converted, and no such issuance or delivery shall be made unless and until the Person requesting such issue has paid to the Corporation the amount of any such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(v) *Available Shares*. Subject to paragraph (13) of this subdivision D, the Corporation shall take all action required (including promptly calling and holding one or more special meetings of the Board of Directors and the stockholders of the Company until such increase is approved in accordance with applicable law or regulation and the Certificate of Incorporation is so amended) to increase the authorized number of shares of Common Stock if at any time there shall be insufficient unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of Series B Senior Common-Equivalent Preferred Stock.

(vi) *No Fractional Shares*. No fractional shares of Common Stock or securities representing fractional shares of Common Stock shall be issued upon conversion, whether voluntary or automatic, of the Series B Senior Common-Equivalent Preferred Stock. Instead, the Corporation may elect to either make a cash payment to each holder of Series B Senior Common-Equivalent Preferred Stock that would otherwise be entitled to a fractional share (based on the Closing Sale Price of such fractional share determined as of the second Trading Day immediately prior to the payment thereof) or, in lieu of such cash payment, the number of shares of Common Stock to be issued to any particular holder of Series B Senior Common-Equivalent Preferred Stock upon conversion shall be rounded up to the next whole share.

(vii) *Payment of Series B Accumulated Dividends*. Upon conversion, whether voluntary or automatic, of the Series B Senior Common-Equivalent Preferred Stock, if there are then any Series B Accumulated Dividends with respect to such Series B Senior Common-Equivalent Preferred Stock, (a) in the case of any Series B Accumulated Dividends declared or payable pursuant to clause (i) of paragraph (2) of this subdivision E, the Corporation shall not pay such Series B Accumulated Dividends at the time of such conversion, and instead, such Series B Accumulated Dividends shall continue to be payable in accordance with the terms of, and at the time specified in, the original declaration of such Series B Accumulated Dividend, to such lawful owners of record of such Series B Senior Common-Equivalent Preferred Stock on the record date (or, if applicable, record dates) for such Series B Accumulated Dividends and (b) in the case of any Series B Accumulated Dividends declared or payable pursuant to clause (ii) of paragraph (2) of this subdivision E, such Series B Accumulated Dividends shall be paid only by means of an adjustment to the Series B Conversion Ratio (and not in the form of cash, other securities, property or additional shares of Series B Senior Common-Equivalent Preferred Stock) as provided in clause (ii) of paragraph (2) of this subdivision E.

(viii) *Closing Sale Price.* For purposes of this paragraph (10) of this subdivision E, Closing Sale Price of the Common Stock means, as of any date, the closing sale price per share (or if no closing sale price is reported, the average of the closing bid and ask prices or, if more than one in either case, the average of the average closing bid and the average closing ask prices) on such date as reported on the principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by Pink Sheets LLC. In the absence of such a quotation, the Closing Sale Price shall be an amount determined in good faith by the Board of Directors to be the fair value of the Common Stock.

(11) Adjustments to the Conversion Rate and Series B Voting Ratio. In the event the Corporation shall at any time after the date hereof declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect subdivision or combination or consolidation of the outstanding shares of Common Stock (by

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reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case, the Series B Conversion Ratio and the Series B Voting Ratio shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock (together with any other shares so reclassified) outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(12) Amendment. The Restated Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Senior Common-Equivalent Preferred Stock (a) so as to affect them adversely without the affirmative vote of the holders of two-thirds of the outstanding shares of Series B Senior Common-Equivalent Preferred Stock, voting together as a single class or (b) so as to affect them favorably relative to the Common Stock (including, without limitation, to increase the voting power, dividend rights or liquidation preference of the Series B Senior Common-Equivalent Preferred Stock) without the affirmative vote of holders of a majority of the Common Stock not held by holders of Series A Senior Common-Equivalent Preferred Stock or Series B Senior Common-Equivalent Preferred Stock or by any of their Affiliates.

(13) Insufficient Authorized and Unissued Shares of Common Stock. Notwithstanding anything to the contrary contained herein, and for the avoidance of doubt, the Series B Senior Common-Equivalent Preferred Stock is not entitled to convert into shares of Common Stock and no such conversion shall occur, at any time when the Corporation lacks sufficient authorized but unissued shares of Common Stock to convert such Series B Senior Common-Equivalent Preferred Stock into shares of Common Stock and, at any time prior to a Series B Conversion Event, any such insufficiency of authorized and unissued shares of Common Stock (and the related restriction on the conversion of Series B Senior Common-Equivalent Preferred Stock) shall not, in itself, be deemed to be a breach or default of any provision hereof, including, without limitation, paragraphs (8), (9) or (10) of this subdivision E, or entitle the holder of any such Series B Senior Common-Equivalent Preferred Stock to damages as a result of such insufficiency and prohibition on conversion.

FIFTH: This amendment to the Certificate of Incorporation was authorized, pursuant to Section 502 of the New York Business Corporation Law and the Certificate of Incorporation, by a vote of the Board of Directors. Pursuant to Section 502 of the New York Business Corporation Law and the Certificate of Incorporation, no vote of the stockholders was necessary for adoption of this amendment. The Board of Directors adopted resolutions on [ ][4],2014 authorizing the amendment of the Certificate of Incorporation to, pursuant to Section 502(c) of the Business Corporation Law and the Certificate of Incorporation, create two new series of Preferred Stock, state the designation of such series as the Series A Senior Common-Equivalent Preferred Stock **[and the Series B Senior Common-Equivalent Preferred Stock]** and**[, in each case,]** the number of shares thereof, and[, in each case,] fix the relative rights, preferences, and limitations thereof as set forth above in new subdivision D **[or E, as applicable,]** of subdivision II of Article 3.

4 Note to Draft: Insert date of the resolutions

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IN WITNESS WHEREOF, we have subscribed this document on this [ ] day of [ ], 2014 and do hereby affirm, under the penalties of perjury, that the statements contained therein have been examined by me and are true and correct.

Patrick R. McDonald
President and Chief Executive Officer

Richard W. Schelin
Vice President and General Counsel

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Annex G

May 5, 2014

The Board of Directors

Forest Oil Corporation

707 17th Street

Denver, CO 80202

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of common stock, par value $0.10 per share (the Company Common Stock), of Forest Oil Corporation (the Company) of the Exchange Ratio (as defined below) in the proposed Transaction (as defined below) with Sabine Investor Holdings LLC (the Merger Partner). Pursuant to the Agreement and Plan of Merger, dated as of May 5, 2014 (the Agreement), by and among the Company, New Forest Oil Inc., a wholly owned subsidiary of the Company (New Forest), Forest Oil Merger Sub Inc., a wholly owned subsidiary of New Forest (Merger Sub), Sabine Oil & Gas Holdings LLC (Sabine), Sabine Oil & Gas Holdings II LLC, Sabine Oil & Gas LLC and the Merger Partner, the following will occur (collectively, the Transaction):

Merger Sub will merge with and into the Company (the Merger) and the Company will become a wholly owned subsidiary of New Forest, and each outstanding share of Company Common Stock (other than shares of Company Common Stock held in treasury or owned directly by New Forest or Merger Sub) will be converted into the right to receive 0.1 of a share (the Exchange Ratio) of common stock of New Forest (the New Forest Common Stock); and

Concurrently with the consummation of the Merger, the Merger Partner will contribute (the Contribution) its limited liability company interests in Sabine and all of its equity interests in certain other subsidiaries of the Merger Partner (the Contributed Corporations) to New Forest, with Sabine becoming a wholly owned subsidiary of New Forest and such other subsidiaries of the Merger Partner becoming wholly owned subsidiaries of New Forest, in exchange for 33,013,641 shares of New Forest Common Stock.

Following the Merger and the Contribution, (i) the Contributed Corporations will be merged with and into New Forest, (ii) New Forest will contribute all of the issued and outstanding capital stock of the Company to Sabine, with the Company becoming a wholly owned subsidiary of Sabine and (iii) certain other subsidiaries of Sabine will be merged with and into the Company, with the Company as the surviving entity in such merger.

In connection with preparing our opinion, we have (i) reviewed the Agreement; (ii) reviewed certain publicly available business and financial information concerning the Company and the Merger Partner and the industries in which they operate; (iii) compared the financial and operating performance of the Company and the Merger Partner with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of the Company Common Stock and certain publicly traded securities of such other companies; (iv) reviewed certain internal financial analyses and forecasts prepared by or at the direction of the managements of the Company and the Merger Partner relating to their respective businesses, as well as the estimated amount and timing of the cost savings and related expenses and synergies

383 Madison Avenue, New York, New York 10179

J.P. Morgan Securities LLC

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expected to result from the Transaction (the Synergies); and (v) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of the Company and the Merger Partner with respect to certain aspects of the Transaction, and the past and current business operations of the Company and the Merger Partner, the financial condition and future prospects and operations of the Company and the Merger Partner, the effects of the Transaction on the financial condition and future prospects of the Company and the Merger Partner, and certain other matters we believed necessary or appropriate to our inquiry.

In giving our opinion, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with us by the Company and the Merger Partner or otherwise reviewed by or for us, and we have not independently verified (nor have we assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. We have not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of the Company or the Merger Partner under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to us or derived therefrom, including the Synergies, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of the Company and the Merger Partner to which such analyses or forecasts relate. We express no view as to such analyses or forecasts (including the Synergies) or the assumptions on which they were based. We have also assumed that the Transaction and the other transactions contemplated by the Agreement will qualify as tax-free transactions for United States federal income tax purposes, and will be consummated as described in the Agreement. We have also assumed that the representations and warranties made by the Company and the Merger Partner in the Agreement and the related agreements are and will be true and correct in all respects material to our analysis. We are not legal, regulatory or tax experts and have relied on the assessments made by advisors to the Company with respect to such issues. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Company or the Merger Partner or on the contemplated benefits of the Transaction.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion. Our opinion is limited to the fairness, from a financial point of view, to the holders of the Company Common Stock of the Exchange Ratio in the proposed Transaction and we express no opinion as to the fairness of any consideration to be paid in connection with the Transaction to the holders of any other class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Transaction. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the Transaction, or any class of such persons relative to the Exchange Ratio applicable to the holders of the Company Common Stock in the Transaction or with respect to the fairness of any such compensation. We are expressing no opinion herein as to the price at which the Company Common Stock or the New Forest Common Stock will trade at any future time.

We have acted as financial advisor to the Company with respect to the proposed Transaction and will receive a fee from the Company for our services, a substantial portion of which will become payable only if the proposed Transaction is consummated. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. Please be advised that during the two years preceding the date of this letter, neither we nor our affiliates have had any material financial advisory or other material commercial or investment banking relationships with the Merger Partner. During the two years preceding the date of this letter, we and our affiliates have had

commercial or investment banking relationships with the Company and certain portfolio companies of First Reserve Corporation, the controlling shareholder of the Merger Partner (First Reserve), for which we and such affiliates have received customary compensation. Such services during such period have included acting as

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(i) joint bookrunner on an offering of the Company s debt securities in September 2012 and as the Company s financial advisor in connection with the sale of certain of its oil and gas assets to Templar Energy LLC in November 2013 and (ii) financial advisor for certain transactions, joint bookrunner on offerings of debt and equity securities and arranger on certain credit facilities for certain portfolio companies of First Reserve. In addition, our commercial banking affiliate is an agent bank and a lender under outstanding credit facilities of the Company, for which it receives customary compensation or other financial benefits. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of the Company for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Exchange Ratio in the proposed Transaction is fair, from a financial point of view, to the holders of the Company Common Stock.

The issuance of this opinion has been approved by a fairness opinion committee of J.P. Morgan Securities LLC. This letter is provided to the Board of Directors of the Company (in its capacity as such) in connection with and for the purposes of its evaluation of the Transaction. This opinion does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to the Transaction or any other matter. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval. This opinion may be reproduced in full in any proxy or information statement mailed to shareholders of the Company but may not otherwise be disclosed publicly in any manner without our prior written approval.

Very truly yours,

J.P. MORGAN SECURITIES LLC

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Annex H

EXECUTION VERSION

Forest Oil Corporation

and

Computershare Inc.

Rights Agreement

Dated as of July 9, 2014

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Rights Agreement, dated as of July 9, 2014, between Forest Oil Corporation, a New York corporation (the Company), and Computershare Inc., as rights agent (the Rights Agent).

The Board of Directors of the Company has authorized and declared a dividend of one preferred share purchase right (a Right) for each Common Share (as hereinafter defined) of the Company outstanding on July 21, 2014 (the Record Date), each Right representing the right to purchase one one-hundredth of a Preferred Share (as hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are hereinafter defined).

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) Acquiring Person shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 5% or more of the Common Shares of the Company then outstanding, but shall not include the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan. Notwithstanding the foregoing:

(i) no Person who Beneficially Owns, each as of the time of the first public announcement of the declaration of the Rights dividend, 5% or more of the Common Shares of the Company then outstanding shall become an Acquiring Person unless such Person shall, after the time of the public announcement of the declaration of the Rights dividend, increase its Beneficial Ownership of the then-outstanding Common Shares (other than as a result of an acquisition of Common Shares by the Company) to an amount equal to the sum of (i) the lowest Beneficial Ownership of such Person as a percentage of the outstanding Common Shares as of any time from and after the time of the public announcement of the declaration of the Rights dividend plus (ii) 0.001%.

(ii) no Person shall become an Acquiring Person as the result of an acquisition of Common Shares by the Company which, by reducing the number of Common Shares of the Company outstanding, increases the proportionate number of Common Shares of the Company Beneficially Owned by such Person to 5% or more of the Common Shares of the Company then outstanding; provided, however, that, if a Person shall become the Beneficial Owner of 5% or more of the Common Shares of the Company then outstanding by reason of share purchases by the Company and shall, after the public announcement of such share purchases by the Company, become the Beneficial Owner of any additional Common Shares of the Company, then such Person shall be deemed to be an Acquiring Person.

(iii) if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an Acquiring Person, as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an Acquiring Person, as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an Acquiring Person for any purposes of this Agreement.

(iv) if a bona fide swaps dealer who would otherwise be an Acquiring Person has become so as a result of its actions in the ordinary course of its business that the Board of Directors of the Company determines, in its sole discretion, were taken without the intent or effect of evading or assisting any other Person to evade the purposes and intent of this Agreement, or otherwise seeking to control or influence the management or policies of the Company, then, and unless and until the Board of Directors shall otherwise determine, such Person shall not be deemed to be an Acquiring Person

for any purposes of this Agreement.

(v) no Person shall become an Acquiring Person so long as (x) such Person, together with all Affiliates and Associates of such Person, does not and will not at any time prior to the Final Expiration Date

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own or have any beneficial interest in any transaction, security or derivative or synthetic arrangements having the characteristics of a short position with respect to any indebtedness of the Company or that would increase in value as a result of decline in the value of any indebtedness of the Company or decline in the Company s credit rating and (y) at least forty-eight (48) hours prior to taking any action that, if not for the application of this subparagraph (v) would result in such Person becoming an Acquiring Person, such Person shall have delivered to the Company a signed certification in the form attached hereto as Exhibit D (the form of which will be made available on the Company s website) to the effect that such Person satisfies clause (x) of this subparagraph (v) and will continue to satisfy clause (x) for so long as such Person would, if not for the application of this subparagraph (v), become an Acquiring Person.

