

Edgar Filing: FOREST OIL CORP - Form 425

FOREST OIL CORP  
Form 425  
May 13, 2014

Filed by Sabine Oil & Gas LLC

Pursuant to Rule 425 of the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: Forest Oil Corporation

Commission File No.: 001-13515

Sabine Oil & Gas LLC posted the following investor presentation to its website on May 13, 2014:

Combination of Sabine Oil & Gas LLC and  
Forest Oil Corporation  
May 6, 2014

Forward Looking Statements

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**PARTICIPANTS  
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NOTE

REGARDING  
FORWARD-LOOKING  
STATEMENTS

This document contains forward-looking statements concerning the proposed transactions, its financial and business impact, management's beliefs and objectives with respect thereto, and management's current expectations for future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements are all statements other than statements

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»  
All-stock strategic combination between Sabine Oil & Gas LLC ( Sabine ) and  
Forest Oil Corporation ( Forest  
or FST ) under a newly incorporated public  
holding company, Sabine Oil & Gas Corporation ( SABO ), expected to be listed on  
the NYSE

»

Company headquarters  
Houston, Texas

»

Each Forest share to be exchanged for 0.1 shares of SABO

Designed to replicate a 10 for 1 reverse stock split

»

Former Sabine unitholders to own 73.5% of pro forma shares

»

Former Forest shareholders to own 26.5% of pro forma shares

»

Board representation proportional to ownership interest

6 current Sabine directors, 2 current Forest directors

C-Suite Team from Sabine

David Sambrooks  
Chairman and Chief Executive Officer

Shane Bayless  
Chief Financial Officer

Todd Levesque  
Chief Operating Officer

»

Approval by Forest shareholders

»

Customary regulatory approvals

»

Closing expected in late Q3 / early Q4

Transaction Summary

2

Transaction

Overview

Consideration

Board /

Management

Key

Conditions

/

Timing

- » Extensive overlap in top two asset areas: East Texas and Eagle Ford
- » Creates a leading East Texas position of ~207,000 net acres

Compelling  
inventory

of  
high  
return,  
liquids-rich  
Cotton  
Valley  
Sand  
opportunities

Significant  
inventory  
of  
Haynesville  
drilling  
opportunities  
with  
compelling  
current  
economics  
and  
significant  
upside  
value

»  
Complementary positions in the Eagle Ford, creating significant scale of ~65,000 net acres

Sabine s Eagle Ford results top 10% in the industry in 2013

»  
Combined  
12/31/13  
proved  
reserves  
of  
1.5  
Tcfe  
(71%  
gas)  
and  
2014E  
production  
of  
~345  
Mmcfed  
(65%  
gas)  
based  
on  
based  
on  
respective

company  
guidance

»  
Substantial production and cash flow growth

Over 20% pro forma 2014E production growth

»  
Cost savings from reduced overhead and streamlined operations

»  
Ability to optimize capital allocation on \$800 -  
\$825 million capital program

»  
Will apply top tier operational results across portfolio

»  
Liquidity to fund drilling program through 2015 without accessing capital markets

»  
Clear path to improving balance sheet through property divestments and optimized capital  
allocation -  
to be implemented as a top priority

»  
First Reserve, an energy-focused private equity firm, remains a controlling shareholder

Strategic Rationale

3

Complementary

Asset Positions

Scale and

Growth

Operating

Synergies

Capitalization



Leadership

4

David Sambrooks  
Chief Executive Officer

Former Vice President and General Manager of Devon Energy Corporation's Southern Division and prior to that,

their International Division

Over his thirty-four years of experience, held various executive, business development and engineering positions with Sun Oil Company / Oryx Energy and Santa Fe Energy Resources / Santa Fe Snyder Corporation

Bachelor of Science degree in Mechanical Engineering from the University of Texas at Austin and a Master of Business Administration from the Executive Program at the University of Houston

Shane Bayless

Executive Vice President and  
Chief Financial Officer

Former Executive Vice President -  
Chief Financial Officer and Treasurer with Petrohawk Energy

Over his twenty-four years of experience, held various executive and senior positions with 3TEC Energy, Encore Acquisition Company, Hugoton Energy and Ernst & Young

Bachelor of Science in Accounting from Wichita State University and a Certified Public Accountant

