# TABLE OF CONTENTS



*This year's annual report theme "Creating Tangible Value Over Time," highlights the amount of manpower, capital and time needed to create tangible value. As you read Forest's annual report, take a look at the various oil and gas and historic non-energy related projects which have stood the test of time and created tangible value.*

This Annual Report includes forward-looking statements within the meaning of Section 27A of the securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that expected results will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include the timing and extent of changes in commodity prices for oil and gas, operating risks and other risk factors as described in the Company's 1999 Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

# CORPORATE PROFILE

Forest Oil Corporation and its subsidiaries are engaged in the acquisition, exploration, development, production and marketing of natural gas and liquids throughout North America and selected international locations. Forest was incorporated in New York in 1924, the successor to a company formed in 1916, and has been a publicly held company since 1969. The Anschutz Corporation, a private Denver-based corporation, owns approximately 37 percent of the Company's common stock.

Forest operates from production offices located in Lafayette, Louisiana; Denver, Colorado; and Calgary, Alberta and runs its international business (other than Canada) from an office located in Houston, Texas. Forest's corporate headquarters is located in Denver.

Forest's estimated proved reserves were 718 Bcfe at December 31, 1999, of which approximately 73 percent was natural gas. The gas/oil mix of our reserves is unchanged from the prior year. As of December 31, 1999, our estimated proved developed reserves were approximately 81 percent of total estimated proved reserves.

Forest operates in five business units: onshore and offshore Gulf of Mexico, the Western U.S., Canada and other international locations. Forest's principal reserves and producing properties are all located in North America. At December 31, 1999, approximately 73 percent of our oil and gas reserves were in the United States and approximately 27 percent were in Canada.

*The employees of Forest Oil Corporation dedicate this year's annual report to William L. Dorn.*

*William ("Bill") L. Dorn began his business career as a scout for Forest Oil Corporation, which was founded by his grandfather, Forest Dale Dorn, in 1916. Bill worked for the company for 27 years rising through the ranks to the position of Chairman of the Board. He led the company during some of its most challenging times when difficult decisions needed to be made. His singular goal was to do what was always in the best interest of the corporation, knowing if he followed this standard he would make choices which would accrue to the benefit of the company's shareholders, its employees, its communities and his family.*

*Throughout his career Bill Dorn's distinguishing characteristic was his ability to manage people by building strong personal relationships based in compassion, trust and commitment. He is part of the fabric of Forest Oil Corporation today and, while his presence and leadership will be missed, his legacy is a lasting part of the heritage of the company.*

**WILLIAM L. DORN**
*December 1, 1948 - February 12, 2000*
*Chairman of the Board 1993-2000*

*Fellow Shareholders:*

The theme of this year's annual report embodies the essence of Forest Oil Corporation's efforts of "Creating Tangible Value Over Time." There are no shortcuts to success. Creating tangible value takes vision, energy, time and commitment.

I have worked in the oil and gas industry for the past 30 years, but I never cease to be amazed by the diverse macro factors that affect our business. In 1998, the Federal government correctly identified the nation's energy objectives as "clean, reliable, low cost" fuel. Yet, it is currently lobbying OPEC to increase production for imports that are neither clean, reliable, nor low cost. At the same time, it is limiting access to Federal lands for exploration and imposing more regulations on the domestic E&P industry. These actions have the effect of discouraging development of the nation's considerable natural gas resource base.

Recently, we have also seen a transfer of capital from the basic industries of the economy into the rapidly growing Internet economy. The velocity and magnitude of this transfer of capital have created valuation anomalies in both elements of the economy that at some point will require a rationalization that has both short-term and long-term implications. Stock valuations for independent exploration companies are at all-time lows while product prices and underlying asset valuations are reaching highs not seen since the 1991 Gulf war.

At the beginning of 1999, oil prices were at a 10-year low on an absolute basis and at a 30-year low on a real basis. Gas prices were also running lower than the average for the prior three years due principally to warmer than normal winter weather and high storage levels. In light of these general industry and economic conditions, we determined that our best course of action in fiscal 1999 was to make investments that would position our Company for what we believe will be an attractive longer term market for our industry. In this environment, Forest reduced its capital expenditures, focused on improving earnings and cashflow, but continued building its acreage and scientific databases in its focus areas in anticipation of eventual improvement in markets. As the year progressed, the prices for oil and gas improved and we expanded our capital budget in response. A substantial portion of the increase was expended on frontier plays which, if successful, will provide Forest with an inventory of development projects to bring on line during better markets and further boost Forest's position in these areas of high resource potential. Forest made great strides this year on a number of fronts that should position it well for the anticipated 30 Tcf market in the United States by 2010 and a burgeoning demand for natural gas worldwide.

We are pleased to report that these strategies are beginning to pay off. In the Northwest Territories and the Alberta Foothills, two of the highest potential and most prolific gas plays in North America, we made discoveries that will provide significant development opportunities for several years into the future and production in 2000.

Forest has established one of the largest acreage positions in the Northwest Territories, an area that had been under a 25-year leasing moratorium. Prior to the moratorium, large natural gas discoveries were recorded in this area from relatively few exploration wells. In the southern part of the Northwest Territories on the Liard Plateau, four discoveries have been reported recently that industry estimates may have a trillion cubic feet of natural gas associated with them. Forest has interests associated with two of these discoveries. Importantly, Forest has a net acreage position of roughly 117,000 acres surrounding these discoveries. We have identified eleven additional prospects on frontier lands and have developed numerous leads on this acreage that may be ready for exploration this year. Forest's early participation in this area has given us a substantial lead on the industry from a knowledge standpoint. We have begun construction on a pipeline, in which we have a 30 percent interest, to hook up three of the industry's discoveries, including one of ours, for production this year.

In the Alberta Foothills, Forest had significant discoveries on its Narraway and Cutpick prospects in 1999. We have interests in 91 sections of land along the fairway of these two foothills plays that should provide a significant number of drilling locations for several years in the future. Pipeline permits and construction activities have commenced to hook up these discoveries this year and an active development drilling program is underway. Forest has also developed a suite of exploration prospects along the Canadian foothills which, upon commencement of the Alliance pipeline service in late 2000, will give us access to every major natural gas market in North America.