(b) Affiliate shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act as in effect on the date of this Agreement.

(c) Associate shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act as in effect on the date of this Agreement.

(d) A Person shall be deemed the Beneficial Owner of and shall be deemed to Beneficially Own any securities:

(i) which such Person or any of such Person s Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person s Affiliates or Associates has (A) the right or the obligation to acquire (whether such right is exercisable, or such obligation is required to be performed, immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than these Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to Beneficially Own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person s Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to Beneficially Own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report);

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person s Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to Section 1(d)(ii)(B) hereof) or disposing of such securities; or

(iv) which are beneficially owned, directly or indirectly, by a Counterparty (or any of such Counterparty s Affiliates or Associates) under any Derivatives Contract (without regard to any short or similar position under the same or any other Derivatives Contract) to which such Person or any of such Person s Affiliates or Associates is a Receiving Party (as such terms are defined in the immediately following paragraph); provided, however, that the number of Common Shares that a Person is deemed to Beneficially Own pursuant to this clause (iv) in connection with a particular Derivatives Contract shall not exceed the number of Notional Common Shares with respect to such Derivatives Contract; provided, further, that the number of securities beneficially owned by each Counterparty (including its Affiliates and Associates) under a Derivatives Contract shall for purposes of this clause (iv) be deemed to include all

securities that are beneficially owned, directly or indirectly, by any other Counterparty (or any of such other

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Counterparty s Affiliates or Associates) under any Derivatives Contract to which such first Counterparty (or any of such first Counterparty s Affiliates or Associates) is a Receiving Party, with this proviso being applied to successive Counterparties as appropriate.

A Derivatives Contract is a contract between two parties (the Receiving Party and the Counterparty) that is designed to produce economic benefits and risks to the Receiving Party that correspond substantially to the ownership by the Receiving Party of a number of Common Shares specified or referenced in such contract (the number corresponding to such economic benefits and risks, the Notional Common Shares) regardless of whether obligations under such contract are required or permitted to be settled through the delivery of cash, Common Shares or other property, without regard to any short position under the same or any other Derivatives Contract. For the avoidance of doubt, interests in broad-based index options, broad-based index futures and broad-based publicly traded market baskets of stocks approved for trading by the appropriate federal governmental authority shall not be deemed to be Derivatives Contracts.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase then outstanding, when used with reference to a Person s Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which are issuable by the Company and which such Person would be deemed to Beneficially Own hereunder.

(e) Book Entry shall mean an uncertificated book entry for any Common Share or Preferred Share.

(f) Business Day shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in State of New York are authorized or obligated by law or executive order to close.

(g) Close of Business on any given date shall mean 5:00 P.M., New York City time, on such date; provided, however, that, if such date is not a Business Day, it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(h) Common Shares when used with reference to the Company shall mean the shares of common stock, par value $0.10 per share, of the Company. Common Shares when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(i) Customer Identification Program shall have the meaning set forth in Section 34 hereof.

(j) Distribution Date shall have the meaning set forth in Section 3(a) hereof.

(k) Exchange Act shall mean the Securities Exchange Act of 1934, as amended.

(l) Exchange Ratio shall have the meaning set forth in Section 24(a) hereof.

(m) Final Expiration Date shall have the meaning set forth in Section 7(a) hereof.

(n) Merger Agreement shall mean the Amended and Restated Agreement and Plan of Merger, by and among Sabine Investor Holdings LLC, a Delaware limited liability company, Sabine Oil & Gas Holdings LLC, a Delaware limited liability company, Sabine Oil & Gas Holdings II LLC, a Delaware limited liability company, Sabine Oil & Gas LLC, a Delaware limited liability company, Forest Oil Corporation, a New York corporation (Forest) and FR XI Onshore

AIV, LLC, a Delaware limited liability company (AIV Holdings), dated as of July 9, 2014.

(o) NASDAQ shall mean the National Association of Securities Dealers, Inc. Automated Quotation System.

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(p) Ownership Statements means, with respect to any Book Entry Common Share, current ownership statements issued to the record holders thereof in lieu of a certificate representing such Common Share.

(q) Person shall mean any individual, partnership, firm, corporation, limited liability company, association, trust, limited liability partnership, joint venture, unincorporated organization or other entity, and shall include any successor (by merger or otherwise) of such entity, as well as any group under Rule 13d-5(b)(1) of the Exchange Act.

(r) Preferred Shares shall mean shares of Series A Junior Participating Preferred Stock, par value $0.01 per share, of the Company having the rights and preferences set forth in the Form of Certificate of Amendment attached to this Agreement as Exhibit A.

(s) Purchase Price shall have the meaning set forth in Section 4 hereof.

(t) Record Date shall have the meaning set forth in the second paragraph hereof.

(u) Redemption Date shall have the meaning set forth in Section 7(a) hereof.

(v) Redemption Price shall have the meaning set forth in Section 23(a) hereof.

(w) Right shall have the meaning set forth in the second paragraph hereof.

(x) Right Certificate shall have the meaning set forth in Section 3(a) hereof.

(y) Shareholder Approval Date shall mean the close of business on the first date on which each of the Forest Shareholder Approval and the Authorized Share Amendment Approval (as each such term is defined in the Merger Agreement) shall have been obtained or, in the case of the Authorized Share Amendment Approval, waived in writing by the parties to the Merger Agreement.

(z) Shares Acquisition Date shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such.

(aa) Subsidiary of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

(bb) Summary of Rights shall have the meaning set forth in Section 3(b) hereof.

(cc) Trading Day shall have the meaning set forth in Section 11(d) hereof.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the express terms and conditions (and no implied terms and conditions) hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable, upon ten (10) days prior written notice to the Rights Agent. The Rights Agent shall have no duty to supervise, and shall in no event be liable for the acts or omissions of any such co-Rights Agent.

Section 3. Issue of Right Certificates. (a) Until the tenth (10^{th}) day after the Shares Acquisition Date (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the Distribution Date), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Shares of the Company (or by Book Entry Common Shares of the Company) registered in the names of the holders

thereof (which certificates shall also be deemed to be Right Certificates) and not by separate Right Certificates or book entry, and (y) the right to receive Right Certificates will be transferable only

in connection with the transfer of Common Shares of the Company. As soon as practicable after the Distribution Date, the Company will prepare and execute, and upon written request of the Company, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested and provided with all necessary information and documents at the expense of the Company, send) by first-class, insured, postage-prepaid mail, to each record holder of Common Shares of the Company as of the Close of Business on the Distribution Date (other than any Acquiring Person or any Associate or Affiliate of an Acquiring Person), at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit B hereto (a Right Certificate), evidencing one Right for each Common Share so held, subject to adjustment as provided herein. As of the Distribution Date, the Rights will be evidenced solely by such Right Certificates. The Company shall promptly notify the Rights Agent in writing upon the occurrence of the Distribution Date, the Redemption Date and/or the Final Expiration Date and, if such notification is given orally, the Company shall confirm same in writing on or prior to the Business Day next following. Until such written notice is received by the Rights Agent, the Rights Agent may presume conclusively for all purposes that none of the Distribution Date, the Redemption Date or the Final Expiration Date has occurred.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send (directly, or at the expense of the Company, upon the written request of the Company and after providing all necessary information and documents, through the Rights Agent or the Company s transfer agent for the Common Shares) a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form of Exhibit C hereto (the Summary of Rights), by first-class, postage-prepaid mail, to each record holder of Common Shares as of the Close of Business on the Record Date (other than any Acquiring Person or any Associate or Affiliate of an Acquiring Person), at the address of such holder shown on the records of the Company. With respect to certificates for Common Shares of the Company or Book Entry Common Shares of the Company outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with a copy of the Summary of Rights attached thereto. Until the Distribution Date (or the earlier of the Redemption Date or the Final Expiration Date), the surrender for transfer of any certificate for Common Shares or the transfer of any Book Entry Common Shares of the Company outstanding on the Record Date, with or without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Shares of the Company represented thereby.

(c) Certificates for Common Shares (or Book Entry Common Shares) which become outstanding (including, without limitation, reacquired Common Shares referred to in the last sentence of this paragraph (c)) after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them a legend in substantially the following form:

This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement between Forest Oil Corporation and Computershare Inc., dated as of July 9, 2014, as it may be amended from time to time (the Agreement), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of Forest Oil Corporation. Under certain circumstances, as set forth in the Agreement, such Rights (as defined in the Agreement) will be evidenced by separate certificates and will no longer be evidenced by this certificate. Forest Oil Corporation will mail to the holder of this certificate a copy of the Agreement without charge after receipt of a written request therefor. As set forth in the Agreement, Rights that are or were acquired or Beneficially Owned by any Person (as defined in the Agreement) who becomes an Acquiring Person (as defined in the Agreement) or an Associate or Affiliate thereof (each as defined in the Agreement) become null and void and non-transferable.

With respect to any Book Entry Common Shares of the Company, such legend shall be included in the Ownership Statement in respect of such Common Share or in a notice to the record holder of such Common Share in accordance

with applicable law. With respect to such certificates containing the foregoing legend, or any notice containing the foregoing legend delivered to holders of Book Entry Common Shares, until the Distribution Date, the Rights associated with the Common Shares of the Company represented by such certificates shall be

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evidenced by such certificates or such Book Entry Common Shares (including any Ownership Statement) alone, and the surrender for transfer of any such certificate or the transfer of any Book Entry Common Share shall also constitute the transfer of the Rights associated with the Common Shares of the Company represented thereby. In the event that the Company purchases or acquires any Common Shares of the Company after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares of the Company shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares of the Company which are no longer outstanding. Notwithstanding this Section 3(c), the omission of a legend shall not affect the enforceability of any part of this Rights Agreement or the rights of any holder of the Rights.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase Preferred Shares and of assignment to be printed on the reverse thereof) shall be substantially the same as Exhibit B hereto, and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate (but which do not materially and adversely affect the rights, duties, liabilities or responsibilities of the Rights Agent) and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any applicable rule or regulation made pursuant thereto or with any applicable rule or regulation of any stock exchange or the Financial Industry Regulatory Authority, or to conform to usage. Subject to the provisions of Section 22 hereof, the Right Certificates shall entitle the holders thereof to purchase such number of one one-hundredths of a Preferred Share as shall be set forth therein at the price per one one-hundredth of a Preferred Share set forth therein (the Purchase Price), but the number of such one one-hundredths of a Preferred Share and the Purchase Price shall be subject to adjustment as provided herein.

Section 5. Countersignature and Registration. The Right Certificates shall be executed on behalf of the Company by its Chief Executive Officer, its President, any of its Vice Presidents or its Treasurer, either manually or by facsimile signature, shall have affixed thereto the Company s seal or a facsimile thereof, and shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be countersigned, either manually or by facsimile signature, by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the individual who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any individual who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Agreement any such individual was not such an officer.

Following the Distribution Date, receipt by the Rights Agent of notice to that effect and all other relevant information and documents referred to in Section 3(a), the Rights Agent will keep or cause to be kept, at its principal office, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. Subject to the provisions of Section 14 hereof, at any time after the Close of Business on the Distribution Date, and at or prior to the Close of Business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates (other than Right Certificates representing Rights that have become null and void pursuant to Section 11(a)(ii) hereof or that have been exchanged pursuant to Section 24 hereof) may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates entitling the registered holder to purchase a like number of one one-hundredths of a Preferred Share as the Right

Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right

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Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office of the Rights Agent. The Right Certificates are transferrable only on the registry books of the Rights Agent. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate until the registered holder shall have properly completed and duly executed the certificate contained in the form of assignment on the reverse side of such Right Certificate, shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) thereof and of the Rights evidenced thereby and the Affiliates and Associates of such Beneficial Owner (or former Beneficial Owner) thereof as the Company or the Rights Agent shall reasonably request and paid a sum sufficient to cover any tax or charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates as required hereunder. Thereupon, the Rights Agent shall countersign and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested, registered in such name or names as may be designated by the surrendering registered holder. The Company may require payment of a sum sufficient to cover any tax or charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates. The Rights Agent shall promptly forward any such sum collected by it to the Company or to such Persons as the Company shall specify by written notice. The Rights Agent shall have no duty or obligation under any Section of this Agreement that requires the payment of taxes or charges unless and until it is satisfied that all such taxes and/or charges have been paid.

Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company s request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will issue, execute and deliver a new Right Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Notwithstanding any other provisions hereof, the Company and the Rights Agent may amend this Rights Agreement to provide for uncertificated Rights in addition to or in place of Rights evidenced by Rights Certificates.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights. (a) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein), in whole or in part, at any time after the Distribution Date, upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof properly completed and duly executed, to the Rights Agent at the principal office of the Rights Agent, together with payment of the Purchase Price for each one one-hundredth of a Preferred Share as to which the Rights are exercised, at or prior to the earliest of (i) the Close of Business on December 31, 2014 (the Final Expiration Date), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the Redemption Date), (iii) the time at which such Rights are exchanged as provided in Section 24 hereof or (iv) the Shareholder Approval Date. From such time as the Rights are no longer exercisable hereunder, the Rights Agent shall have no further duties, obligations or liabilities hereunder except as expressly stated herein.

(b) The Purchase Price for each one one-hundredth of a Preferred Share purchasable pursuant to the exercise of a Right shall initially be $10.00, and shall be subject to adjustment from time to time as provided in Section 11 or 13 hereof, and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase properly completed and duly executed, accompanied by payment of the Purchase Price for the shares to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance

with Section 9 hereof by cash or by certified check, cashier s check or money order

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payable to the order of the Company, the Rights Agent shall thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares (or make available if the Rights Agent is the Transfer Agent) certificates for the number of Preferred Shares to be purchased and the Company hereby irrevocably authorizes any such transfer agent to comply with all such requests, or (B) requisition from the depositary agent depositary receipts representing such number of one one-hundredths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent of the Preferred Shares with such depositary agent) and the Company hereby directs such depositary agent to comply with such request; (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof; (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder; and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate. In the event that the Company is obligated to issue securities of the Company other than Preferred Shares (including Common Shares) of the Company pursuant to Section 11(a) hereof, the Company will make all arrangements necessary so that such other securities are available for distribution by the Rights Agent.

(d) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder of Rights or other securities upon the occurrence of any purported transfer or exercise as set forth in Section 6 hereof or this Section 7 unless such registered holder shall have (i) properly completed and duly executed the certification following the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such transfer or exercise, (ii) tendered the Purchase Price (and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9) to the Company in the manner set forth in Section 7(c), and (iii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company or the Rights Agent shall reasonably request.

(e) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to such holder s duly authorized assigns, subject to the provisions of Section 14 hereof.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if delivered or surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and, in such case, shall deliver a certificate of destruction thereof to the Company.

Section 9. Availability of Preferred Shares. The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares or any Preferred Shares held in its treasury the number of Preferred Shares that will be sufficient to permit the exercise in full of all outstanding Rights in accordance with Section 7 hereof. The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares (or Common Shares and other securities as the case may be) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Preferred Shares (or Common Shares and other securities, as the case may be) (subject to payment of the Purchase Price), be duly and validly authorized and issued

and fully paid and nonassessable shares.