Todd Levesque

Executive Vice President and  
Chief Operating Officer

Previously served as Senior Vice President of Engineering and Development of Sabine

Over  
his  
twenty-two  
years  
of  
experience,  
held  
various  
engineering  
and  
management  
positions  
with  
Devon/Ocean  
Energy,  
Burlington  
Resources  
and  
Amerada  
Hess

Bachelor of Science degree in Petroleum Engineering from Texas A&M University

»

The combined company's management team has been together since Sabine's formation in 2007, delivering top-tier well results and production/cash flow/asset growth

TEXAS  
OKLAHOMA  
LOUISIANA  
MISSISSIPPI  
Sabine Acreage                      Forest Acreage  
Complementary Asset Footprints  
5

1

Daily production representative of 1Q 2014 production

2

Does not include additional acreage in North Louisiana or ~71,000 DK exploratory net acres in East Texas

Map of Acreage Position

(1)

~64,500 net acres

74 Mmcfe/d (31% gas)

Gonzales

DeWitt

Lavaca

Karnes

Wilson

Eagle Ford

A R K A N S A S

Arkoma

Mississippi

~207,000

net

acres

(2)

178

Mmcfe/d

(81%

gas)

Panola

De Soto

Caddo

Rusk

Gregg

Smith

Cherokee

Upshur

Marion

Harrison

East Texas

Combined Total

»

~424,000 net acres

»

~290 Mmcfe/d current  
production (67% gas)

»

1,464 Bcfe proved  
reserves (61% PD; 71%  
gas)

»

Creates one of the largest East Texas positions with concentrated and contiguous acreage  
Granite Wash

~33,500 net acres

15 Mmcfe/d (29% gas)  
Permian Basin

~60,250 net acres

No material production

~35,000 net acres

22 Mmcfe/d (100% gas)

~14,600 net acres

No current production

Pro Forma Asset Profile

6

FY2014E Production Guidance

Proved Reserves

(1)

Acreage (in thousands)

Bcfe

Mmcfe/d

Net acres

(70%)

(30%)

(73%)

(27%)

(71%)

(29%)

(65%)

(35%)

(35%)

(65%)

(65%)

(35%)

1

As of 12/31/13

2

Per current guidance

3

Represents combination of current standalone guidance from Forest and Sabine management

4

Does not include additional ~71,000 DK net acres in East Texas

5

Excludes East Texas acreage

(2)

(3)

(4)

(5)

(2)

Pro Forma Asset Profile Versus Comps

7

2014E Production

(2)

Proved Reserves

(1)

Bcfe



MMcfe/d

»

Combined company gains significant scale; aligns with gas-weighted peers with focus on East Texas

134% proved

reserve increase

to Forest

176% 2014E

production increase

to Forest

% Gas

75%

61%

94%

40%

71%

90%

70%

39%

73%

31%

77%

44%

11%

1

Per company press releases and SEC filings. Reserves data includes most recent information released by listed companies

2

Peers 2014E production per FactSet estimates. Sabine and Forest 2014E production per Sabine and Forest guidance

3

Percent gas per latest daily production from company press releases and SEC filings

(3)

% Gas

79%

63%

93%

89%

37%

67%

67%

74%

42%

32%

48%

13%

68%

Industry Leading East Texas Position

8

Acreage Location

Asset Overview

»

Combination

creates

large,  
contiguous  
acreage  
position  
providing  
critical  
mass  
in  
region

»

Evolving completion techniques, lower costs and improving gas prices leading to better economics and increased activity

»

Multi-play basin with opportunities in the Cotton Valley (multiple benches), Haynesville, Bossier, Pettet and Travis Peak

»

2013  
Combined  
Cotton  
Valley  
Sand  
Program

11  
wells

»

2013  
Sabine  
Haynesville  
Program

7  
wells

»

2014 Plans

Currently running four rigs in liquids-rich Cotton Valley play

Test new Haynesville well design, \$700k potential capital savings

Evaluating drilling program for combined company, potential for increased activity

East Texas has been a core asset for Sabine and Forest. With current gas prices and increased activity, this area will provide significant production and reserve growth.