The Gulf of Mexico is a historic focus area for Forest. The Company has explored offshore since 1954 and the Gulf of Mexico continues to generate one of the highest rates of return for our exploration efforts. During 1999, Forest had six discoveries, representing a 75 percent success rate, and we grew and replaced production while plowing back only 41 percent of the cash flow generated by the Offshore Unit. We intend to increase our investment in this area during 2000 to capture the market's favorable natural gas prices. Our onshore efforts consisted principally of development and recompletion efforts around existing fields along the coast. Successes at our McAllen and Katy Fields in Texas were offset by disappointments in our Louisiana fields where recovery and production rates were less than expected. We intend to focus on McAllen Ranch and Katy Fields in 2000 and emphasize deeper exploration efforts along the Louisiana coast.

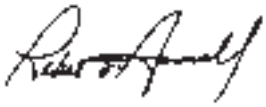
In the Western Sedimentary Basin of the United States, Forest has been pursuing conventional natural gas plays in the Green River Basin. Shortly after the first of this year, we announced a discovery at our Elm Prospect that at the time of this letter had tested production of 12.1 MMcfd from four of the seven estimated productive sections of this well. The additional sections will be tested over the course of the first quarter; there may be as many as three offset locations to this discovery. Forest has also initiated an active exploration program on the western side of the Moxa Arch, where we recently completed a 3-D interpretation over our 50,000-acre position.

Forest has also been developing a new dimension, an international exploration effort that should provide excellent returns and growth over time. We have an exciting array of principally natural gas oriented prospects in areas where there are established or developing markets for natural gas. Forest's international concessions, which were purchased in mid-1998, are generally in politically stable areas and contain fiscal terms conducive to exploration and development. Forest has focused first on those prospects where the reserve potential is relatively large, the exploration risk moderate, and the capital costs low compared with the economic potential. The advent of various gas conversion technologies, ranging from gas-to-power to gas-to-liquids, are making the economics of international natural gas exploration and development increasingly attractive.

*"There are no short cuts to success. Creating **tangible value** takes vision, energy, **time** and **commitment.**"*

Finally, with deep sorrow, we dedicate this annual report to William L. Dorn, our Chairman, who passed away in February of this year. Bill Dorn successfully led this Company, founded by his grandfather, through many challenging times always with a view of what could be. He was a beloved colleague, a compassionate manager, and an instrumental part of the history of this Company. His presence will be missed by all who knew and worked with him at Forest Oil Corporation.

Sincerely,



**ROBERT S. BOSWELL**
Chairman and Chief Executive Officer

Forest's business strategy is to focus on exploration and development of gas properties located in North America and selected international locations. The investment Forest is making today carries the long-term expectations of creating value for each shareholder. Recognizing that the creation of value in the oil and gas business occurs in long cycle times, Forest's management has implemented the following strategy.

### *Emphasis on Natural Gas*

We believe that the natural gas demand will continue to increase throughout North America and the world, and that natural gas will continue to gain market share over other fuels supplying energy to the United States. As a result, our choice is to focus our business efforts on exploring for natural gas in North America. We believe a geographically diverse holding lowers the risk associated with exploration activities and further exposes us to the higher upside associated with a diversified number of plays in the areas of greatest commercial gas potential. In addition, with gas demand growing internationally, we have started an International Business Unit to target large gas reserves in selected countries.

### *Focused Exploration as a Driver of Growth*

We are committed to our exploration program as a source of growth. We seek to balance higher risk exploration activities in Canada and the Western United States with lower risk exploration activities in the Gulf of Mexico and the Gulf Coast. Our North American undeveloped acreage increased significantly over the past three years to 2.0 million gross acres (approximately 0.9 million net) as of December 31, 1999. This acreage position has allowed us to develop a substantial prospect inventory. In addition, our international acreage position as of December 31, 1999, is 21.7 million gross undeveloped acres in eight countries.

In Canada, we have established a large acreage position and have developed a significant prospect portfolio in the emerging exploration plays in the Northwest Territories and the Alberta Foothills. We focus on opportunities that utilize proven technologies to identify deep thrust and fold structures as well as other deep stratigraphic plays. With recent advancements in seismic application and downhole drilling techniques, we can more easily identify and reach optimal drilling targets in these types of structures.

In the Gulf of Mexico and the Gulf Coast, we focus on exploration opportunities in areas where we have an extensive infrastructure. Our exploration activities in these areas rely heavily on advanced technologies such as new drilling and 3-D seismic processing techniques. We identify drilling targets by processing data and correlating it to information from existing production and geological data. Such information includes our regional and local geologic models and available well control. This methodology has resulted in significant discoveries by allowing us to explore deeper in existing producing fields.

### *Targeted Acquisitions to Expand Exploration Opportunities*

In both the United States and Canada, we periodically acquire producing oil and gas properties with exploration prospects consistent with our defined exploration strategy. We selectively target acquisitions when market factors are favorable or when we have identified an emerging trend that has not yet been broadly recognized.

### *Control of Operations*

We emphasize control of operations in our core operating areas and in our evaluation of acquisition opportunities. As operator, we are in a better position to control the timing and costs of drilling operations. This allows us to increase margins and optimize the net present value of our capital investments.

We also seek to be a major participant in each of our core operating areas. This allows us to evaluate opportunities generated by other parties more effectively and to focus and use the expertise of our technical staff more efficiently.

### *Preservation of Financial Flexibility*

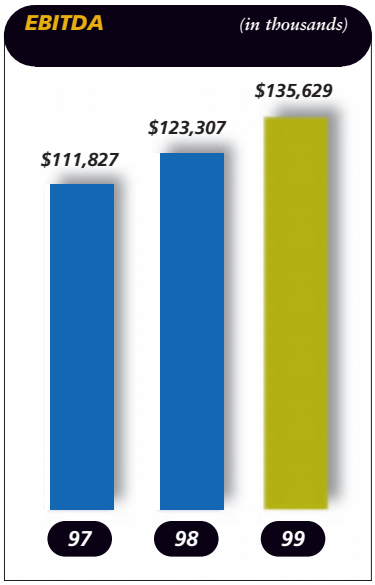
We emphasize maintaining a strong balance sheet in order to provide operating and financial flexibility. Following our successful stock offering in August 1999, we reduced the outstanding balance of our credit facility by $130 million. We also continue to sell properties that are non-strategic to Forest. From 1995 through 1999, Forest attracted a total of approximately $520 million of equity through the issuance of common stock.