The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges that may be payable in respect of the issuance or delivery of the Right

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Certificates or of any Preferred Shares upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax that may be payable in respect of any transfer or delivery of Right Certificates to a Person other than, or the issuance or delivery of certificates or depositary receipts for the Preferred Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or to deliver any certificates or depositary receipts for Preferred Shares upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company s reasonable satisfaction that no such tax is due.

Section 10. Preferred Shares Record Date. Each Person in whose name any certificate for Preferred Shares or other securities is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares or other securities represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered with the forms of election and certification properly completed and duly executed and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that, if the date of such surrender and payment is a date upon which the Preferred Shares or other securities transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares or other securities transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a holder of Preferred Shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number of Shares or Number of Rights. The Purchase Price, the number of Preferred Shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a share exchange, consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Company were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) Subject to Section 24 hereof, in the event any Person becomes an Acquiring Person, each holder of a Right shall thereafter have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of the Company as shall equal the result obtained by (A) multiplying the then current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (B) 50% of the then current per share market price of the Common Shares of the Company (determined pursuant to Section 11(d) hereof) on the date

of the occurrence of such event. In the event that any Person shall become an Acquiring Person and the Rights shall then be outstanding, the Company shall not take any action which would eliminate or diminish the benefits intended to be afforded by the Rights.

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From and after the occurrence of such event, any Rights that are or were acquired or Beneficially Owned by any Acquiring Person (or any Associate or Affiliate of such Acquiring Person) shall be null and void without any further action, and any holder of such Rights shall thereafter have no right to exercise such Rights under any provision of this Agreement or otherwise. Neither the Company nor the Rights Agent shall have liability to any holder of Right Certificates or other Person as a result of the Company s or the Rights Agent s failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees hereunder. No Right Certificate shall be issued pursuant to Section 3 hereof that represents Rights Beneficially Owned by an Acquiring Person whose Rights would be null and void pursuant to the preceding sentence or any Associate or Affiliate thereof; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be null and void pursuant to the preceding sentence or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate or with respect to any Common Shares otherwise deemed to be Beneficially Owned by any of the foregoing; and any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person or other Person whose Rights would be null and void pursuant to the preceding sentence shall be cancelled. The Company shall give the Rights Agent written notice of the identity of any such Acquiring Person, Associate or Affiliate, or the nominee of any of the foregoing, and the Rights Agent may rely on such written notice in carrying out its duties under this Agreement and shall be deemed not to have any knowledge of the identity of any such Acquiring Person, Associate or Affiliate, or the nominee of any of the foregoing, unless and until it shall have received such written notice.

(iii) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit the exercise in full of the Rights in accordance with subparagraph (ii) above, the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exercise of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exercise of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares (equivalent preferred shares)) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the then current per share market price of the Preferred Shares (as defined in Section 11(d)) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a written statement filed with the Rights Agent and shall be binding on the Rights Agent and holders of the Rights. Preferred Shares owned by or held for the account of the Company or any Subsidiary

of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment

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shall be made successively whenever such a record date is fixed; and, in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a share exchange, consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then-current per share market price of the Preferred Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a written statement filed with the Rights Agent and shall be binding on the Rights Agent and holders of the Rights) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and the denominator of which shall be such then-current per share market price of the Preferred Shares on such record date; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and, in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the current per share market price of any security (a Security for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days immediately prior to but not including such date; provided, however, that, in the event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or Securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security and prior to but not including the expiration of 30 Trading Days after but not including the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, reported at or prior to 4:00 P.M. Eastern time or, in case no such sale takes place on such day, the average of the bid and asked prices, regular way, reported as of 4:00 P.M. Eastern time, in either case, as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price reported at or prior to 4:00 P.M. Eastern time or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported as of 4:00 P.M. Eastern time by NASDAQ or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. The term Trading Day shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business, or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the current per share market price of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Shares are not publicly traded,

the current per share market price of the Preferred Shares

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shall be conclusively deemed to be the current per share market price of the Common Shares as determined pursuant to Section 11(d)(i) hereof (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied by one hundred. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, current per share market price shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a written statement filed with the Rights Agent.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one one-millionth of a Preferred Share or one ten-thousandth of any other share or security as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the date of the expiration of the right to exercise any Rights.

(f) If, as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Section 11(a) through (c) hereof, inclusive, and the provisions of Sections 7, 9, 10 and 13 hereof with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i) hereof, upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c) hereof, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a Preferred Share (calculated to the nearest one one-millionth of a Preferred Share) obtained by (A) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (B) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect, on or after the date of any adjustment of the Purchase Price, to adjust the number of Rights in substitution for any adjustment in the number of one one-hundredths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement (with prompt written notice thereof to the Rights Agent) of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the

date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right

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Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein, and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or in the number of one one-hundredths of a Preferred Share issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of one one-hundredths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one one-hundredth of the then par value, if any, of the Preferred Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer (with prompt written notice thereof to the Rights Agent) until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder s right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it, in its sole discretion, shall determine to be advisable in order that any consolidation or subdivision of the Preferred Shares, issuance wholly for cash of any Preferred Shares at less than the current market price, issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, dividends on Preferred Shares payable in Preferred Shares or issuance of rights, options or warrants referred to in Section 11(b) hereof, hereafter made by the Company to holders of the Preferred Shares shall not be taxable to such stockholders.

(n) In the event that, at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Common Shares payable in Common Shares, or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares) into a greater or lesser number of Common Shares, then, in any such case, (A) the number of one one-hundredths of a Preferred Share purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of one one-hundredths of a Preferred Share so purchasable immediately prior to such event by a fraction, the numerator of which is the number of Common Shares outstanding immediately before such event and the denominator of which is the number of Common Shares outstanding immediately after such event, and (B) each Common Share outstanding immediately after such event shall have issued with respect to it that number of Rights which each Common Share outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(n) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made or any event affecting the Rights or their exercisability (including without limitation an event that causes Rights

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to become null and void) as provided in Section 11 or 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment or describing such event and a brief statement of the facts accounting for such adjustment or describing such event, (b) file with the Rights Agent and with each transfer agent for the Common Shares or the Preferred Shares a copy of such certificate and (c) if such adjustment occurs at any time after the Distribution Date, mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment or statement therein contained and shall not be obligated or responsible for calculating any adjustment, nor shall it have any duty or liability with respect to, or be deemed to have knowledge of any such adjustment or event unless and until it shall have received such a certificate.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. In the event, directly or indirectly, at any time after a Person has become an Acquiring Person, (a) the Company shall effect a share exchange, consolidate with, or merge with and into, any other Person, (b) any Person shall effect a share exchange, consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such share exchange or merger and, in connection with such merger, all or part of the Common Shares shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (c) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person other than the Company or one or more of its wholly-owned Subsidiaries, then, and in each such case, proper provision shall be made so that (i) each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of such other Person (including the Company as successor thereto or as the surviving corporation) as shall equal the result obtained by (A) multiplying the then current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (B) 50% of the then current per share market price of the Common Shares of such other Person (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; (ii) the issuer of such Common Shares shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term Company shall thereafter be deemed to refer to such issuer; and (iv) such issuer shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the Common Shares of the Company thereafter deliverable upon the exercise of the Rights. The Company shall not consummate any such consolidation, merger, sale or transfer unless, prior thereto, the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement so providing. The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. The provisions of this Section 13 shall similarly apply to successive mergers, share exchanges, or consolidations or sales or other transfers.

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing

price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case, as

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reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-hundredth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; provided that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-hundredth of a Preferred Share, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Preferred Share. For the purposes of this Section 14(b), the current market value of a Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right, by the acceptance of the Right, expressly waives such holder s right to receive any fractional Rights or any fractional shares upon exercise of a Right (except as provided above).

(d) Whenever a payment for fractional Rights or fractional shares or other securities is to be made by the Rights Agent, the Company shall (i) promptly prepare and deliver to the Rights Agent a certificate setting forth in reasonable detail the amounts of such payments, and (ii) provide sufficient monies to the Rights Agent in the form of fully collected funds to make such payments. The Rights Agent shall be fully protected in relying upon such a certificate and shall have no duty with respect to, and shall not be deemed to have knowledge of any payment for fractional Rights or fractional shares or other securities under any Section of this Agreement relating to the payment of fractional Rights or fractional shares or other securities unless and until the Rights Agent shall have received such a certificate and sufficient monies.

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Shares), may, in such holder s own behalf and for such holder s own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, such holder s right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement, and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the

obligations of any Person subject to, this Agreement.

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Notwithstanding anything in this Agreement to the contrary, the Rights Agent shall not have any liability to any holder of a Right or other Person as a result of the inability of the Company or the Rights Agent to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, judgment, decree or ruling (whether interlocutory or final) issued by a court or by a governmental, regulatory, self-regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, that the Company shall use all reasonable efforts to have any such injunction, order, judgment, decree or ruling lifted or otherwise overturned as soon as possible.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable (subject to the provisions of this Agreement) only on the registry books maintained by the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer with a completed form of certification; and

(c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate (or Book Entry Common Share)) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificate or the associated Common Shares certificate (or Ownership Statements or other notices provided to holders of Book Entry Common Shares) made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise or exchange of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised or exchanged in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder, and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the preparation, negotiation, delivery, amendment, administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, damage, judgment, fine, penalty, claim, demand, settlement or expense (including without limitation, the reasonable fees and expenses of legal counsel) incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent (each as determined by a final, nonappealable judgment of a court of competent jurisdiction), for anything done or omitted by the Rights Agent in connection with the acceptance, administration, exercise and performance of its duties under this Agreement, including the costs and expenses of defending against any claim of liability in connection herewith. The reasonable costs and expenses incurred in enforcing this right of indemnification shall be paid by the Company to the extent that the Rights Agent is successful in so enforcing its right of indemnification.

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The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Preferred Shares or Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof. Notwithstanding anything in this Agreement to the contrary, in no event will the Rights Agent be liable for special, punitive, indirect, incidental or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Rights Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. The Rights Agent shall not be deemed to have knowledge of any event of which it was supposed to receive notice thereof hereunder, and the Rights Agent shall be fully protected and shall incur no liability for failing to take any action in connection therewith unless and until it has received such notice.

The provisions of this Section 18 and Section 20 hereof shall survive the termination of this Agreement, the exercise or expiration of the Rights and the resignation, replacement or removal of the Rights Agent.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may effect a share exchange, be consolidated, or any Person resulting from any merger, share exchange, or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any Person succeeding to the stock transfer or corporate trust powers of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or document or any further act on the part of any of the parties hereto; provided that such Person would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and, in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and, in all such cases, such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and, in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and, in all such cases, such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes to perform only the duties and obligations imposed by this Agreement and no implied duties or obligations shall be read into this Agreement against the Rights Agent. The Rights Agent shall perform those duties and obligations upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the advice or opinion of such counsel shall be full and complete authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for or in respect of any action taken or omitted by it in good faith and in accordance with such advice or opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of an Acquiring Person and the determination of the current per share market price of any security) be proved or established

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by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer, the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full and complete authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such a certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own gross negligence, bad faith or willful misconduct (each as determined by a final, nonappealable judgment of a court of competent jurisdiction). Any liability of the Rights Agent shall be limited to three times the amount of aggregate annual fees paid by the Company to the Rights Agent.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including but not limited to the Rights becoming null and void pursuant to Section 11(a)(ii) hereof) or any adjustment in the terms of the Rights (including but not limited to the manner, method or amount thereof) provided for in Section 3, 11, 13, 23 or 24 hereof, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after receipt of a certificate furnished pursuant to Section 12 describing such change or adjustment upon which the Rights Agent may rely); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares or other securities to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares or other securities will, when so issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chief Executive Officer, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions. The Rights Agent shall be fully authorized and protected in relying upon the most recent instructions received by any such officer. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken, suffered or omitted to be taken by the Rights Agent with respect to its duties and obligations under this Agreement and the date on and/or after which such action shall be taken, suffered or such omission shall be effective. The Rights Agent shall not be liable for any action taken, suffered or omitted to be taken by it in accordance with a proposal included in any such application on or after the date specified therein (which date shall not be less than three (3) Business Days after the date indicated in such application unless any such officer shall have consented in writing to an earlier date) unless, prior to taking, suffering or omitting

to take any such action, the Rights Agent has received written instructions in response to such application specifying the action to be taken, suffered or omitted to be taken.

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(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other Person.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself (through its directors, officers and employees) or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided that reasonable care was exercised in the selection and continued employment thereof.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days notice in writing mailed to the Company and, in the event that the Rights Agent or one of its Affiliates is not also the transfer agent for the Company, to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail. In the event the transfer agency relationship in effect between the Company and the Rights Agent terminates, the Rights Agent will be deemed to have resigned automatically and be discharged from its duties as Rights Agent under this Agreement as of the effective date of such termination, and the Company shall be responsible for sending any required notice. The Company may remove the Rights Agent or any successor Rights Agent (with or without cause) upon 30 days notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (which holder shall, with such notice, submit such holder s Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be either (a) a Person organized and doing business under the laws of the United States or of the State of New York (or of any other state of the United States so long as such Person is authorized to do business as a banking institution in such state), in good standing which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has, along with its Affiliates, at the time of its appointment as Rights Agent a combined capital and surplus of at least $50 million or (b) an Affiliate or direct or indirect wholly-owned Subsidiary of such Person or its wholly-owning parent. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by the Board of Directors of the Company to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made

in accordance with the provisions of this Agreement.

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Section 23. Redemption. (a) The Board of Directors of the Company may, at its option, at any time prior to such time as any Person becomes an Acquiring Person, redeem all but not less than all the then outstanding Rights at a redemption price of $0.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights by the Board of Directors of the Company may be made effective at such time, on such basis and with such conditions as the Board of Directors of the Company, in its sole discretion, may establish.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall promptly give public notice of any such redemption (with prompt written notice thereof to the Rights Agent); provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within ten (10) days after such action of the Board of Directors of the Company ordering the redemption of the Rights, the Company shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 or in Section 24 hereof, and other than in connection with the purchase of Common Shares prior to the Distribution Date.

Section 24. Exchange. (a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become null and void pursuant to the provisions of Section 11(a)(ii) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any adjustment in the number of Rights pursuant to Section 11(i) (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors of the Company shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Shares for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding. Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange (with prompt written notice thereof to the Rights Agent); provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected, and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become null and void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exchange of the Rights. In the

event the Company shall, after good faith effort, be unable to take all such action

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as may be necessary to authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exchange of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(d) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Common Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Common Share. For the purposes of this paragraph (d), the current market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

Section 25. Notice of Certain Events. (a) In case the Company shall, at any time after the Distribution Date, propose (i) to pay any dividend payable in stock of any class to the holders of the Preferred Shares or to make any other distribution to the holders of the Preferred Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of the Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of the Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any share exchange, consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person, (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares), then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such share exchange, reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and, in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever shall be the earlier.

(b) In case the event set forth in Section 11(a)(ii) hereof shall occur, then the Company shall, as soon as practicable thereafter, give to the Rights Agent and each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by overnight delivery service or first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Forest Oil Corporation

707 17th Street, Suite 3600

Denver, Colorado 80202

Attention: General Counsel and Secretary

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Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by overnight delivery service or first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Computershare Inc.