Sabine Acreage                      Forest Acreage

(1)

1

Strip pricing as of 4/29/14

Program Economics

\$4/\$90

Strip

Rate of Return

27%

36%

PV10 per well (\$ millions)

\$4.3

\$5.6

F&D (\$/mcfe)

\$1.23

Commodity Pricing

Program Economics

\$4/\$90

Strip

Rate of Return

17%

26%

PV10 per well (\$ millions)

\$1.7

\$3.4

F&D (\$/mcfe)

Commodity Pricing

\$1.54

(1)

24-hr IP (Mmcfe/d)

11.0

30-day IP (Mmcfe/d)

9.5

% Liquids

34%

EUR (Bcfe)

9.2

Well Cost (\$ millions)

\$8.8

24-hr IP (Mmcfe/d)

10.4

30-day IP (Mmcfe/d)

9.7

% Liquids

7%

EUR (Bcfe)

8.0

Well Cost (\$ millions)

\$9.3

Texas

Industry Leading Performance

9

Cotton Valley

Incorporated Haynesville designs into CV  
completion

Higher perf cluster density

Tighter frac stage spacing

Higher fluid and proppant volumes  
Haynesville

More economical proppant, reduced  
chemical usage has offset cost impact of  
larger stimulations

Note: Industry results represent entire Cotton Valley and Haynesville plays, respectively.

»

Advanced completion design  
relative to most in industry,  
improving well performance

»

Plan to apply Sabine's completion  
design across combined company

»

Experience: With almost 70 CV  
completions combined, knowledge to  
high-grade acreage

»

Latest Sabine performance on-par with  
NLA Haynesville core

-

with lower cost  
structure

»

Tighter perf clusters, frac stages, utilizing  
zipper  
fracs

»

Higher stimulation volumes

»

Deeper landing point in reservoir, contacts  
more rock

Significant Eagle Ford Position

10

Acreage Overview

Asset Overview

»

Sabine's results have extended the best part of the Eagle Ford trend further northeast, with results comparable to core players

»  
Sabine acreage is generally in the gas-condensate window

Higher pressures and gas reservoirs improve recoveries

Best wells are in this part of the hydrocarbon envelope

»  
Forest acreage subject to Schlumberger agreement whereby Schlumberger receives a 50% working interest in Forest's Eagle Ford assets in exchange for a \$90 million drilling carry

\$29 million of carry remaining as of 12/31/13

»  
Leveraging experience from Haynesville resource development and targeting of Upper Eagle Ford to generate superior results

»  
2013 Sabine Shiner Area Eagle Ford Program

10 wells

»  
2014 Plans

Currently operating four rigs in DeWitt/Lavaca and two rigs in Gonzales

Greater scale allows for combined company to evaluate opportunity to shift more capital to East Texas

Devon (former

GeoSouthern)

Penn Virginia

Sabine acreage borders Devon and Penn Virginia, with comparable results. Devon/GeoSouthern sale and recent PVA stock rally are additional positive indications of industry/market view of this part of Eagle Ford play.

Sabine Shiner

Area

Sabine

Sugarkane Area

Sabine Acreage	Forest Acreage
----------------	----------------

1

Strip pricing as of 4/29/14

(1)

Program Economics

\$4/\$90

Strip

Rate of Return

27%

34%

PV10 per well (\$ millions)

\$2.4

\$2.8



F&D (\$/boe)  
Commodity Pricing  
\$19.29  
24-hr IP (Boe/d)  
1,772  
30-day IP (Boe/d)  
1,331  
% Liquids  
78%  
EUR (Mboe)  
723  
Well Cost (\$ millions)  
\$10.6  
Texas

Eagle Ford Performance

11

»

In northern DeWitt and Lavaca counties, Sabine has validated that the upper Eagle Ford has excellent productivity

»

Also unique to industry, Sabine brought its Haynesville completion experience to the Eagle Ford

Tighter perf cluster, frac stage spacing

Hybrid fluid design with emphasis on high volumes of slick water

Lower strength proppant to reduce cost

Less expensive proppant and reduced chemicals helps offset cost of additional stimulation volumes

»

Optimal landing point coupled with significant stimulated rock volume translates into shallower production declines

Operators in Lower Eagle Ford tout higher 24-hour IP's, but first year production for Sabine wells is comparable