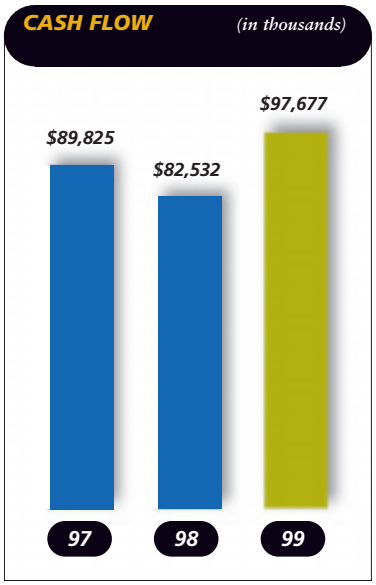
# SELECTED FINANCIAL AND OPERATING DATA

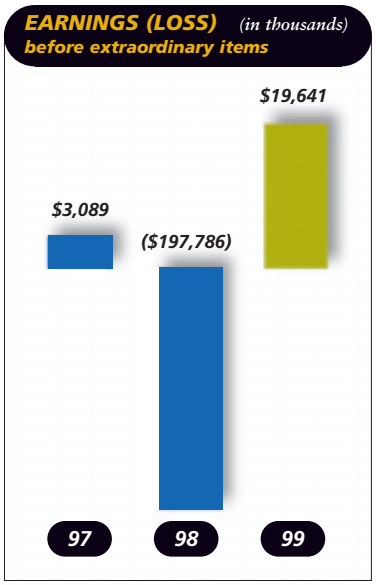
| *(Dollars and share amounts in thousands)* | | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| ***OPERATIONS*** | | | | | | |
| Total Revenue | $ | 357,258 | 321,819 | 339,641 | 316,087 | 82,275 |
| Oil and Gas Sales | $ | 190,975 | 170,740 | 155,242 | 128,713 | 82,275 |
| Net Earnings (Loss) | $ | 19,043 | (191,950) | (9,270) | 3,305 | (17,996) |
| Basic Earnings (Loss) Per Share | $ | 0.40 | (4.68) | (0.28) | 0.05 | (2.74) |
| Diluted Earnings (Loss) Per Share | $ | 0.40 | (4.68) | (0.27) | 0.05 | (2.74) |
| ***WEIGHTED AVERAGE COMMON SHARES OUTSTANDING*** | | 47,943 | 40,910 | 33,669 | 25,062 | 7,360 |
| ***BALANCE SHEET DATA*** | | | | | | |
| Current Assets | $ | 71,358 | 61,376 | 88,560 | 69,084 | 23,239 |
| Total Assets | $ | 800,052 | 759,736 | 647,782 | 563,458 | 321,043 |
| Long-Term Debt | $ | 371,680 | 505,450 | 254,760 | 168,859 | 193,879 |
| Shareholders' Equity | $ | 318,984 | 168,991 | 261,827 | 242,443 | 44,297 |
| ***PROVED RESERVES*** | | | | | | |
| Natural Gas (MMcf) | | 525,007 | 564,264 | 378,315 | 337,250 | 238,128 |
| Liquids (MBbls) | | 32,127 | 35,069 | 24,636 | 24,014 | 10,541 |
| Total (Bcfe) | | 718 | 775 | 526 | 481 | 301 |
| ***FUTURE NET CASH FLOWS*** | | | | | | |
| Discounted Future Net Cash Flows Relating to Proved Reserves | $ | 650,093 | 522,831 | 439,570 | 562,995 | 265,393 |
| ***PRODUCTION*** | | | | | | |
| Natural Gas (MMcf) | | 61,702 | 62,310 | 49,035 | 42,496 | 33,342 |
| Liquids (MBbls) | | 4,397 | 4,269 | 3,207 | 2,749 | 1,173 |
| Total (Bcfe) | | 88 | 88 | 68 | 59 | 40 |
| ***DRILLING ACTIVITY (NET)*** | | | | | | |
| Exploratory Wells - Productive | | 6.7 | 5.4 | 9.3 | 4.9 | 0.3 |
| Exploratory Wells - Dry | | 4.1 | 9.9 | 5.3 | 4.9 | 1.3 |
| Development Wells - Productive | | 5.1 | 12.6 | 25.5 | 21.8 | 0.6 |
| Development Wells - Dry | | – | 2.0 | 11.3 | 1.4 | – |
| ***UNDEVELOPED ACREAGE*** | | | | | | |
| Gross Acres | | 23,753,623 | 21,219,541 | 1,499,682 | 691,815 | 172,354 |
| Net Acres | | 16,282,394 | 17,980,782 | 523,783 | 252,585 | 83,006 |
| ***CORPORATE DATA*** | | | | | | |
| Number of Employees | | 272 | 274 | 267 | 243 | 173 |
| Number of Shareholders of Record | | 1,465 | 1,568 | 1,643 | 1,735 | 1,969 |

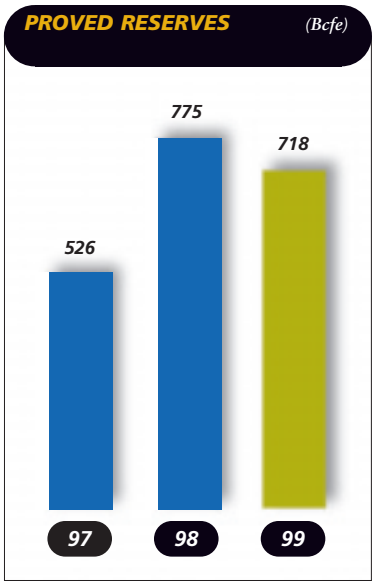
Many terms used in this annual report are unique to the oil and gas business. Listed below are several terms used in this annual report:

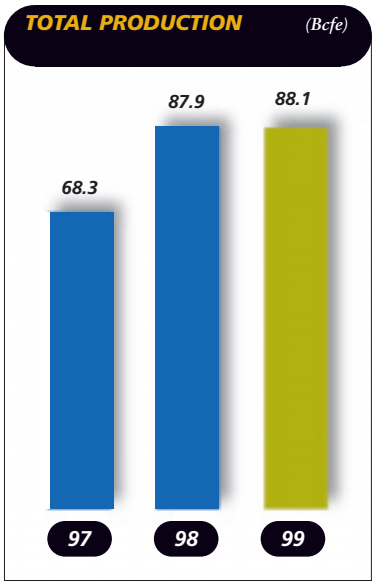
| | |
|---|---|
| Bbls, MBbls and MMBbls | Barrels, thousands and millions of barrels of oil, condensate or natural gas liquids |
| Mcf, MMcf, Bcf and Tcf | Thousand, million, billion and trillion cubic feet of natural gas |
| Mcfe, Mmcfe, Bcfe and Tcfe | Thousand, million, billion and trillion equivalent cubic feet of natural gas (1 barrel of oil = 6 mcf of natural gas) |
| WI | Working Interest |

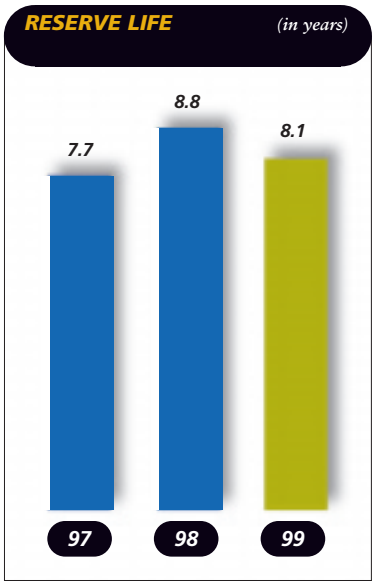



**EBITDA** - *(earnings before interest, taxes, depreciation, depletion and amortization and translation gains or losses): A measure of cash flow that attempts to measure a company's ability to incur and service debt.*

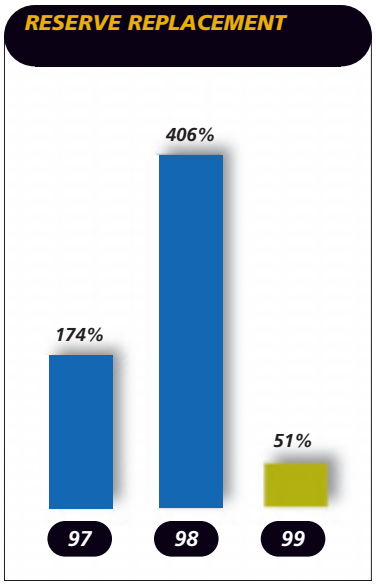
**CASH FLOW** - *A measure of a company's ability to generate funds internally to reinvest and grow its assets.*

**EARNINGS** - *A measure of a company's results of operations including the effects of noncash charges.*

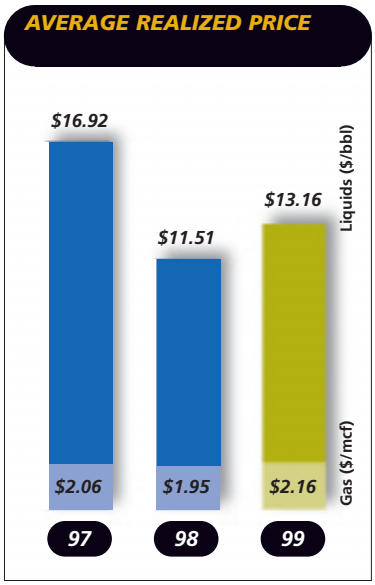
**PROVED RESERVES** - *Estimated quantities of oil and gas in the ground that have been demonstrated to be recoverable in future years from known reservoirs under existing economic and operating conditions.*

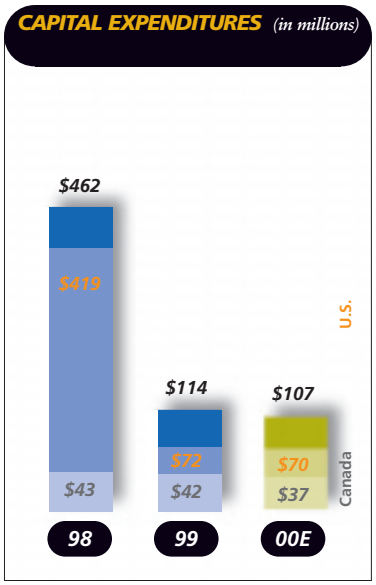
**TOTAL PRODUCTION** - *Indicates quantities of oil and gas a company is taking from the ground and selling.*

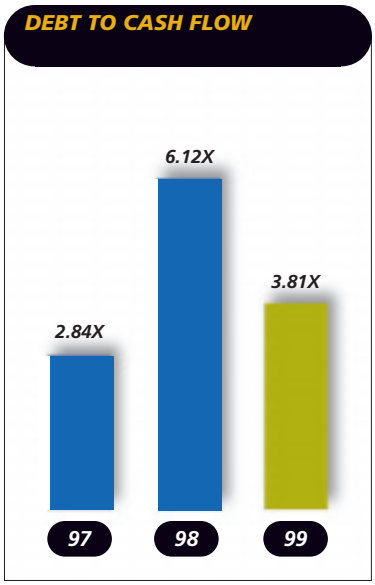
**RESERVE LIFE** - *At last year's production rates, indicates how long it would take to drain all of a company's proved reserves if no new reserves were added.*