480 Washington Boulevard, 29th Floor

Jersey City, NJ 07310

Attention: Client Services

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. Subject to this Section, the Company may, and the Rights Agent shall, if directed by the Company, from time to time supplement or amend this Agreement without the approval of any holders of Right Certificates in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other provisions with respect to the Rights which the Company may deem necessary or desirable, any such supplement or amendment to be evidenced by a writing signed by the Company and the Rights Agent; provided, however, that, from and after such time as any Person becomes an Acquiring Person, this Agreement shall not be amended in any manner which would adversely affect the interests of the holders of Rights. For the avoidance of doubt, the Company shall be entitled to adopt and implement such procedures and arrangements (including with third parties) as it may deem necessary or desirable to facilitate the exercise, exchange, trading, issuance or distribution of the Rights (and Preferred Shares) as contemplated hereby and to ensure that an Acquiring Person does not obtain the benefits thereof, and amendments in respect of the foregoing shall not be deemed to adversely affect the interests of the holders of Rights. Upon the delivery of a certificate from an appropriate officer of the Company that states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment; provided, that notwithstanding anything in this Agreement to the contrary, the Rights Agent may, but shall not be obligated to, enter into any supplement or amendment that adversely affects the Rights Agent s own rights, duties, obligations or immunities under this Agreement.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that if any such excluded term, provision, covenant or restriction shall

adversely affect the rights, immunities, duties or obligations of the Rights Agent, the Rights Agent shall be entitled to resign upon 10 Business Days written notice to the Company pursuant to the requirements of Section 26 of this Agreement.

Section 31. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be governed by and construed in accordance with the laws of such state applicable to contracts to be made and performed entirely within such state.

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Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. A signature to this Agreement transmitted electronically shall have the same authority, effect, and enforceability as an original signature.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 34. Customer Identification Program. The Company acknowledges that the Rights Agent is subject to the customer identification program (Customer Identification Program) requirements under the USA PATRIOT Act and its implementing regulations, and that the Rights Agent must obtain, verify and record information that allows the Rights Agent to identify the Company. Accordingly, prior to accepting an appointment hereunder, the Rights Agent may request information from the Company that will help the Rights Agent to identify the Company, including without limitation the Company s physical address, tax identification number, organizational documents, certificate of good standing, license to do business, or any other information that the Rights Agent deems necessary. The Company agrees that the Rights Agent cannot accept an appointment hereunder unless and until the Rights Agent verifies the Company s identity in accordance with the Customer Identification Program requirements.

Section 35. Force Majeure. Notwithstanding anything to the contrary contained herein, the Rights Agent shall not be liable for any delays or failures in performance resulting from acts beyond its reasonable control including, without limitation, acts of God, terrorist acts, shortage of supply, breakdowns or malfunctions, interruptions or malfunctions of computer facilities, or loss of data due to power failures or mechanical difficulties with information storage or retrieval systems, labor difficulties, war, or civil unrest. The Rights Agent shall provide the Company prompt notice as soon as practicable in the event that any such delay or failure in performance under this Agreement occurs and keep the Company apprised of developments and mitigation effort with respect thereto.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

FOREST OIL CORPORATION

By /s/ Patrick R. McDonald
Name: Patrick R. McDonald
Title: President

COMPUTERSHARE INC.

By /s/ Robert A. Buckley, Jr.
Name: Robert A. Buckley, Jr.
Title: Senior Vice President

[Signature Page to Rights Agreement]

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Exhibit A

FORM OF

CERTIFICATE OF AMENDMENT

of

THE CERTIFICATE OF INCORPORATION

of

FOREST OIL CORPORATION

(Pursuant to Section 805 of the Business Corporation Law)

It is hereby certified that:

FIRST: The name of the corporation is Forest Oil Corporation (hereinafter called the Corporation).

SECOND: The Certificate of Incorporation of the Corporation was filed by the Department of State on the 13th day of March, 1924 and its previous restated Certificates of Incorporation were filed by the Department of State on the 12th day of May, 1978, the 19th day of May, 1992 and the 21st day of October, 1993.

THIRD: This Certificate of Amendment (1) eliminates the existing subdivision D of subdivision II of Article 3 of the Certificate of Incorporation respecting the series of preferred stock, par value $0.01 per share, of the Corporation (the Preferred Stock) designated as the $.75 Convertible Preferred Stock, (2) eliminates the existing subdivision E of subdivision II of Article 3 of the Certificate of Incorporation respecting the series of preferred stock, par value $0.01 per share, of the Corporation designated as the First Series Junior Preferred Stock and (3) creates a new subdivision D of subdivision II (which replaces the existing subdivision D of subdivision II) of Article 3 of the Certificate of Incorporation respecting a new series of Preferred Stock designated as the Series A Junior Participating Preferred Stock.

FOURTH: To effect the foregoing, subdivision II of Article 3 of the Certificate of Incorporation, relating to Preferred Stock of the Corporation, is amended to read in its entirety as follows:

II. Preferred Stock.

The 10,000,000 shares of Preferred Stock (the Preferred Stock) presently authorized shall be classified into two classes, each of which shall be issuable in one or more series. The class of Senior Preferred Stock shall consist of 7,350,000 shares of Preferred Stock (the Senior Preferred Stock). The class of Junior Preferred Stock shall consist of 2,650,000 share of Preferred Stock (the Junior Preferred Stock).

A. Number Series. Subject to any limitation prescribed by law, the number of shares in each series of Preferred Stock and the designation and relative rights, preferences and limitations of each series of Preferred Stock shall be fixed by the Board of Directors of the Corporation, provided that before any shares of a series of Preferred Stock are issued a certificate of amendment of this Certificate of Incorporation shall be filed as required by the Business Corporation Law. Pursuant to the foregoing general authority vested in it, but not in limitation thereof, the Board of Directors is

expressly empowered to determine with respect to the shares of each series of Preferred Stock:

(1) The dividend rights of such shares, including whether the dividends to which such shares are entitled shall be cumulative or noncumulative;

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(2) Whether such shares shall be convertible into shares of Common Stock, or to the extent permitted by law, into shares of another series of Preferred Stock and, if so, upon what terms and conditions;

(3) Whether such shares shall have voting rights in addition to those provided by law and, if so, to what extent and upon what terms and conditions;

(4) Whether such shares shall be subject to redemption by the Corporation and, if so, upon what terms and conditions;

(5) Whether, if such shares are to be redeemable, a sinking fund or other fund shall be established for the purchase or redemption thereof and, if so, upon what terms and conditions; and

(6) The rights of such shares in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, including whether such shares shall have any preferential claim against the assets of the Corporation and, if so, to what extent.

B. Dividends. The stated dividends on all outstanding shares of Preferred Stock (including any cumulative unpaid dividends, if dividends are cumulative), shall be declared and paid, or set apart for payment, before any dividends on the outstanding shares of Common Stock shall be declared and paid, or set apart for payment, with respect to the same dividend period. The stated dividends on all outstanding shares of Senior Preferred Stock (including any cumulative unpaid dividends, if dividends are cumulative), shall be declared and paid, or set apart for payment, before any dividends on the outstanding shares of Junior Preferred Stock and Common Stock shall be declared and paid, or set apart for payment, with respect to the same dividend period.

C. Voting. Except as otherwise provided by law or by action of the Board of Directors in granting voting rights to the shares of any series of Preferred Stock, the entire voting power for the election of directors and for all other purposes shall be vested exclusively in the shares of Common Stock.

D. Series A Junior Participating Preferred Stock. The designation and amount, relative rights, preferences and limitations of the shares of Series A Junior Participating Preferred Stock, par value $0.01 per share, as fixed by the Board of Directors, are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as Series A Junior Participating Preferred Stock (the Series A Preferred Stock) and the number of shares constituting the Series A Preferred Stock shall be 2,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value $0.10 per share (the Common Stock), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a Quarterly Dividend Payment Date), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a

share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the

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outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Amendment creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common

Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

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(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Amendment creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for

adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the

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total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation s Preferred Stock.

Section 10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

FIFTH: This amendment to the Certificate of Incorporation was authorized, pursuant to Section 502 of the New York Business Corporation Law and the Certificate of Incorporation, by a vote of the Board of Directors. Pursuant to Section 502 of the New York Business Corporation Law and the Certificate of Incorporation, no vote of the stockholders was necessary for adoption of this amendment. The Board of Directors adopted resolutions on July 9, 2014 authorizing the amendment of the Certificate of Incorporation to:

(1) pursuant to Section 502(e) of the New York Business Corporation Law, eliminate from the Certificate of Incorporation existing subdivision D of subdivision II of Article 3 of the Certificate of Incorporation respecting the series of Preferred Stock of the Corporation designated as the $.75 Convertible Preferred Stock as none of the authorized shares of such series are outstanding and no shares of such series will be issued subject to the Certificate of Incorporation,

(2) pursuant to Section 502(e) of the New York Business Corporation Law, eliminate from the Certificate of Incorporation existing subdivision E of subdivision II of Article 3 of the Certificate of Incorporation respecting the series of Preferred Stock of the Corporation designated as the First Series Junior Preferred Stock as none of the authorized shares of such series are outstanding and no shares of such series will be issued subject to the Certificate of Incorporation, and

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(3) pursuant to Section 502(c) of the Business Corporation Law and the Certificate of Incorporation, create a new series of Preferred Stock, state the designation of such series as the Series A Junior Participating Preferred Stock and the number of shares thereof, and fix the relative rights, preferences, and limitations thereof as set forth above in new subdivision D of subdivision II (which replaces the existing subdivision D of subdivision II) of Article 3.

The Certificate of Incorporation provides that the Board of Directors may, by delivering an appropriate Certificate of Amendment to the Department of State of the State of New York, fix the designation and number of shares of one or more series of Preferred Stock, and may establish all relative rights, preferences and limitations pertaining to such series, without the approval of the stockholders of the Corporation.

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Exhibit A

IN WITNESS WHEREOF, we have subscribed this document on this day of July, 2014 and do hereby affirm, under the penalties of perjury, that the statements contained therein have been examined by me and are true and correct.

Patrick R. McDonald
President and Chief Executive Officer

Richard W. Schelin
Vice President and General Counsel

[Signature Page to Certificate of Amendment (Rights)]

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Exhibit B

Form of Right Certificate

Certificate No. R- Rights

NOT EXERCISABLE AFTER , 20 OR EARLIER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT $0.01 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE AGREEMENT.

Right Certificate

, INC.

This certifies that , or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Agreement, dated as of July 9, 2014 (the Agreement), between Forest Oil Corporation, a New York corporation (the Company), and Computershare Inc. (the Rights Agent), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Agreement) and prior to 5:00 P.M., New York City time, on , 2014 at the principal office of the Rights Agent, or at the office of its successor as Rights Agent, one one-hundredth of a fully paid non-assessable share of Series A Junior Participating Preferred Stock, par value $0.01 per share, of the Company (the Preferred Shares), at a purchase price of $10 per one one-hundredth of a Preferred Share (the Purchase Price), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Right Certificate (and the number of one one-hundredths of a Preferred Share which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of July 9, 2014, based on the Preferred Shares as constituted at such date. As provided in the Agreement, the Purchase Price and the number of one one-hundredths of a Preferred Share which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Agreement are on file at the principal executive offices of the Company and the offices of the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal office of the Rights Agent, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Agreement, the Rights evidenced by this Right Certificate (i) may be redeemed by the Company at a redemption price of $0.01 per Right or (ii) may be exchanged in whole or in part for Preferred Shares or shares of the Company s Common Stock, par value $0.10 per share.

No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-hundredth of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts), but, in lieu thereof, a cash payment will be made, as provided in the Agreement.

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No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

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WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of ,
.

Attest:

FOREST OIL CORPORATION

By
Name:
Title:

By
Name:
Title:
Countersigned:

COMPUTERSHARE INC., as Rights Agent

By
Name:
Title:

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Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such

holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and

transfers unto

(Please print name and address of transferee)

this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated:

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member or participant in the Medallion Signature Guarantee Program at a guarantee level acceptable to the Company s Transfer Agent.

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Agreement) and are not issued with respect to Notional Common Shares related to a Derivatives Contract described in clause (iv) of the definition of Beneficial Owner (as such terms are defined in the Agreement).

Signature

Form of Reverse Side of Right Certificate continued

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FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise

Rights represented by the Right Certificate.)

To: _____ , INC.

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Right Certificate to purchase the Preferred Shares issuable upon the exercise of such Rights and requests that certificates for such Preferred Shares be issued in the name of:

Please insert social security

or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security

or other identifying number

(Please print name and address)

Dated:

Signature

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Signature Guaranteed:

Signatures must be guaranteed by a member or participant in the Medallion Signature Guarantee Program at a guarantee level acceptable to the Company s Transfer Agent.

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Agreement) and are not issued with respect to Notional Common Shares related to a Derivatives Contract described in clause (iv) of the definition of Beneficial Owner (as such terms are defined in the Agreement).

Signature

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NOTICE

The signature in the Form of Assignment or Form of Election to Purchase, as the case may be, must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, the Company and the Rights Agent will deem the Beneficial Owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Agreement) and such Assignment or Election to Purchase will not be honored.

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Exhibit C

SUMMARY OF RIGHTS TO PURCHASE

PREFERRED SHARES

Introduction

On July 9, 2014, the Board of Directors of our Company, Forest Oil Corporation, a New York corporation, declared a dividend of one preferred share purchase right (a Right) for each outstanding share of common stock, par value $0.10 per share. The dividend is payable on July 21, 2014 to the stockholders of record on July 21, 2014.

Our Board has adopted this Rights Agreement to protect stockholders from coercive or otherwise unfair takeover tactics. In general terms, it works by imposing a significant penalty upon any person or group which acquires 5% or more of our outstanding common stock without the approval of our Board. If a stockholder s beneficial ownership of our common stock as of the time of the public announcement of the rights plan and associated dividend declaration is at or above 5% (including through entry into certain derivative positions), that stockholder s then-existing ownership percentage would be grandfathered, but the rights would become exercisable if at any time after such announcement, the stockholder increases its ownership percentage by 0.001% or more. The Rights Agreement should not interfere with any merger or other business combination approved by our Board.

However, the rights will not become exercisable if a stockholder certifies to our Company that (1) such stockholder, together with all affiliates and associates of such stockholder, does not and will not at any time prior to December 31, 2014 own or have any beneficial interest in any transaction, security or derivative or synthetic arrangements having the characteristics of a short position in or with respect to any indebtedness of our Company or that would increase in value as a result of decline in the value of any indebtedness of our Company or decline in our Company s credit rating and (2) such stockholder will continue to satisfy clause (1) for so long as the rights would otherwise become exercisable. The Rights Agreement should not interfere with the ownership of stockholders who do not have a short position in or with respect to the indebtedness of our Company and sign such certification.

For those interested in the specific terms of the Rights Agreement as made between our Company and Computershare Inc., as the Rights Agent, on July 9, 2014, we provide the following summary description. Please note, however, that this description is only a summary, and is not complete, and should be read together with the entire Rights Agreement, which has been filed with the Securities and Exchange Commission as an exhibit to a Current Report on Form 8-K filed July 10, 2014 and a Registration Statement on Form 8-A dated July 10, 2014. A copy of the agreement is available free of charge from our Company.