Note: Industry results represent entire Eagle Ford Play

Note: Industry results represent entire Eagle Ford Play

Source: HPDI Data for industry wells. Internal production estimates for Sabine

Top 25 Operators

Top 25

Operators

(# of wells)

(# of wells)



High Return Granite Wash Position

12

Acreage Overview

Asset Overview

Outstanding productivity, with 8 of 17 horizontals producing (or projected to produce) in excess of 200 Mboe in first year

Two recent wells projected at 300-350 Mboe in first year

(~

60%

oil)

Two years of identified drilling locations, with potential for up to 200 locations depending on western delineation results

Wells to date have exhibited extremely strong economics, often paying out in under a year

»

Sabine 2013 Program Results

5 wells

»

2014 Plans

2014 development plan: Running 2 rigs, balance of low-risk development locations with measured step-out tests to the west. Mesa Vista and Lard Ranch have been extensions on-trend with several large Granite Wash developments. With the shallower depth, Mesa Vista also has a higher oil content.

1

Strip pricing as of 4/29/14

(1)

Program Economics

\$4/\$90

Strip

Rate of Return

>100%

>100%

PV10 per well (\$ millions)

\$5.3

\$5.7  
F&D (\$/boe)  
Commodity Pricing  
\$15.20  
24-hr IP (Boe/d)  
1,561  
30-day IP (Boe/d)  
1,142  
% Liquids  
76%  
EUR (Mboe)  
674

Well Cost (\$ millions)  
\$8.1

Lard Ranch Field (2005)  
Cum: 13.9 MMBOE (21% Oil)

Hemphill Field (1963)  
Cum: 169.5 MMBOE (8% Oil)

Mendota Field (1964)  
Cum: 130.1 MMBOE (13% Oil)

Buffalo Wallow Field (1969)  
Cum: 286.1 MMBOE (4% Oil)

Stiles Ranch Field (1979)  
Cum: 170.2 MMBOE (11% Oil)

Mesa Vista (2011)  
Cum: 2 MMBOE (49% Oil)

»

Sabine operates ~ 33,500 net acres in oil window of play,  
shallowest part of Granite Wash trend

»

Sabine is currently testing the western extent of the  
Granite Wash, which could represent material upside to  
the inventory count on this position

(\$ in millions)

Q1 2014

Q1 2014

Sabine

Forest

Pro Forma

Cash

\$1  
 \$48  
 \$49  
 Revolving Credit Facility  
 \$355  
 -  
 \$376  
 2nd Lien Term Loan due 2018  
 650  
 -  
 650  
 Senior Unsecured Notes due 2017  
 350  
 -  
 350  
 Senior Unsecured Notes due 2019  
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 \$578  
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 -  
 New Senior Notes  
 -  
 -  
 850  
 Total Debt  
 \$1,355  
 \$800  
 \$2,226  
 Book Equity  
 199  
 35  
 365  
 Total Book Capitalization  
 \$1,554  
 \$835  
 \$2,592  
 LTM 3/31/14 EBITDA  
 \$313  
 \$169  
 \$482  
 Proved Reserves (Bcfe)  
 839  
 625  
 1,464  
 % Liquids  
 30%  
 27%



29%
Proved Developed Reserves (Bcfe)
466
414
881
Latest Daily Production (Mmcfe/d)
185
105
290
Credit Statistics
Debt / LTM EBITDA
4.3x
4.7x
4.6x
Debt / Proved Reserves (\$/mcfe)
\$1.61
\$1.28
\$1.52
Debt / PD Reserves (\$/mcfe)
\$2.91
\$1.93
\$2.53
Debt / Latest Daily Prod. (\$/mcfe/d)
\$7,339
\$7,609
\$7,683
Liquidity
Cash
\$1
\$48
\$49
Revolver Borrowing Base
\$700
\$300
\$1,000
Amount Drawn
(355)
0
(376)
Total Liquidity
\$346
\$348
\$673
Financing Highlights and Pro Forma Capitalization
13
Capitalization Table
Financing Highlights
(2)
(3)
1

Forest pro forma for 2013 divestitures

2

Reserves as of 12/31/13

3

Average 1Q 2014 production

(2)

(1)

2014 Financial Guidance

14

Pro Forma Combined 2014E Guidance

Low

-

High

Midpoint

Production:

Natural Gas (Mmcf/d)

212

-

234

223

Oil (Bbl/d)

10,731

-

11,860

11,296

Natural Gas Liquids (Bbl/d)

8,552

-

9,452

9,002

Total Production (Mmcf/d)

328

-

362

345

Total Production (Mboe/d)

55

-

60

58

Operating Expenses:

Lease Operating / Workover Expense

\$0.75

-

\$0.85

\$0.80

Marketing, Transportation, Processing

\$0.25

-

\$0.35

\$0.30

Production & Ad Valorem Taxes

(1)

\$0.35

-

\$0.40

\$0.38

General & Administrative Expense

\$0.39

-

\$0.44

\$0.42

Total Operating Expense (\$ / Mcfe)

\$1.74

-

\$2.04

\$1.89

Capex:

Total Capex (\$ millions)

\$800

-

\$825

1

Production taxes assume price deck of \$3.50/Mcf gas and \$85/Bbl oil.

Conclusions

15

»

Extensive overlap in top two asset areas: East Texas and Eagle Ford

»

Creates a leading East Texas position of ~207,000 net acres

Compelling inventory of high return, liquids-rich Cotton Valley Sand opportunities

Significant  
inventory  
of  
Haynesville  
drilling  
opportunities  
with  
compelling  
current  
economics  
and  
significant  
upside  
value

»  
Complementary positions in the Eagle Ford, creating significant scale of ~65,000 net acres

Sabine s Eagle Ford results top 10% in the industry in 2013

»  
Combined  
12/31/13  
proved  
reserves  
of  
1.5  
Tcfe  
(71%  
gas)  
and  
2014E  
production  
of  
~345  
Mmcfed  
(65%  
gas)  
based  
on  
based  
on  
respective  
company  
guidance

»  
Substantial production and cash flow growth

Over 20% pro forma 2014E production growth

»

Cost savings from reduced overhead and streamlined operations

»

Ability

to

optimize

capital

allocation

on

\$800

-

\$825

million

capital

program

»

Will apply top tier operational results across portfolio

»

Liquidity to fund drilling program through 2015 without accessing capital markets

»

Clear path to improving balance sheet through property divestments and optimized capital allocation -

to be implemented as a top priority

»

First Reserve, an energy-focused private equity firm, remains a controlling shareholder

Complementary

Asset

Positions

Scale and

Growth

Operating

Synergies

Capitalization





Last Closing Date Transaction Step  
Forest's existing 7.25% Senior Notes due 2019  
(the Forest 2019 Notes ).  
Forest's existing 7.5% Senior Notes due 2020  
(the Forest 2020 Notes ).  
Sabine's existing Second Lien Term  
Loan Due 2018 (the Sabine

Second Lien Term Loan ).  
Sabine s existing 9.75% Senior  
Notes due 2017 (the Sabine 2017  
Notes ).  
Shareholders  
Sabine Oil &  
Gas Holdings  
II LLC  
Sabine Oil &  
Gas LLC  
Forest Oil  
Corporation  
(1) SOGH II and Sabine O&G will  
be merged with and into Forest  
Oil Corporation, with Forest Oil  
Corporation surviving.  
Sabine Oil & Gas  
Holdings LLC  
Sabine  
Oil  
&  
Gas  
Corporation  
( SABO ) (formerly  
New  
Forest  
Oil  
Inc.)

Resulting Debt Structure After Closing Date Transactions  
Forest and Sabine  
Subsidiaries  
(3)  
/Assets  
New  
\$1,000 MM Borrowing Base Revolving Credit Facility

Existing

\$578 MM Forest 2019 Notes

(2)

\$222 MM Forest 2020 Notes

(2)

\$650 MM Sabine Second Lien Term Loan

\$350 MM Sabine 2017 Notes

Forest Oil

Corporation

(1)

(1)

Assumes only existing revolvers are replaced on closing date.

(2)

Change of Control tripped; put right exists; backstop financing commitments are in place for put.

(3)

Guarantors of Forest Oil Corporation debt, subject to certain exceptions.

Shareholders

Sabine Oil & Gas

Corporation

( SABO ) (formerly

New Forest Oil Inc.)

Sabine Oil & Gas

Holdings LLC

(former holdco of

Sabine Oil & Gas

LLC)