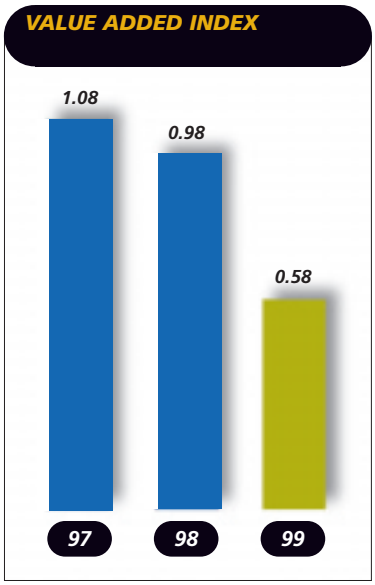







**RESERVE REPLACEMENT** - *Compares the amount of oil and gas added to proved reserves through acquisitions, exploration and development activities to the amount produced in the same year.*

**LONG-TERM DEBT PER BOE** - *Relates a company's long-term debt to its estimated proved reserves, stated in equivalent barrels of oil.*

**AVERAGE REALIZED PRICES** - *Indicates the volatility of commodity prices, which reflects directly upon cash flow and earnings.*

**CAPITAL EXPENDITURES** - *Measures direct investment in growth assets.*

**DEBT TO CASH FLOW** - *Relates a company's long-term debt to its ability to repay that debt through internally generated cash.*

**VALUE ADDED INDEX** - *Measures the amount of discounted present value added per dollar spent on capital projects. An index of greater than 1.0 reflects a program that created value.*

### *Offshore Business Unit – Consistent Value Added Growth*

Overview: The oldest and best performing Business Unit of Forest is the Offshore Gulf of Mexico. Forest has been active in the Gulf of Mexico since the mid-1950's, giving us a significant knowledge advantage over most competitors. In the Gulf of Mexico, we focus on exploration opportunities where we can use our experience and infrastructure to give us a competitive edge. Our exploration activities in these areas rely on advanced technologies such as 3-D seismic. This generally means exploring in and around our existing fields in deeper horizons. However, the key to success is still skilled personnel with years of expertise working in the Gulf of Mexico.

### *How did the Offshore Business Unit do in 1999?*

By any measurement, our Offshore Gulf of Mexico Business Unit had an outstanding year. The Business Unit benefited from a stable management structure and focus. Our accomplishments include participating in the drilling of eight wells for a 75 percent exploration success rate, engaging in seven recompletions and installing one new structure. In addition, downhole costs of Forest operated wells were kept within a five percent tolerance level compared to budget. Forest's lifting costs were $0.38/Mcfe, three percent above 1998 levels and 14 percent below our budget.

The Offshore Business Unit added new proved reserves of 36 Bcfe and reclassified 1.7 Bcfe of proved non-producing reserves to proved developed producing through recompletions. The replacement of reserves in this Business Unit was achieved by investing only 41 percent of its cash flow. We produced 34 Bcfe in 1999, which equates to a six percent growth over 1998, and resulted in $81.4 million of revenues.

### *What are the Plans for 2000 and Beyond?*

Our approach for 2000 will be to continue the successful strategies employed in 1999 but at a faster pace, as we intend to modestly grow the Offshore Business Unit. Forest plans to participate in drilling 14 wells, which is approximately twice as many as in each of the previous three years, and 20 recompletions. We will continue to focus 90 percent or more of our manpower and capital resources on the shelf in the central and west areas of the Gulf. Deepwater will be approached through lease sales and third party proposals, but will not be representative of our overall strategy. The sub-salt play will be addressed only through farmouts of Forest's acreage to the handful of current sub-salt players. The eastern portion of the Gulf will be primarily pursued in 2001 using preliminary data currently being gathered.

In order to accomplish our plans of growth for this Business Unit, our first priority will be to maximize production from our existing fields. Timely drilling of our exploratory prospects and execution of multi-well workover programs to meet our forecast will be our second priority.

## GULF COAST - OFFSHORE BUSINESS UNIT

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| *Acreage Developed:* | | | |
| Gross | 149,329 | 154,689 | 146,468 |
| Net | 72,031 | 77,122 | 69,681 |
| *Acreage Undeveloped:* | | | |
| Gross | 106,070 | 113,190 | 132,983 |
| Net | 68,916 | 71,121 | 100,752 |
| *Proved Reserves:* | | | |
| Gas (Bcf) | 99.7 | 102.8 | 103.0 |
| Liquids (MMBbls) | 2.1 | 2.0 | 2.5 |
| *Production:* | | | |
| Gas (Bcf) | 28.5 | 26.5 | 26.5 |
| Liquids (MMBbls) | 0.9 | 0.9 | 0.9 |
| *Production Costs per Mcfe:* | $ 0.38 | $ 0.37 | $ 0.42 |
| *Gross Wells:* | | | |
| Gas | 58 | 44 | 61 |
| Oil | 40 | 31 | 37 |
| *(In thousands)* | **2000e** | **1999** | **1998** |
| *Direct Exploration and Development Expenditures:* *(excludes capitalized G&A)* | $ 39,000 | $ 25,500 | $ 58,800 |

### EISENHOWER SYSTEM OF INTERSTATE HIGHWAYS

*The Dwight D. Eisenhower System of Interstate and Defense Highways may be the best investment the United States has ever made and the greatest public works project in history. Eisenhower recognized the benefits of an effective highway system when he experienced the German Autobahn network during World War II. As president, in June 1956, he signed the Federal-Aid Highway Act. The Interstate Highway system is more than 40,000 miles of highways - about 1 percent of all the nation's roads - carries 25 percent of the nation's highway traffic. The Interstate Highway system is credited with saving the lives of approximately 200,000 people and providing a momentous economic boon to the nation's economy. Eisenhower wrote of the system: "Its impact on the American economy – the jobs it would produce in manufacturing and construction, the rural areas it would open up – was beyond calculation."*

### URSA TENSION LEG PLATFORM

Exploration techniques developed over the past 100 years have been astounding. One hundred years ago, oil explorers looked for oil seeping at the surface. Today, oil can be discovered thousands of feet under water. In 1999, Shell set a world record when it started producing oil and gas from the Ursa tension leg platform (TLP), located in almost 4,000 feet of water in the Gulf of Mexico. Construction began in July 1996 and was completed in March 1999. It broke the world water depth record for a permanent drilling and production platform – Shell/Exxon/BP Amoco's ram-Powell TLP – installed in 3,214 feet of water in 1997. The Ursa TLP, located about 130 miles southeast of New Orleans, is huge; it's the largest structure in the Gulf of Mexico. The platform's total height is 485 feet, measuring to the crown of the drilling rig, or more than 48 stories tall. Its total displacement of 97,500 tons is greater than that of a Nimitz Class aircraft carrier. The $1.45 billion project is expected to extract about 13,000 barrels of oil and 20 million cubic feet of gas a day from the first well; ultimately, Shell expects to recover the equivalent of 400 million barrels of oil from the discovery.