The Rights. Our Board authorized the issuance of a Right with respect to each outstanding share of common stock on July 21, 2014. The Rights will initially trade with, and will be inseparable from, the common stock. The Rights are evidenced only by certificates that represent shares of common stock. New Rights will accompany any new shares of common stock we issue after July 21, 2014 until the Distribution Date described below.

Exercise Price. Each Right will allow its holder to purchase from our Company one one-hundredth of a share of Series A Junior Participating Preferred Stock (Preferred Share) for $10, once the Rights become exercisable. This portion of a Preferred Share will give the stockholder approximately the same dividend, voting, and liquidation rights as would one share of common stock. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights.

Exercisability. The Rights will not be exercisable until 10 days after the public announcement that a person or group has become an Acquiring Person by obtaining beneficial ownership of 5% or more of our outstanding common stock.

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Certain synthetic interests in securities created by derivative positions whether or not such interests are considered to be ownership of the underlying common stock or are reportable for purposes of Regulation 13D of the Securities Exchange Act are treated as beneficial ownership of the number of shares of the company s common stock equivalent to the economic exposure created by the derivative position, to the extent actual shares of the company s common stock are directly or indirectly held by counterparties to the derivatives contracts. Swaps dealers unassociated with any control intent or intent to evade the purposes of the rights plan are excepted from such imputed beneficial ownership.

We refer to the date when the Rights become exercisable as the Distribution Date. Until that date, the common stock certificates (or, in the case of uncertificated shares, by notations in the book-entry account system) will also evidence the Rights, and any transfer of shares of common stock will constitute a transfer of Rights. After that date, the Rights will separate from the common stock and be evidenced by book-entry credits or by Rights certificates that we will mail to all eligible holders of common stock. Any Rights held by an Acquiring Person are null and void and may not be exercised.

Consequences of a Person or Group Becoming an Acquiring Person.

Flip In. If a person or group becomes an Acquiring Person, all holders of Rights except the Acquiring Person may, for $10, purchase shares of our common stock with a market value of $20, based on the market price of the common stock prior to such acquisition.

Flip Over. If our Company is later acquired in a merger or similar transaction after the Rights Distribution Date, all holders of Rights except the Acquiring Person may, for $10, purchase shares of the acquiring corporation with a market value of $20 based on the market price of the acquiring corporation s stock, prior to such merger.

Notional Shares. Shares held by Affiliates and Associates of an Acquiring Person, and Notional Shares held by counterparties to a Derivatives Contract with an Acquiring Person, will be deemed to be beneficially owned by the Acquiring Person.

Preferred Share Provisions.

Each one one-hundredth of a Preferred Share, if issued:

will not be redeemable.

will entitle holders to quarterly dividend payments of $0.01 per share, or an amount equal to the dividend paid on one share of common stock, whichever is greater.

will entitle holders upon liquidation either to receive $1.00 per share, or an amount equal to the payment made on one share of common stock, whichever is greater.

will have the same voting power as one share of common stock.

if shares of our common stock are exchanged via merger, consolidation, or a similar transaction, will entitle holders to a per share payment equal to the payment made on one share of common stock.

The value of one one-hundredth interest in a Preferred Share should approximate the value of one share of common stock.

Expiration. The Rights will expire on the earlier of (i) the Shareholder Approval Date and (ii) December 31, 2014.

Redemption. Our Board may redeem the Rights for $0.01 per Right at any time before any person or group becomes an Acquiring Person. If our Board redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of Rights will be to receive the redemption price of $0.01 per Right. The redemption price will be adjusted if we have a stock split or stock dividends of our common stock.

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Exchange. After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of our outstanding common stock, our Board may extinguish the Rights by exchanging one share of common stock or an equivalent security for each Right, other than Rights held by the Acquiring Person.

Anti-Dilution Provisions. Our Board may adjust the purchase price of the Preferred Shares, the number of Preferred Shares issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split, a reclassification of the Preferred Shares or common stock. No adjustments to the Exercise Price of less than 1% will be made.

Amendments. The terms of the Rights Agreement may be amended by our Board without the consent of the holders of the Rights. However, our Board may not amend the Rights Agreement to lower the threshold at which a person or group becomes an Acquiring Person to below 5% of our outstanding common stock. In addition, the Board may not cause a person or group to become an Acquiring Person by lowering this threshold below the percentage interest that such person or group already owns. After a person or group becomes an Acquiring Person, our Board may not amend the agreement in a way that adversely affects holders of the Rights.

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Exhibit D

FORM OF

CERTIFICATION WITH REGARD TO SHORT EQUIVALENT POSITIONS WITH

RESPECT TO COMPANY S INDEBTEDNESS

[INSERT DATE]

Pursuant to Section 1(a)(v) of the Rights Agreement (the Rights Agreement), dated as of July 9, 2014, by and between Forest Oil Corporation (the Company) and Computershare Inc., the undersigned, the [of][INSERT NAME] (the Holder), hereby certifies to the Company on behalf of the Holder that:

1. The Holder, together with all Affiliates and Associates of such Holder, does not and will not at any time prior to December 31, 2014 (or the earlier expiration of the Rights Agreement) own or have any beneficial interest in any transaction, security or derivative or synthetic arrangements having the characteristics of a short position in or with respect to any indebtedness of the Company; and

2. The Holder will continue to satisfy paragraph 1 above for so long as such the Holder would, if not for the application of Section 1(a)(v) of the Rights Agreement, become an Acquiring Person.

The Holder will promptly, and in any event within 24 hours, notify the Company if it becomes aware of any facts or circumstances that would be reasonably likely to cause the certifications set forth in paragraphs 1 and 2 to be inaccurate.

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Rights Agreement.

[*Signature Page Follows*]

[1] To be signed by the Chief Executive Officer, President or Chief Financial Officer of the Holder.

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IN WITNESS WHEREOF, the undersigned has caused this certificate to be executed as of the date first set forth above.

[HOLDER]

By:
Name:
Title:

[Signature Page to Certification with Regard to Short Equivalent Positions with respect to Company Indebtedness]

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Annex I

FOREST OIL CORPORATION

2014 LONG TERM INCENTIVE PLAN

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FOREST OIL CORPORATION

2014 Long Term Incentive Plan

1. **Purpose**. The purpose of the Forest Oil Corporation 2014 Long Term Incentive Plan (the Plan) is to provide a means through which Forest Oil Corporation, a New York corporation (the Company), and its Subsidiaries may attract and retain able persons as employees, directors and consultants of the Company, and its Subsidiaries, and to provide a means whereby those persons upon whom the responsibilities of the successful administration and management of the Company, and its Subsidiaries, rest, and whose present and potential contributions to the welfare of the Company, and its Subsidiaries, are of importance, can acquire and maintain stock ownership, or awards the value of which is tied to the performance of the Company, thereby strengthening their concern for the welfare of the Company, and its Subsidiaries, and their desire to remain employed. A further purpose of this Plan is to provide such employees, directors and consultants with additional incentive and reward opportunities designed to enhance the profitable growth of the Company. Accordingly, this Plan provides for Options, Restricted Stock Awards, Restricted Stock Units, Stock Appreciation Rights, Dividend Equivalents, Bonus Stock, Other Stock-Based Awards, Annual Incentive Awards, Performance Awards, or any combination of the foregoing, as is best suited to the circumstances of the particular individual as provided herein.

2. **Definitions**. For purposes of this Plan, the following terms shall be defined as set forth below, in addition to such terms defined in Section 1 hereof:

(a) Annual Incentive Award means a conditional right granted to an Eligible Person under Section 8(c) hereof to receive a cash payment, Stock or other Award, unless otherwise determined by the Committee, after the end of a specified year.

(b) Award means any Option, SAR, Restricted Stock Award, Restricted Stock Unit, Bonus Stock, Dividend Equivalent, Other Stock-Based Award, Performance Award or Annual Incentive Award, together with any other right or interest granted to a Participant under this Plan.

(c) Beneficiary means one or more persons, trusts or other entities which have been designated by a Participant, in his or her most recent written beneficiary designation filed with the Committee, to receive the benefits specified under this Plan upon such Participant s death or to which Awards or other rights are transferred if and to the extent permitted under Section 10(a) hereof. If, upon a Participant s death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the persons, trusts or other entities entitled by will or the laws of descent and distribution to receive such benefits.

(d) Board means the Company s Board of Directors.

(e) Bonus Stock means Stock granted as a bonus pursuant to Section 6(f).

(f) Business Day means any day other than a Saturday, a Sunday, or a day on which banking institutions in the state of Texas are authorized or obligated by law or executive order to close.

(g) Change in Control means, except as otherwise provided in an Award Agreement, the occurrence of any of the following events:

(i) The consummation of an agreement to acquire or the consummation of a tender offer for beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) by any Person, of 50% or more of either

(x) the then-outstanding shares of Stock (the Outstanding Stock) or (y) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the Outstanding Company Voting Securities); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company or (D) any acquisition by any entity pursuant to a transaction that complies with clauses (A), (B) and (C) of paragraph (iii) below;

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(ii) Individuals who constitute the Incumbent Board cease for any reason to constitute at least a majority of the Board;

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or an acquisition of assets of another entity (a Business Combination), in each case, unless, following such Business Combination, (A) the Outstanding Stock and Outstanding Company Voting Securities immediately prior to such Business Combination represent or are converted into or exchanged for securities which represent or are convertible into more than 50% of, respectively, the then-outstanding shares of common stock or common equity interests and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors or other governing body, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company, or all or substantially all of the Company s assets either directly or through one or more subsidiaries), (B) no Person (excluding any employee benefit plan (or related trust) of the Company or the entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock or common equity interests of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors or other governing body of such entity except to the extent that such ownership results solely from ownership of the Company that existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors or similar governing body of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, with respect to an Award that provides for a deferral of compensation under the Nonqualified Deferred Compensation Rules and with respect to which a Change in Control would accelerate vesting or settlement, to the extent required in order to avoid the imposition of penalties under the Nonqualified Deferred Compensation Rules, Change in Control shall mean an event that qualifies both as a Change in Control as defined in this Section 2(g) as well as a change in ownership, change in effective control or change in ownership of a substantial portion of the assets of the Company, in each case as defined in the Nonqualified Deferred Compensation Rules.

(h) Code means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

(i) Committee means a committee of two or more directors designated by the Board to administer this Plan; provided, however, that, unless otherwise determined by the Board, the Committee shall consist solely of two or more directors, each of whom shall be a Qualified Member (except to the extent administration of this Plan by outside directors is not then required in order to qualify for tax deductibility under section 162(m) of the Code).

(j) Covered Employee means an Eligible Person who is a Covered Employee as specified in Section 8(e) of this Plan.

(k) Dividend Equivalent means a right, granted to an Eligible Person under Section 6(g), to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.

(l) Effective Date means the date immediately prior to the date upon which the transactions contemplated by the Amended and Restated Agreement and Plan of Merger, dated July 9, 2014, by and among the Company, Sabine Investor Holdings LLC, Sabine Oil & Gas Holdings LLC, Sabine Oil & Gas Holdings II LLC, Sabine Oil & Gas LLC, and FR XI Onshore AIV, LLC are consummated.

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(m) Eligible Person means all officers and employees of the Company or of any of its Subsidiaries, and other persons who provide services to the Company or any of its Subsidiaries, including directors of the Company. An employee on leave of absence may be considered as still in the employ of the Company or any of its Subsidiaries for purposes of eligibility for participation in this Plan.

(n) Exchange Act means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

(o) Fair Market Value means, as of any specified date, (i) if the Stock is listed on a national securities exchange, the closing sales price of the Stock, as reported on the stock exchange composite tape on that date (or if no sales occur on that date, on the last preceding date on which such sales of the Stock are so reported); (ii) if the Stock is not traded on a national securities exchange but is traded over the counter at the time a determination of its fair market value is required to be made under the Plan, the average between the reported high and low bid and asked prices of Stock on the most recent date on which Stock was publicly traded; (iii) in the event Stock is not publicly traded at the time a determination of its value is required to be made under the Plan, the amount determined by the Committee in its discretion in such manner as it deems appropriate, taking into account all factors the Committee deems appropriate including, without limitation, the Nonqualified Deferred Compensation Rules; or (iv) on the date of a Qualifying Public Offering of Stock, the offering price under such Qualifying Public Offering. Notwithstanding the foregoing, for purposes of determining fair market value in connection with settlement of an Award and any associated tax withholding, the specified date shall, unless a violation of the Nonqualified Deferred Compensation Rules would result, be deemed to be the date immediately preceding the vesting or exercise, as applicable, of the Award.

(p) Incentive Stock Option or ISO means any Option intended to be and designated as an incentive stock option within the meaning of section 422 of the Code or any successor provision thereto.

(q) Incumbent Board means the portion of the Board constituted of the individuals who are members of the Board as of the Effective Date and any other individual who becomes a director of the Company after the Effective Date and whose election or appointment by the Board or nomination for election by the Company s stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board.

(r) Nonqualified Deferred Compensation Rules means the limitations or requirements of section 409A of the Code and the guidance and regulations promulgated thereunder.

(s) Option means a right, granted to an Eligible Person under Section 6(b) hereof, to purchase Stock or other Awards at a specified price during specified time periods.

(t) Other Stock-Based Awards means Awards granted to an Eligible Person under Section 6(i) hereof.

(u) Participant means a person who has been granted an Award under this Plan which remains outstanding, including a person who is no longer an Eligible Person.

(v) Performance Award means a right, granted to an Eligible Person under Section 8 hereof, to receive Awards based upon performance criteria specified by the Committee.

(w) Person means any person or entity of any nature whatsoever, specifically including an individual, a firm, a company, a corporation, a partnership, a limited liability company, a trust or other entity; a Person, together with that Person s Affiliates and Associates (as those terms are defined in Rule 12b-2 under the

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Exchange Act, provided that registrant as used in Rule 12b-2 shall mean the Company), and any Persons acting as a partnership, limited partnership, joint venture, association, syndicate or other group (whether or not formally organized), or otherwise acting jointly or in concert or in a coordinated or consciously parallel manner (whether or not pursuant to any express agreement), for the purpose of acquiring, holding, voting or disposing of securities of the Company with such Person, shall be deemed a single Person.

(x) Qualifying Public Offering means a firm commitment underwritten public offering of Stock for cash where the shares of Stock registered under the Securities Act are listed on a national securities exchange.

(y) Qualified Member means a member of the Committee who is a nonemployee director within the meaning of Rule 16b-3(b)(3), an outside director within the meaning of Treasury Regulation 1.162-27 under section 162(m) of the Code and independent within the meaning of any applicable stock exchange listing rules or similar regulatory authority.

(z) Restricted Stock means Stock granted to an Eligible Person under Section 6(d) hereof, that is subject to certain restrictions and to a risk of forfeiture.

(aa) Restricted Stock Unit means a right, granted to an Eligible Person under Section 6(e) hereof, to receive Stock, cash or a combination thereof at the end of a specified period.

(bb) Rule 16b-3 means Rule 16b-3, promulgated by the Securities and Exchange Commission under section 16 of the Exchange Act, as from time to time in effect and applicable to this Plan and Participants.

(cc) Securities Act means the Securities Act of 1933 and the rules and regulations promulgated thereunder, or any successor law, as it may be amended from time to time.

(dd) Stock means the Company s Common Stock, par value $0.01 per share, and such other securities as may be substituted (or resubstituted) for Stock pursuant to Section 9.

(ee) Stock Appreciation Right or SAR means a right granted to an Eligible Person under Section 6(c) hereof.

(ff) Subsidiary means with respect to the Company, any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by the Company.

3. **Administration**.

(a) Authority of the Committee. This Plan shall be administered by the Committee except to the extent the Board elects to administer this Plan, in which case references herein to the Committee shall be deemed to include references to the Board. Subject to the express provisions of the Plan and Rule 16b-3, the Committee shall have the authority, in its sole and absolute discretion, to (i) adopt, amend, and rescind administrative and interpretive rules and regulations relating to the Plan; (ii) determine the Eligible Persons to whom, and the time or times at which, Awards shall be granted; (iii) determine the amount of cash and/or the number of shares of Stock, as applicable Stock Appreciation Rights, Restricted Stock Units, Restricted Stock Awards, Dividend Equivalents, Bonus Stock, Other Stock-Based Awards, Annual Incentive Awards, Performance Awards, or any combination thereof, that shall be the subject of each Award; (iv) determine the terms and provisions of each Award agreement (which need not be identical), including provisions defining or otherwise relating to (A) the term and the period or periods and extent of exercisability of the Options, (B) the extent to which the transferability of shares of Stock issued or transferred pursuant to any Award is restricted, (C) except as otherwise provided herein, the effect of termination of employment, or the service

relationship with the Company, of a Participant on the Award, and (D) the effect of approved leaves of absence (consistent with any applicable regulations of the Internal Revenue Service); (v) accelerate the time of vesting or exercisability of any

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Award that has been granted; (vi) construe the respective Award agreements and the Plan; (vii) make determinations of the Fair Market Value of the Stock pursuant to the Plan; (viii) delegate its duties under the Plan (including, but not limited to, the authority to grant Awards) to such agents as it may appoint from time to time, provided that the Committee may not delegate its duties where such delegation would violate state corporate law, or with respect to making Awards to, or otherwise with respect to Awards granted to, Eligible Persons who are subject to section 16(b) of the Exchange Act or who are Covered Employees receiving Awards that are intended to constitute performance-based compensation within the meaning of section 162(m) of the Code; (ix) subject to Section 10(c), terminate, modify or amend the Plan; and (x) make all other determinations, perform all other acts, and exercise all other powers and authority necessary or advisable for administering the Plan, including the delegation of those ministerial acts and responsibilities as the Committee deems appropriate. Subject to Rule 16b-3 and section 162(m) of the Code, the Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan, in any Award, or in any Award agreement in the manner and to the extent it deems necessary or desirable to carry the Plan into effect, and the Committee shall be the sole and final judge of that necessity or desirability. The determinations of the Committee on the matters referred to in this Section 3(a) shall be final and conclusive.

(b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, any action of the Committee relating to an Award granted or to be granted to an Eligible Person who is then subject to section 16 of the Exchange Act in respect of the Company where such action is not taken by the full Board, or relating to an Award intended by the Committee to qualify as performance-based compensation within the meaning of section 162(m) of the Code and regulations thereunder, may be taken either (i) by a subcommittee, designated by the Committee, composed solely of two or more Qualified Members, or (ii) by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action; provided, however, that, upon such abstention or recusal, the Committee remains composed solely of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of this Plan. Any action of the Committee shall be final, conclusive and binding on all Persons, including the Company, its Subsidiaries, stockholders, Participants, Beneficiaries, and transferees under Section 10(a) hereof or other persons claiming rights from or through a Participant. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any of its Subsidiaries, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d)(1) for Awards granted to Participants subject to section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as performance-based compensation under section 162(m) of the Code to fail to so qualify. The Committee may appoint agents to assist it in administering the Plan.

(c) Limitation of Liability. The Committee and each member thereof shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or employee of the Company or any of its Subsidiaries, the Company s legal counsel, independent auditors, consultants or any other agents assisting in the administration of this Plan. Members of the Committee and any officer or employee of the Company or any of its Subsidiaries acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination taken or made in good faith with respect to this Plan, and shall, to the fullest extent permitted by law, be indemnified and held harmless by the Company with respect to any such action or determination.

4. **Stock Subject to Plan**.

(a) Overall Number of Shares Available for Delivery. Subject to adjustment in a manner consistent with any adjustment made pursuant to Section 9, the total number of shares of Stock reserved and available for issuance in

connection with Awards under this Plan shall not exceed 20,000,000 shares, and such total will be available for the issuance of Incentive Stock Options.

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(b) Application of Limitation to Grants of Awards. Subject to Section 4(c), no Award may be granted if the number of shares of Stock to be delivered in connection with such Award exceeds the number of shares of Stock remaining available under this Plan minus the number of shares of Stock issuable in settlement of or relating to then-outstanding Awards. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award.

(c) Availability of Shares Not Issued under Awards. Shares of Stock subject to an Award under this Plan that expire or are canceled, forfeited, exchanged, settled in cash or otherwise terminated, including shares forfeited with respect to Restricted Stock, will again be available for Awards under this Plan, except that if any such shares could not again be available for Awards to a particular Participant under any applicable law or regulation, such shares shall be available exclusively for Awards to Participants who are not subject to such limitation. For purposes of clarity, the number of shares withheld in payment of any exercise or purchase price of, or taxes relating to, an Award will not again be available for Awards under this Plan.

(d) Stock Offered. The shares to be delivered under the Plan shall be made available from (i) authorized but unissued shares of Stock, (ii) Stock held in the treasury of the Company, or (iii) previously issued shares of Stock reacquired by the Company, including shares purchased on the open market.

5. **Eligibility; Per Person Award Limitations**. Awards may be granted under this Plan only to Persons who are Eligible Persons at the time of grant thereof. In each calendar year, during any part of which this Plan is in effect, a Covered Employee may not be granted (a) Awards that are intended to qualify as performance-based compensation for purposes of section 162(m) of the Code (other than Options and Stock Appreciation Rights and Awards the value of which is not based on a number of shares of Stock) relating to more than 1,000,000 shares of Stock, subject to adjustment in a manner consistent with any adjustment made pursuant to Section 9, (b) Options and Stock Appreciation Rights relating to more than 1,000,000 shares of Stock, subject to adjustment in a manner consistent with any adjustment made pursuant to Section 9 and (c) Awards that are intended to qualify as performance-based compensation for purposes of section 162(m) of the Code and the value of which is not based on a number of shares of Stock, having a value determined on the date of grant in excess of $5,000,000.

6. **Specific Terms of Awards**.

(a) General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 10(c)), such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment by the Participant, or termination of the Participant s service relationship with the Company, and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion to accelerate, waive or modify, at any time, any term or condition of an Award that is not mandatory under this Plan; provided, however, that the Committee shall not have any discretion to accelerate, waive or modify any term or condition of an Award that is intended to qualify as performance-based compensation for purposes of section 162(m) of the Code if such discretion would cause the Award to not so qualify or to accelerate the terms of payment of any Award that provides for a deferral of compensation under the Nonqualified Deferred Compensation Rules if such acceleration would subject a Participant to additional taxes under the Nonqualified Deferred Compensation Rules.

(b) Options. The Committee is authorized to grant Options to Eligible Persons on the following terms and conditions:

(i) Exercise Price. Each Option agreement shall state the exercise price per share of Stock (the Exercise Price); provided, however, that the Exercise Price per share of Stock subject to an Option shall not be

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less than the greater of (A) the par value per share of the Stock or (B) 100% of the Fair Market Value per share of the Stock as of the date of grant of the Option (or in the case of an ISO granted to an individual who owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or its parent or any subsidiary, 110% of the Fair Market Value per share of the Stock on the date of grant).

(ii) Time and Method of Exercise. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such Exercise Price may be paid or deemed to be paid, the form of such payment, including without limitation cash, Stock, other Awards or awards granted under other plans of the Company or any Subsidiary, or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis), and the methods by or forms in which Stock will be delivered or deemed to be delivered to Participants, including, but not limited to, the delivery of Restricted Stock subject to Section 6(d). In the case of an exercise whereby the Exercise Price is paid with Stock, such Stock shall be valued as of the date of exercise.

(iii) ISOs. The terms of any ISO granted under this Plan shall comply in all respects with the provisions of section 422 of the Code. ISOs may only be granted to Eligible Persons who are employees of the Company or employees of a parent or Subsidiary corporation of the Company. Except as otherwise provided in Section 9, no term of this Plan relating to ISOs (including any SAR in tandem therewith) shall be interpreted, amended or altered, nor shall any discretion or authority granted under this Plan be exercised, so as to disqualify either this Plan or any ISO under section 422 of the Code, unless the Participant has first requested the change that will result in such disqualification. ISOs shall not be granted more than ten years after the earlier of the adoption of this Plan or the approval of this Plan by the Company s stockholders. Notwithstanding the foregoing, the Fair Market Value of shares of Stock subject to an ISO and the aggregate Fair Market Value of shares of stock of any parent or subsidiary corporation (within the meaning of sections 424(e) and (f) of the Code) subject to any other ISO (within the meaning of section 422 of the Code)) of the Company or a parent or subsidiary corporation (within the meaning of sections 424(e) and (f) of the Code) that first becomes purchasable by a Participant in any calendar year may not (with respect to that Participant) exceed $100,000, or such other amount as may be prescribed under section 422 of the Code or applicable regulations or rulings from time to time. As used in the previous sentence, Fair Market Value shall be determined as of the date the ISOs are granted. Failure to comply with this provision shall not impair the enforceability or exercisability of any Option, but shall cause the excess amount of shares to be reclassified in accordance with the Code.

(c) Stock Appreciation Rights. The Committee is authorized to grant SARs to Eligible Persons on the following terms and conditions:

(i) Right to Payment. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Committee; provided, that the grant price per share of Stock of an SAR shall not be less than the greater of (A) the par value per share of the Stock or (B) 100% of the Fair Market Value per share of the Stock as of the date of grant of the SAR.

(ii) Rights Related to Options. An SAR granted pursuant to an Option shall entitle a Participant, upon exercise, to surrender that Option or any portion thereof, to the extent unexercised, and to receive payment of an amount computed pursuant to Section 6(c)(ii)(B). That Option shall then cease to be exercisable to the extent surrendered. SARs granted in connection with an Option shall be subject to the terms of the Award agreement governing the Option, which shall comply with the following provisions in addition to those applicable to Options:

(A) An SAR granted in connection with an Option shall be exercisable only at such time or times and only to the extent that the related Option is exercisable and shall not be transferable except to the extent that the related Option is transferable.

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(B) Upon the exercise of an SAR related to an Option, a Participant shall be entitled to receive payment from the Company of an amount determined by multiplying:

(1) the difference obtained by subtracting the Exercise Price with respect to a share of Stock specified in the related Option from the Fair Market Value of a share of Stock on the date of exercise of the SAR, by

(2) the number of shares as to which that SAR has been exercised.

(iii) Right Without Option. An SAR granted independent of an Option shall be exercisable as determined by the Committee and set forth in the Award agreement governing the SAR, which Award agreement shall comply with the following provisions:

(A) Each Award agreement shall state the total number of shares of Stock to which the SAR relates.

(B) Each Award agreement shall state the time or periods in which the right to exercise the SAR or a portion thereof shall vest and the number of shares of Stock for which the right to exercise the SAR shall vest at each such time or period.

(C) Each Award agreement shall state the date at which the SARs shall expire if not previously exercised.

(D) Each SAR shall entitle a Participant, upon exercise thereof, to receive payment of an amount determined by multiplying:

(1) the difference obtained by subtracting the Fair Market Value of a share of Stock on the date of grant of the SAR from the Fair Market Value of a share of Stock on the date of exercise of that SAR, by

(2) the number of shares as to which the SAR has been exercised.

(iv) Terms. Except as otherwise provided herein, the Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which an SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, whether or not an SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR. SARs may be either freestanding or in tandem with other Awards.

(d) Restricted Stock. The Committee is authorized to grant Restricted Stock to Eligible Persons on the following terms and conditions:

(i) Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Committee may determine at the date of grant or thereafter. During the restricted period applicable to the Restricted Stock, the Restricted Stock may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the Participant.

(ii) Certificates for Stock. Restricted Stock granted under this Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant,

the Committee may require that such certificates bear an appropriate legend referring to the

terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iii) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require or permit a Participant to elect that any cash dividends paid on a share of Restricted Stock be automatically reinvested in additional shares of Restricted Stock, applied to the purchase of additional Awards under this Plan or deferred without interest to the date of vesting of the associated Award of Restricted Stock; provided, that, to the extent applicable, any such election shall comply with the Nonqualified Deferred Compensation Rules. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property (other than cash) distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(e) Restricted Stock Units. The Committee is authorized to grant Restricted Stock Units, which are rights to receive Stock or cash (or a combination thereof) at the end of a specified period (which may or may not be coterminous with the vesting schedule of the Award), to Eligible Persons, subject to the following terms and conditions:

(i) Award and Restrictions. Settlement of an Award of Restricted Stock Units shall occur upon expiration of the period specified for such Restricted Stock Unit by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Restricted Stock Units shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee may impose, if any, which restrictions may lapse at the expiration of the period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Committee may determine. Restricted Stock Units shall be satisfied by the delivery of cash or Stock in the amount equal to the Fair Market Value of the specified number of shares of Stock covered by the Restricted Stock Units, or a combination thereof, as determined by the Committee at the date of grant or thereafter.

(ii) Dividend Equivalents. Unless otherwise determined by the Committee at date of grant, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Restricted Stock Units shall be either (A) paid with respect to such Restricted Stock Units on the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) withheld with respect to such Restricted Stock Units and the amount or value thereof automatically deemed reinvested in additional Restricted Stock Units.

(f) Bonus Stock and Awards in Lieu of Obligations. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, provided that, in the case of Participants subject to section 16 of the Exchange Act, the amount of such grants remains within the discretion of the Committee to the extent necessary to ensure that acquisitions of Stock or other Awards are exempt from liability under section 16(b) of the Exchange Act. Stock or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee. In the case of any grant of Stock to an officer of the Company or any of its Subsidiaries in lieu of salary or other cash compensation, the number of shares granted in place of such compensation shall be reasonable, as determined by the Committee.

(g) Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may

specify.

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(h) Other Awards. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock, as deemed by the Committee to be consistent with the purposes of this Plan, including without limitation convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified Subsidiaries of the Company. The Committee shall determine the terms and conditions of such other Stock-Based Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under this Plan, may also be granted pursuant to this Section 6(h).

7. **Certain Provisions Applicable to Awards**.

(a) Termination of Employment. Except as provided herein, the treatment of an Award upon a termination of employment or any other service relationship by and between a Participant and the Company or any Subsidiary shall be specified in the agreement controlling such Award.