### *Onshore Business Unit – Near Term Value Added Through Development and Exploration*

Overview: The Onshore Gulf of Mexico Business Unit was formed as a result of a major acquisition of properties in south Louisiana in February 1998. The Gulf Onshore Business Unit is focused on three areas where we have extensive infrastructure: southern Louisiana, the McAllen Ranch Field in southern Texas and the Katy Field in eastern Texas. Our strengths in these areas include experienced technical personnel, good infrastructure and a good land position. Forest plans to capitalize on those strengths to improve the values returned on these assets in 2000 and beyond.

### *How did the Onshore Business Unit do in 1999?*

Our Gulf Onshore Business Unit delivered mixed results in 1999. While the McAllen Ranch and Katy Fields provided Forest successful results, our south Louisiana properties had disappointing results.

Highlights for the McAllen Ranch Field include drilling four of five wells successfully. The most recent well was completed and stimulated in December and placed on line to sales at a rate of 11.5 MMcfed.

The Katy Field participated in a pilot frac program to improve field productivity. The initial recompletion increased production from 300 Mcfed to 5.0 MMcfed in one well bore. These results will be monitored to determine whether this type of recompletion can be further applied to an additional 65 wells in the field.

Finally, Forest is continuing the field studies of our south Louisiana properties that were purchased in February 1998. After continued disappointing production results, the Business Unit has refocused its efforts and approach. The personnel within the Business Unit have been reorganized and, in the short term, capital expenditures have been curtailed. Our goal is to complete the field review process in the second quarter, then restructure the assets of the entire Business Unit to maximize value.

### *What are the Plans for 2000 and Beyond?*

The plan for 2000 will focus on development drilling at McAllen Ranch Field. Two to four wells are planned to be drilled beginning in the second quarter of 2000.

At the Katy Field, we are developing a plan to begin a large field study in conjunction with a 3-D seismic survey. This field study will evaluate potential in field development arising from the successful pilot frac in the lower Wilcox. The 3-D seismic will assist in that study as well as look for deeper exploration potential.

In south Louisiana, we will finalize the reserves and production models to minimize cost and maximize remaining production. With the regional knowledge gained during the field study process the Business Unit is developing low risk exploration plays. The Business Unit will also develop a divestiture package that will ensure that all efforts are focused on assets that can add value.

## GULF COAST - ONSHORE BUSINESS UNIT

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| *Acreage Developed:* | | | |
| Gross | 50,907 | 58,119 | 53,959 |
| Net | 16,817 | 18,138 | 11,844 |
| *Acreage Undeveloped:* | | | |
| Gross | 7,444 | 10,560 | 7,469 |
| Net | 3,157 | 5,402 | 3,928 |
| *Proved Reserves:* | | | |
| Gas (Bcf) | 150.4 | 181.4 | 56.8 |
| Liquids (MMBbls) | 11.7 | 13.4 | 1.9 |
| *Production:* | | | |
| Gas (Bcf) | 10.7 | 12.9 | 4.9 |
| Liquids (MMBbls) | 1.0 | 1.0 | 0.2 |
| *Production Costs per Mcfe:* | $ 0.85 | $ 0.67 | $ 0.63 |
| *Gross Wells:* | | | |
| Gas | 183 | 184 | 132 |
| Oil | 7 | 21 | 23 |

| *(In thousands)* | 2000e | 1999 | 1998 |
|---|---|---|---|
| *Direct Exploration and Development Expenditures:* *(excludes capitalized G&A)* | $ 10,100 | $ 32,400 | $ 14,000 |

### THE GOLDEN GATE BRIDGE

*It took more than 15 years to plan and four-and-a-half years to build at a cost of more than $35 million and, in May 1937, the magnificent Golden Gate Bridge opened to traffic. Naysayers said frequent fogs and the 70-mile-an-hour winds that blew through the Golden Gate Strait would doom the project, but visionaries, including chief engineer Joseph B. Strauss, persevered to create one of the West's most well-known and enduring landmarks. Today, nearly 42 million cars cross the six-lane, 1.2 mile long bridge each year and, since its opening, more than 1.6 billion vehicles have sped across the span from San Francisco to the Pacific Northwest. The twin towers rise 746 feet and the strands of steel wire in the two main cables (80,000 miles) could encircle the earth three times.*

### SPINDLETOP

A lot of people thought that there was oil under the ground of Spindletop, a small knoll just south of Beaumont, Texas, but all of them had failed to bring it to the surface by the turn of the 19th Century. One of those was Austrian-born mining engineer Captain Anthony Lucas. After his first dry hole, Lucas was ready to give up, but his wife urged him to seek additional financing and try again. She was prescient: At approximately 10:30 a.m. on January 10, 1901, a gusher of oil shot 200 feet into the air; the "Lucas Gusher" had been tapped, and the well produced up to 100,000 barrels of black crude a day. Immediately, the Texas oilfield far outstripped oilfields in Russia and Pennsylvania in importance and a black-gold rush blossomed at Spindletop. Within a year, 285 wells were operating on Spindletop Hill, more than 600 new oil companies had been chartered, and Beaumont turned into a boom town. Some of today's largest oil companies, such as Gulf, Texaco, Mobil and Sun, got their start at Spindletop. The enormous quantities of oil discovered at Spindletop ushered in our modern automobile-centered transportation system, making oil an economical, lightweight and efficient fuel to drive the world into the 20th Century.