(b) Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under this Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, or any of its Subsidiaries, or of any business entity to be acquired by the Company or any of its Subsidiaries, or any other right of an Eligible Person to receive payment from the Company or any of its Subsidiaries. Such additional, tandem and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Committee shall require the surrender of such other Award in consideration for the grant of the new Award. Awards under this Plan may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any of its Subsidiaries, in which the value of Stock subject to the Award is equivalent in value to the cash compensation, or in which the exercise price, grant price or purchase price of the Award in the nature of a right that may be exercised is equal to the Fair Market Value of the underlying Stock minus the value of the cash compensation surrendered. Awards granted pursuant to the preceding sentence shall be designed, awarded and settled in a manner that does not result in additional taxes under the Nonqualified Deferred Compensation Rules. Except as provided in Section 9 hereof, the Company may not, without obtaining stockholder approval: (i) amend the terms of outstanding Options or SARs to reduce the Exercise Price of such outstanding Options or SARs; (ii) cancel outstanding Options or SARs in exchange for Options or SARs with an Exercise Price that is less than the Exercise Price of the original Options or SARs; or (iii) cancel outstanding Options or SARs with an Exercise Price above the current Fair Market Value of the Stock underlying such Options or SARs in exchange for cash or other securities.

(c) Term of Awards. Except as specified herein, the term of each Award shall be for such period as may be determined by the Committee; provided, that in no event shall the term of any Option or SAR exceed a period of ten years from the grant date (or such shorter term as may be required in respect of an ISO under section 422 of the Code).

(d) Form and Timing of Payment under Awards; Deferrals. Subject to the terms of this Plan and any applicable Award agreement, payments to be made by the Company or any of its Subsidiaries upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including without limitation cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis; provided, however, that any such deferred payment will be set forth in the agreement evidencing such Award and/or otherwise made in a manner that will not result in additional taxes under the

Nonqualified Deferred Compensation Rules. Except as otherwise provided herein, the settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (including a

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Change in Control). Installment or deferred payments may be required by the Committee (subject to Section 10(c) of this Plan, including the consent provisions thereof in the case of any deferral of an outstanding Award not provided for in the original Award agreement) or permitted at the election of the Participant on terms and conditions established by the Committee and in compliance with the Nonqualified Deferred Compensation Rules. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock. This Plan shall not constitute an employee benefit plan for purposes of section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

(e) Exemptions from Section 16(b) Liability. It is the intent of the Company that the grant of any Awards to or other transaction by a Participant who is subject to section 16 of the Exchange Act shall be exempt from such section pursuant to an applicable exemption (except for transactions acknowledged in writing to be non-exempt by such Participant). Accordingly, if any provision of this Plan or any Award agreement does not comply with the requirements of Rule 16b-3 as then applicable to any such transaction, such provision shall be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 so that such Participant shall avoid liability under section 16(b) of the Exchange Act.

(f) Non-Competition Agreement. Each Participant to whom an Award is granted under this Plan may be required to agree in writing as a condition to the granting of such Award not to engage in conduct in competition with the Company or any of its Subsidiaries for a period after the termination of such Participant s employment with the Company and its Subsidiaries as determined by the Committee.

8. **Performance and Annual Incentive Awards**.

(a) Performance Conditions. The right of an Eligible Person to receive a grant, and the right of a Participant to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 8(b) and 8(c) hereof in the case of a Performance Award or Annual Incentive Award intended to qualify under section 162(m) of the Code.

(b) Performance Awards Granted to Designated Covered Employees. If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee is intended to qualify as performance-based compensation for purposes of section 162(m) of the Code, the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of pre-established performance goals and shall be subject to the other terms set forth in this Section 8(b).

(i) Performance Goals Generally. The performance goals for such Performance Awards shall consist of one or more business criteria or individual performance criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 8(b). Performance goals shall be objective and shall otherwise meet the requirements of section 162(m) of the Code and regulations thereunder (including Treasury Regulation §1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being substantially uncertain at the time the Committee actually establishes the performance goal or goals. The Committee may determine that such Performance Awards shall be granted, exercised, and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to

different Participants. If the Committee notes that it will exclude the impact of any or all of the following events or occurrences at the time it establishes the performance goals for the relevant performance period, then the following events may be

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appropriately excluded, as applicable: (a) asset write-downs; (b) litigation, claims, judgments or settlements; (c) the effect of changes in tax law or other such laws or regulations affecting reported results; (d) accruals for reorganization and restructuring programs; (e) any extraordinary, unusual or nonrecurring items as described in the Accounting Standards Codification Topic 225, as the same may be amended or superseded from time to time; (f) any change in accounting principles as defined in the Accounting Standards Codification Topic 250, as the same may be amended or superseded from time to time; (g) any loss from a discontinued operation as described in the Accounting Standards Codification Topic 360, as the same may be amended or superseded from time to time; (h) goodwill impairment charges; (i) operating results for any business acquired during the calendar year; and (j) third party expenses associated with any acquisition by the Company or any Subsidiary.

(ii) Business and Individual Performance Criteria

(A) Business Criteria. One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified Subsidiaries or business or geographical units of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used by the Committee in establishing performance goals for such Performance Awards: (1) earnings per share; (2) increase in revenues; (3) increase in cash flow; (4) increase in cash flow from operations; (5) increase in cash flow return; (6) return on net assets; (7) return on assets; (8) return on investment; (9) return on capital; (10) return on equity; (11) economic value added; (12) operating margin; (13) contribution margin; (14) net income; (15) net income per share; (16) pretax earnings; (17) pretax earnings before interest, depreciation and amortization; (18) pretax operating earnings after interest expense and before incentives, service fees, and extraordinary or special items; (19) total stockholder return; (20) debt reduction; (21) market share; (22) change in the Fair Market Value of the Stock; (23) operating income; (24) operating results; and (25) any of the above goals determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard & Poor s 500 Stock Index or a group of comparable companies. One or more of the foregoing business criteria shall also be exclusively used in establishing performance goals for Annual Incentive Awards granted to a Covered Employee under Section 8(c) hereof that are intended to qualify as performance-based compensation under section 162(m) of the Code.

(B) Individual Performance Criteria. The grant, exercise and/or settlement of Performance Awards may also be contingent upon individual performance goals established by the Committee. If required for compliance with section 162(m) of the Code, such criteria shall be approved by the stockholders of the Company.

(iii) Performance Period; Timing for Establishing Performance Goals. Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to ten years, as specified by the Committee. Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance Awards, or at such other date as may be required or permitted for performance-based compensation under section 162(m) of the Code.

(iv) Performance Award Pool. The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the criteria set forth in Section 8(b)(ii) hereof during the given performance period, as specified by the Committee in accordance with Section 8(b)(iii) hereof. The Committee may specify the amount of the Performance Award pool as a percentage of any of such criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such criteria.

(v) Settlement of Performance Awards; Other Terms. After the end of each performance period, the Committee shall determine the amount, if any, of (A) the Performance Award pool, and the maximum amount of the potential

Performance Award payable to each Participant in the Performance Award pool, or (B) the amount of the potential Performance Award otherwise payable to each Participant. Settlement of such

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Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 8(b). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant prior to the end of a performance period or settlement of Performance Awards.

(c) Annual Incentive Awards Granted to Designated Covered Employees. If the Committee determines that an Annual Incentive Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee is intended to qualify as performance-based compensation for purposes of section 162(m) of the Code, the grant, exercise and/or settlement of such Annual Incentive Award shall be contingent upon achievement of pre-established performance goals and other terms set forth in this Section 8(c).

(i) Potential Annual Incentive Awards. Not later than the end of the 90th day of each applicable year, or at such other date as may be required or permitted in the case of Awards intended to be performance-based compensation under section 162(m) of the Code, the Committee shall determine the Eligible Persons who will potentially receive Annual Incentive Awards, and the amounts potentially payable thereunder, for that fiscal year, either out of an Annual Incentive Award pool established by such date under Section 8(c)(ii) hereof or as individual Annual Incentive Awards. The amount potentially payable, with respect to Annual Incentive Awards, shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8(b)(ii) hereof in the given performance year, as specified by the Committee.

(ii) Annual Incentive Award Pool. The Committee may establish an Annual Incentive Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Annual Incentive Awards. The amount of such Annual Incentive Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8(b)(ii) hereof during the given performance period, as specified by the Committee in accordance with Section 8(b)(iii) hereof. The Committee may specify the amount of the Annual Incentive Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

(iii) Payout of Annual Incentive Awards. After the end of each applicable year, the Committee shall determine the amount, if any, of (A) the Annual Incentive Award pool, and the maximum amount of the potential Annual Incentive Award payable to each Participant in the Annual Incentive Award pool, or (A) the amount of the potential Annual Incentive Award otherwise payable to each Participant. The Committee may, in its discretion, determine that the amount payable to any Participant as a final Annual Incentive Award shall be reduced from the amount of his or her potential Annual Incentive Award, including a determination to make no final Award whatsoever, but may not exercise discretion to increase any such amount in the case of an Annual Incentive Award intended to qualify under section 162(m) of the Code. The Committee shall specify the circumstances in which an Annual Incentive Award shall be paid or forfeited in the event of termination of employment by the Participant prior to the end of the applicable year or settlement of such Annual Incentive Award.

(d) Written Determinations. All determinations by the Committee as to the establishment of performance goals, the amount of any Performance Award pool or potential individual Performance Awards, the achievement of performance goals relating to and final settlement of Performance Awards under Section 8(b), the amount of any Annual Incentive Award pool or potential individual Annual Incentive Awards, the achievement of performance goals relating to and final settlement of Annual Incentive Awards under Section 8(c) shall be made in writing in the case of any Award intended to qualify under section 162(m) of the Code. The Committee may not delegate any responsibility relating to

such Performance Awards or Annual Incentive Awards.

(e) Status of Section 8(b) and Section 8(c) Awards under Section 162(m) of the Code. It is the intent of the Company that Performance Awards and Annual Incentive Awards under Sections 8(b) and 8(c) hereof

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granted to Persons who are designated by the Committee as likely to be Covered Employees within the meaning of section 162(m) of the Code and the regulations thereunder (including Treasury Regulation §1.162-27 and successor regulations thereto) shall, if so designated by the Committee, constitute performance-based compensation within the meaning of section 162(m) of the Code and regulations thereunder.

Accordingly, the terms of Sections 8(b), (c), (d) and (e), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with section 162(m) of the Code and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Eligible Person will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a Person designated by the Committee, at the time of grant of a Performance Award or an Annual Incentive Award, who is likely to be a Covered Employee with respect to that fiscal year. If any provision of this Plan as in effect on the date of adoption of any agreements relating to Performance Awards or Annual Incentive Awards that are designated as intended to comply with section 162(m) of the Code does not comply or is inconsistent with the requirements of section 162(m) of the Code or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

9. **Subdivision or Consolidation; Recapitalization; Change in Control; Reorganization**.

(a) Existence of Plans and Awards. The existence of this Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company s capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities ahead of or affecting Stock or the rights thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding. In no event will any action taken by the Committee pursuant to this Section 9 result in the creation of deferred compensation within the meaning of section 409A of the Code and the regulations and other guidance promulgated thereunder.

(b) Subdivision or Consolidation of Shares. The terms of an Award and the number of shares of Stock authorized pursuant to Section 4 for issuance under the Plan shall be subject to adjustment from time to time, in accordance with the following provisions:

(i) If at any time, or from time to time, the Company shall subdivide as a whole (by reclassification, by a Stock split, by the issuance of a distribution on Stock payable in Stock, or otherwise) or in the event the Company distributes an extraordinary cash dividend the number of shares of Stock then outstanding into a greater number of shares of Stock, then, as appropriate, (A) the maximum number of shares of Stock available for the Plan or in connection with Awards as provided in Sections 4 and 5 shall be increased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (B) the number of shares of Stock (or other kind of shares or securities) that may be acquired under any then outstanding Award shall be increased proportionately, and (C) the price (including the exercise price) for each share of Stock (or other kind of shares or securities) subject to then outstanding Awards shall be reduced proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

(ii) If at any time, or from time to time, the Company shall consolidate as a whole (by reclassification, by reverse Stock split, or otherwise) the number of shares of Stock then outstanding into a lesser number of shares of Stock, (A) the maximum number of shares of Stock for the Plan or available in connection with Awards as provided in Sections 4 and 5 shall be decreased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (B) the number of shares of Stock (or other kind of shares or securities) that may be acquired under any then outstanding Award shall be decreased proportionately, and (C) the price (including the

exercise price) for each share of Stock (or other kind of shares or securities) subject to then outstanding Awards shall be increased proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

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(iii) Whenever the number of shares of Stock subject to outstanding Awards and the price for each share of Stock subject to outstanding Awards are required to be adjusted as provided in this Section 9(b), the Committee shall promptly prepare a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in price and the number of shares of Stock, other securities, cash, or property purchasable subject to each Award after giving effect to the adjustments. The Committee shall promptly provide each affected Participant with such notice.

(iv) Adjustments under Sections 9(b)(i) and (ii) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding, and conclusive. No fractional interest shall be issued under the Plan on account of any such adjustments.

(c) Corporate Recapitalization. If the Company recapitalizes, reclassifies its capital stock, or otherwise changes its capital structure (a recapitalization) without the occurrence of a Change in Control, the number and class of shares of Stock covered by an Award theretofore granted shall be adjusted so that such Award shall thereafter cover the number and class of shares of stock and securities to which the holder would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, the holder had been the holder of record of the number of shares of Stock then covered by such Award and the share limitations provided in Sections 4 and 5 shall be adjusted in a manner consistent with the recapitalization.

(d) Additional Issuances. Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to Awards theretofore granted or the purchase price per share, if applicable.

(e) Change in Control. Upon a Change in Control the Committee, acting in its sole discretion without the consent or approval of any holder, shall affect one or more of the following alternatives, which may vary among individual holders and which may vary among Options or SARs (collectively Grants) held by any individual holder:
(i) accelerate the time at which Grants then outstanding may be exercised so that such Grants may be exercised in full for a limited period of time on or before a specified date (before or after such Change in Control) fixed by the Committee, after which specified date all unexercised Grants and all rights of holders thereunder shall terminate,
(ii) require the mandatory surrender to the Company by selected holders of some or all of the outstanding Grants held by such holders (irrespective of whether such Grants are then vested or exercisable under the provisions of this Plan) as of a date, before or after such Change in Control, specified by the Committee, in which event the Committee shall thereupon cancel such Grants (with respect to shares both for which the Grants are exercisable and/or vested and not exercisable and/or vested) and pay (A) to each holder of a vested and/or exercisable Grant an amount of cash (or other consideration including securities or other property) per share equal to the excess, if any, of the amount calculated in Section 9(f) (the Change in Control Price) for the shares subject to such Grants over the Exercise Price(s) under such Grants for such shares (except that to the extent the Exercise Price under any such Grant is equal to or exceeds the Change in Control Price, in which case no amount shall be payable with respect to such Grant), or (B) to each holder of any unvested and/or unexercisable Grant, no amount of cash or any other consideration, or (iii) make such adjustments to Grants then outstanding as the Committee deems appropriate to reflect such Change in Control; provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to Grants then outstanding; provided, further, however, that the right to make such adjustments shall include, but not require or be limited to, the modification of Grants such that the holder of the Grant shall be entitled to purchase or receive (in lieu of the total number of shares of Stock as to which an Option or SAR is exercisable (the Total Shares) or other consideration that the holder would otherwise be entitled to purchase or receive under the Grant (the Total

Consideration)), the number of shares of stock, other securities, cash or property to which the Total Consideration would have been entitled to in connection with the Change in Control (A) (in the case of Options), at an aggregate exercise price equal to the exercise price that would have been payable if the Total Shares had

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been purchased upon the exercise of the Grant immediately before the consummation of the Change in Control and (B) in the case of SARs, if the SARs had been exercised immediately before the occurrence of the Change in Control.

(f) Change in Control Price. The Change in Control Price shall equal the amount determined in the following clause (i), (ii), (iii), (iv) or (v), whichever is applicable, as follows: (i) the price per share offered to holders of Stock in any merger or consolidation, (ii) the per share Fair Market Value of the Stock immediately before the Change in Control without regard to assets sold in the Change in Control and assuming the Company has received the consideration paid for the assets in the case of a sale of the assets, (iii) the amount distributed per share of Stock in a dissolution transaction, (iv) the price per share offered to holders of Stock in any tender offer or exchange offer whereby a Change in Control takes place, or (v) if such Change in Control occurs other than pursuant to a transaction described in clauses (i), (ii), (iii), or (iv) of this Section 9(f), the Fair Market Value per share of the Stock that may otherwise be obtained with respect to such Grants or to which such Grants track, as determined by the Committee as of the date determined by the Committee to be the date of cancellation and surrender of such Grants. In the event that the consideration offered to stockholders of the Company in any transaction described in this Section 9(f) or in Section 9(e) consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash and such determination shall be binding on all affected Participants to the extent applicable to Awards held by such Participants.

(g) Impact of Corporate Events on Awards Generally. In the event of a Change in Control or changes in the outstanding Stock by reason of a recapitalization, reorganization, merger, consolidation, combination, exchange or other relevant change in capitalization occurring after the date of the grant of any Award and not otherwise provided for by this Section 9, any outstanding Awards and any Award agreements evidencing such Awards shall be subject to adjustment by the Committee at its discretion, which adjustment may, in the Committee s discretion, be described in the Award agreement and may include, but not be limited to, adjustments as to the number and price of shares of Stock or other consideration subject to such Awards, accelerated vesting (in full or in part) of such Awards, conversion of such Awards into awards denominated in the securities or other interests of any successor Person, the cash settlement of such Awards in exchange for the cancellation thereof, or the cancellation of Awards either with or without consideration. In the event of any such change in the outstanding Stock, the aggregate number of shares of Stock available under this Plan as provided in Section 4 and the per person award limitations provided in Section 5 may be appropriately adjusted by the Committee, whose determination shall be conclusive.

10. **General Provisions**.

(a) Transferability.

(i) Permitted Transferees. The Committee may, in its discretion, permit a Participant to transfer all or any portion of an Option or SAR, or authorize all or a portion of an Option or SAR to be granted to an Eligible Person to be on terms which permit transfer by such Participant; provided that, in either case the transferee or transferees must be any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, in each case with respect to the Participant, an individual sharing the Participant s household (other than a tenant or employee of the Company), a trust in which any of the foregoing individuals have more than fifty percent of the beneficial interest, a foundation in which any of the foregoing individuals (or the Participant) control the management of assets, and any other entity in which any of the foregoing individuals (or the Participant) own more than fifty percent of the voting interests (collectively, Permitted Transferees); provided further that, (X) there may be no consideration for any such transfer and (Y) subsequent transfers of Options or SARs transferred as provided above shall be prohibited except subsequent transfers back to the original holder of the Option or SAR and transfers to other Permitted Transferees of the original holder. Agreements evidencing Options or SARs with respect to which such transferability

is authorized

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at the time of grant must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section 10(a)(i).

(ii) Qualified Domestic Relations Orders. An Option, Stock Appreciation Right, Restricted Stock Unit Award, Restricted Stock Award or other Award may be transferred, to a Permitted Transferee, pursuant to a domestic relations order entered or approved by a court of competent jurisdiction upon delivery to the Company of written notice of such transfer and a certified copy of such order.

(iii) Other Transfers. Except as expressly permitted by Sections 10(a)(i) and 10(a)(ii), Awards shall not be transferable other than by will or the laws of descent and distribution. Notwithstanding anything to the contrary in this Section 10, an Incentive Stock Option shall not be transferable other than by will or the laws of descent and distribution.

(iv) Effect of Transfer. Following the transfer of any Award as contemplated by Sections 10(a)(i), 10(a)(ii) and 10(a)(iii), (A) such Award shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that the term Participant shall be deemed to refer to the Permitted Transferee, the recipient under a qualified domestic relations order, or the estate or heirs of a deceased Participant or other transferee, as applicable, to the extent appropriate to enable the Participant to exercise the transferred Award in accordance with the terms of this Plan and applicable law and (B) the provisions of the Award relating to exercisability shall continue to be applied with respect to the original Participant and, following the occurrence of any applicable events described therein the Awards shall be exercisable by the Permitted Transferee, the recipient under a qualified domestic relations order, or the estate or heirs of a deceased Participant, as applicable, only to the extent and for the periods that would have been applicable in the absence of the transfer.

(v) Procedures and Restrictions. Any Participant desiring to transfer an Award as permitted under Sections 10(a)(i), 10(a)(ii) or 10(a)(iii) shall make application therefor in the manner and time specified by the Committee and shall comply with such other requirements as the Committee may require to assure compliance with all applicable securities laws. The Committee shall not give permission for such a transfer if (A) it would give rise to short swing liability under section 16(b) of the Exchange Act or (B) it may not be made in compliance with all applicable federal, state and foreign securities laws.

(vi) Registration. To the extent the issuance to any Permitted Transferee of any shares of Stock issuable pursuant to Awards transferred as permitted in this Section 10(a) is not registered pursuant to the effective registration statement of the Company generally covering the shares to be issued pursuant to this Plan to initial holders of Awards, the Company shall not have any obligation to register the issuance of any such shares of Stock to any such transferee.

(b) Taxes. The Company and any of its Subsidiaries are authorized to withhold from any Award granted, or any payment relating to an Award under this Plan, including from a distribution of Stock, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant s tax obligations, either on a mandatory or elective basis in the discretion of the Committee.

(c) Changes to this Plan and Awards. The Board may amend, alter, suspend, discontinue or terminate this Plan or the Committee s authority to grant Awards under this Plan without the consent of stockholders or Participants, except that to the extent that any amendment or alteration to this Plan, including any increase in any share limitation, requires the approval of the Company s stockholders under any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or

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quoted, in which case such amendment or alteration shall not be effective without such approval, and the Board may otherwise, in its discretion, determine to submit other such changes to this Plan to stockholders for approval; provided, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any previously granted and outstanding Award. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any Award theretofore granted and any Award agreement relating thereto, except as otherwise provided in this Plan; provided, however, that, without the consent of an affected Participant, no such Committee action may materially and adversely affect the rights of such Participant under such Award. For purposes of clarity, any adjustments made to Awards pursuant to Section 9 will be deemed *not* to materially and adversely affect the rights of any Participant under any previously granted and outstanding Award and therefore may be made without the consent of affected Participants.

(d) Limitation on Rights Conferred under Plan. Neither this Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or any of its Subsidiaries, (ii) interfering in any way with the right of the Company or any of its Subsidiaries to terminate any Eligible Person s or Participant s employment or service relationship at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under this Plan or to be treated uniformly with other Participants and/or employees and/or other service providers, or (iv) conferring on a Participant any of the rights of a stockholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award.

(e) Unfunded Status of Awards. This Plan is intended to constitute an unfunded plan for certain incentive awards.

(f) Nonexclusivity of this Plan. Neither the adoption of this Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements as it may deem desirable, including incentive arrangements and awards which do not qualify under section 162(m) of the Code. Nothing contained in this Plan shall be construed to prevent the Company or any of its Subsidiaries from taking any corporate action which is deemed by the Company or such Subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect on this Plan or any Award made under this Plan. No employee, beneficiary or other person shall have any claim against the Company or any of its Subsidiaries as a result of any such action.

(g) Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to this Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(h) Severability. If any provision of this Plan is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included herein. If any of the terms or provisions of this Plan or any Award agreement conflict with the requirements of Rule 16b-3 (as those terms or provisions are applied to Eligible Persons who are subject to section 16(b) of the Exchange Act) or section 422 of the Code (with respect to Incentive Stock Options), then those conflicting terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of Rule 16b-3 (unless the Board or the Committee, as appropriate, has expressly determined that the Plan or such Award should not comply with Rule 16b-3) or section 422 of the Code. With respect to Incentive Stock Options, if this Plan does not contain any provision required to be included herein under section 422 of the Code, that provision shall be deemed to be incorporated herein with the same force and effect as if that provision had been set out at length herein; provided, further, that, to the extent any Option that is intended to qualify as an Incentive Stock Option cannot so qualify, that Option (to that extent) shall be deemed an Option not subject to section 422 of the Code for all purposes of the Plan.

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(i) Governing Law. All questions arising with respect to the provisions of the Plan and Awards shall be determined by application of the laws of the State of Delaware without giving effect to any conflict of law provisions thereof, except to the extent Delaware law is preempted by federal law. The obligation of the Company to sell and deliver Stock hereunder is subject to applicable federal and state laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

(j) Conditions to Delivery of Stock. Nothing herein or in any Award granted hereunder or any Award agreement shall require the Company to issue any shares with respect to any Award if that issuance would, in the opinion of counsel for the Company, constitute a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable statute or regulation, or the rules of any applicable securities exchange or securities association, as then in effect. At the time of any exercise of an Option or Stock Appreciation Right, or at the time of any grant of a Restricted Stock Award, Restricted Stock Unit, or other Award the Company may, as a condition precedent to the exercise of such Option or Stock Appreciation Right or settlement of any Restricted Stock Award, Restricted Stock Unit or other Award, require from the Participant (or in the event of his or her death, his or her legal representatives, heirs, legatees, or distributees) such written representations, if any, concerning the holder s intentions with regard to the retention or disposition of the shares of Stock being acquired pursuant to the Award and such written covenants and agreements, if any, as to the manner of disposal of such shares as, in the opinion of counsel to the Company, may be necessary to ensure that any disposition by that holder (or in the event of the holder s death, his or her legal representatives, heirs, legatees, or distributees) will not involve a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable state or federal statute or regulation, or any rule of any applicable securities exchange or securities association, as then in effect. No Option or Stock Appreciation Right shall be exercisable and no settlement of any Restricted Stock Award or Restricted Stock Unit shall occur with respect to a Participant unless and until the holder thereof shall have paid cash or property to, or performed services for, the Company or any of its Subsidiaries that the Committee believes is equal to or greater in value than the par value of the Stock subject to such Award.

(k) Section 409A of the Code. In the event that any Award granted pursuant to this Plan provides for a deferral of compensation within the meaning of the Nonqualified Deferred Compensation Rules, it is the general intention, but not the obligation, of the Company to design such Award to comply with the Nonqualified Deferred Compensation Rules and such Award should be interpreted accordingly. Neither this Section 10(k) nor any other provision of the Plan is or contains a representation to any Participant regarding the tax consequences of the grant, vesting, or sale of any Award (or the Stock underlying such Award) granted hereunder, and should not be interpreted as such.

(l) Clawback. This Plan is subject to any written clawback policies of the Company, whether in effect on the Effective Date or adopted, with the approval of the Board, following the Effective Date. Any such policy may subject a Participant s Awards and amounts paid or realized with respect to Awards under this Plan to reduction, cancelation, forfeiture or recoupment if certain specified events or wrongful conduct occur, including but not limited to an accounting restatement due to the Company s material noncompliance with financial reporting regulations or other events or wrongful conduct specified in any such clawback policy adopted to conform to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and rules promulgated thereunder by the Securities and Exchange Commission and that the Company determines should apply to this Plan.

(m) Plan Effective Date and Term. This Plan was adopted by the Board on August 7, 2014 and approved by the stockholders of the Company on , , to be effective on the Effective Date. No Awards may be granted under this Plan on and after the tenth anniversary of the Effective Date.

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Electronic Voting Instructions

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 11:59 p.m. MST November 19, 2014.

Vote by Internet

Go to **www.investorvote.com/FST**

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an x **X** as shown in this example. Please do not write outside the designated areas.

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

A Proposals **The Board of Directors recommends you vote FOR proposals 1, 2, 3, 4, 5 and 6.**

	For	Against	Abstain
1. Proposal to approve the issuance of 163,711,510 common shares and 1,664,249 Series A convertible common-equivalent preferred shares (convertible into 166,424,900 common shares) to Sabine Investor Holdings LLC and FR XI Onshore AIV, LLC, pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of May 5, 2014, and amended and restated as of July 9, 2014, by and among Sabine Investor Holdings LLC, FR XI Onshore AIV, LLC, Sabine Oil & Gas Holdings LLC, Sabine Oil & Gas Holdings II LLC, Sabine Oil & Gas LLC and Forest Oil Corporation, and to approve, in the event the authorized share proposal is not approved, the issuance of 1,137,113 Series B convertible common-equivalent preferred shares to Sabine Investor Holdings LLC and FR XI Onshore AIV, LLC in lieu of 113,711,300 common shares underlying such Series B convertible common-equivalent preferred shares.	¨	¨	¨
2. Proposal to approve an amendment to the Forest certificate of incorporation to increase the number of authorized Forest common shares to 650,000,000 shares.	¨	¨	¨

	For	Against	Abstain	+
3. Proposal to approve an amendment to the Forest certificate of incorporation to change the name of Forest to Sabine Oil & Gas Corporation.	¨	¨	¨	
4. Proposal to approve the adoption of the Forest Oil Corporation 2014 Long Term Incentive Plan (the 2014 LTIP).	¨	¨	¨	
5. A proposal to approve certain material terms of the 2014 LTIP for purposes of complying with the requirements of Section 162(m) of the Internal Revenue Code.	¨	¨	¨	
6. Proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the share issuance proposal or the authorized share proposal.	¨	¨	¨	

IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING.

B Non-Voting Items

Change of Address Please print new address below. **Comments** Please print your comments below.

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Note: Please sign exactly as your name or names appear hereon. When shares are held by more than one party, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership s name by authorized person.

Date (mm/dd/yyyy) Please print date below.	Signature 1 Please keep signature within the box.	Signature 2 Please keep signature within the box.
/ /		

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NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:

The Notice of Meeting and proxy statement are available at www.forestoil.com

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

Proxy FOREST OIL CORPORATION

707 17th Street, Suite 3600

Denver, Colorado 80202

Proxy Solicited on Behalf of the Board of Directors

The undersigned, revoking any proxy heretofore given for the meeting of the shareholders described on the reverse side of this card, hereby appoints Patrick R. McDonald, Victor A. Wind, and Richard W. Schelin, and each of them, as proxies, with full powers of substitution, to represent the undersigned at the special meeting of shareholders of Forest Oil Corporation to be held on November 20, 2014, and at any continuation, adjournment or postponement thereof, and to vote all shares that the undersigned would be entitled to vote if personally present as follows:

The shares represented by this proxy will be voted as directed herein. IF THIS PROXY IS DULY EXECUTED AND RETURNED, AND NO VOTING DIRECTIONS ARE GIVEN HEREIN, SUCH SHARES WILL BE VOTED FOR APPROVAL OF ITEMS 1, 2, 3, 4, 5 AND 6.

The undersigned hereby acknowledges receipt of notice of, and the proxy statement for, the aforesaid special meeting of shareholders.

(Continued and to be signed and dated on the reverse side.)

Please complete, sign, date and mail your proxy card in the postage-paid envelope provided as soon as possible.