### *Western Region Business Unit – Added Value Through Development and Exploration*

Overview: The Western Region Business Unit was formed in 1996 to build an operating base in the Rocky Mountain region of the United States. This region is an area that is estimated by the National Petroleum Council to contain more than 200 Tcf of natural gas.

The primary focus of the experienced group of engineers and geoscientists in this Business Unit is grass roots exploration in the Green River Basin in Wyoming and the overthrust area located along the Utah/Wyoming border. Forest currently has production in the overthrust belt from the Anschutz Ranch East Field in which we acquired an interest in 1998.

### *How did the Western Region Business Unit do in 1999?*

Since Forest was allocating capital in a conservative manner based on low commodity prices, Forest's Western Region Business Unit concentrated on a few exploratory drilling projects in 1999, as well as improving and high-grading our land position and adding additional 3-D and 2-D seismic in the Green River Basin.

The Elm Federal Well 23–13 was drilled in January 2000. The well encountered 1,600 feet of gross Lance formation with 405 feet of net pay. Seven separate zones eventually will be fractured. At this point, with only four zones producing, the well is flowing over 12 MMcfed.

### *What are the Plans for 2000 and Beyond?*

The Western Region Business Unit is increasing its efforts in the greater Green River Basin for its 2000 exploration and development program. We will expand our efforts to the eastern Green River Basin and we will look for opportunities in the Red Desert and Washakie Basins of Wyoming and into northern Colorado's Sand Wash Basin. Forest will also generate exploratory prospects for the long-term and secure immediate development and extension drilling opportunities.

The plan for the current year includes the continued effort to sell non-strategic properties, including the East Apache Field in Oklahoma and the Vermejo and Gomez Fields in west Texas. During 1999, we sold the Grieve and Austin Creek Fields in Wyoming.

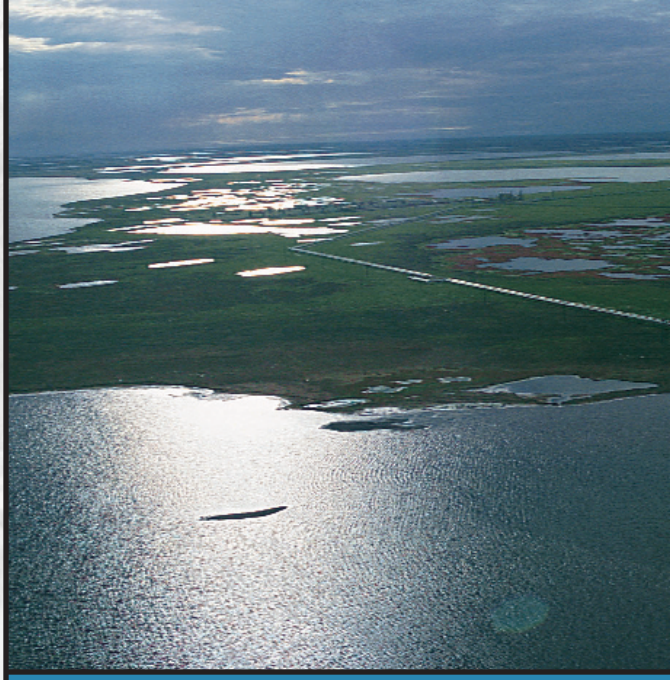
## WESTERN REGION BUSINESS UNIT

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| *Acreage Developed:* | | | |
| Gross | 50,195 | 80,066 | 112,243 |
| Net | 16,071 | 33,404 | 56,664 |
| *Acreage Undeveloped:* | | | |
| Gross | 132,304 | 152,660 | 104,277 |
| Net | 72,621 | 71,749 | 38,506 |
| *Proved Reserves:* | | | |
| Gas (Bcf) | 144.0 | 140.3 | 98.2 |
| Liquids (MMBbls) | 7.5 | 6.2 | 1.7 |
| *Production:* | | | |
| Gas (Bcf) | 10.1 | 8.0 | 2.6 |
| Liquids (MMBbls) | 0.7 | 0.5 | 0.1 |
| *Production Costs per Mcfe:* | $ 0.42 | $ 0.49 | $ 1.02 |
| *Gross Wells:* | | | |
| Gas | 110 | 124 | 78 |
| Oil | 9 | 18 | 104 |

| *(In thousands)* | 2000e | 1999 | 1998 |
|---|---|---|---|
| *Direct Exploration and Development Expenditures:* *(excludes capitalized G&A)* | $ 11,800 | $ 4,600 | $ 21,300 |

### HOOVER DAM

*The Hoover Dam tamed the Colorado River – a river that alternatively would flood disastrously or wither to a trickle in the early 1900s. Construction began at the height of the Depression in 1931, and more than 16,000 workers suffered searing summer heat and blustery winter days to erect the $48 million structure at the Nevada-Arizona border. The concrete poured in the river's path was enough to build a road 16 feet wide and 8 inches thick from New York to San Francisco. The dam, finished two years ahead of schedule, created Lake Mead, the largest manmade lake in the U.S. At the dedication on September 30, 1935, President Franklin D. Roosevelt called the Hoover Dam "an engineering victory of the first order – another great achievement of American resourcefulness, skill and determination."*



### PRUDHOE BAY OIL DISCOVERY

People always knew the rocks under the North Slope of Alaska hoarded oil. The Eskimos had burned the oil that bubbled up in small pools near the north coast for centuries. But it wasn't until 1968, when two oil companies drilled discovery wells into the field, that people became aware of how much oil was underneath Prudhoe Bay. Originally, the companies estimated the reserves held more than 9 billion recoverable barrels, but estimates have now risen to as much as 13 billion barrels of crude oil. Today, the North Slope oil fields provide about 20 percent of the United States' domestic oil supply, reducing the nation's dependence on foreign oil. Oil from Prudhoe Bay, which is shipped via the Trans Alaska Pipeline 800 miles south to the nearest ice-free port at Valdez, has had an even more dramatic impact on Alaska's economy. Since 1977, the State of Alaska has been receiving royalty income from oil produced on state-owned land at Prudhoe Bay. The royalty income funded a savings account that has paid each Alaska resident as much as $1,000 a year in dividends. The state's oil windfall has been so great that Alaska residents have been spared income and sales taxes for years.

### *Canadian Forest Oil Ltd. – Significant Value Added Through Large, Long-Term Investment*

Overview: Canadian Forest Oil was formed in January 1996. Canadian Forest is concentrated in three major areas: the Northwest Territories, the Alberta Foothills and the Peace River Arch region of Alberta. We look to our Canadian subsidiary for exploration that could significantly impact the reserves and production of our Company.

In the Northwest Territories, the gradual settlement of native land claims is allowing the opening of substantial tracts of prospective acreage to exploration for the first time in many years. A broad swathe of land extending northward from the Alberta and British Columbia border to the Mackenzie River Delta has both oil and natural gas potential in a number of formations at a variety of depths. Some of the play areas can be characterized as being of extremely high technical risk. Other tracts have well control from exploration efforts that were undertaken prior to the leasing moratorium such that drilling successes seem highly likely.

Potential reserves are extremely large. Canada's National Energy Board recently estimated that the Beaufort-Mackenzie basin has already witnessed the discovery of one billion barrels of recoverable oil and nine Tcf of recoverable natural gas. Many industry experts believe that the gas fields could be on production within five years, although most other observers think a longer lead-time is necessary. Forest has an interest in the Beaufort-Mackenzie basin area but has not booked any estimated recoverable reserves in this area.

In the near term, production is expected this year from three natural gas discoveries in the Northwest Territories. These discoveries were made by the Forest/Ranger joint venture, by Chevron et. al, and by a Berkley/Paramount joint venture. All three discoveries were flow tested at prolific rates and initial sales are scheduled for mid-2000. The finds are only a few miles north of the British Columbia border and space is available in a pipeline that was built to handle the output of earlier discoveries at the Pointed Mountain Field, where over 300 Bcf have been produced, and at the Kotaneelee Field, where more than 120 Bcf have been produced.

Halfway between the gas finds described above and the Mackenzie Delta reserves lies the Norman Wells oil field, the earliest discovery of consequence in Western Canada. Forest is the largest lease holder in the Norman Wells area, an area that we and other operators believe has excellent potential.

Another area thought to hold large reserves is the Alberta Foothills. This play requires the use of 3-D seismic, however, as well costs can reach several million dollars. Average production in the Alberta Foothills is approximately 10 MMcfd per well and the field size can exceed 100 Bcfe. The infrastructure is less developed in the Alberta Foothills than on the Alberta plains and the natural gas tends to be sour, so access to a gas processing facility is essential. Similar to the Northwest Territories, this is a beautiful part of Canada so we operate very carefully with respect for the environment.

### *How did Canadian Forest do in 1999?*

Canadian Forest committed a large amount of capital to the Frontier areas of the Northwest Territories and the Alberta Foothills. We knew that the cycle time of exploration license acquisition, prospect generation, seismic evaluation, drilling, pipeline construction and first production can be as long as five years. When looking for potentially very large reserves, the initial investment may show only small results in the first few years; this was true for Canadian Forest in 1999. However, we did have some significant highlights, such as Canadian Forest's P-66A well in the Liard Plateau (Deep Nahanni sour gas), where we are in the process of clearing rights-of-way for construction of roads and pipelines to bring the well on production. Initial production is expected in mid-2000 at a gross rate of up to 45 MMcfd.

## CANADIAN FOREST OIL LTD.

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| *Acreage Developed:* | | | |
| Gross | 285,819 | 311,595 | 395,040 |
| Net | 138,461 | 146,822 | 163,390 |
| *Acreage Undeveloped:* | | | |
| Gross | 1,769,804 | 1,903,086 | 1,254,953 |
| Net | 757,300 | 843,060 | 380,597 |
| *Proved Reserves:* | | | |
| Gas (Bcf) | 130.9 | 139.7 | 120.4 |
| Liquids (MMBbls) | 10.8 | 13.5 | 18.5 |
| *Production:* | | | |
| Gas (Bcf) | 12.4 | 14.9 | 15.0 |
| Liquids (MMBbls) | 1.7 | 1.9 | 1.9 |
| *Production Costs per Mcfe:* | $ 0.58 | $ 0.46 | $ 0.58 |
| *Gross Wells:* | | | |
| Gas | 245 | 358 | 373 |
| Oil | 286 | 440 | 505 |

| *(In thousands)* | 2000e | 1999 | 1998 |
|---|---|---|---|
| *Direct Exploration and Development Expenditures:* *(excludes capitalized G&A)* | $ 37,000 | $ 41,800 | $ 25,400 |

Canadian Forest drilled the N-61 well in the Liard Platau and expects the initial well bore to be non-commercial. The well encountered gas at the top of the Nahanni structure but in a tight carbonate reservoir. The well crossed the gas water contact of the accumulation and bottomed in highly fractured water-bearing reservoirs that were tested last year. Based on dipmeter information from the well and the preliminary interpretation of the 3-D seismic shot in the fall of 1999, Forest believes that the N-61 is on the edge of the gas field with significant updip potential between the N-61 location and the P-66A discovery six miles north. The N-61 well gives us significant information on our Frontier play.

Forest completed a 3-D seismic program covering the land between the Chevron K-29 well, the Forest/Ranger N-61 well and the southern half of an exploration license (EL 383) in late 1999. Interpretation of this new data, which should be available in March, will be used with N-61 data and is expected to lead to spudding another well in the summer of 2000.

In addition, in the southern part of Forest's Ft. Liard acreage, Canadian Forest participated in drilling the I-46 well, a direct offset to Paramount's F-36 discovery well that was drilled one year ago. Completion and production testing of the I-46 well began in early 2000. Based on information on I-46 and the testing operations to be conducted on other wells in the region that have penetrated the Mattson formation, the joint venture intends to refine the mapping of the extent of the play and begin the acquisition of additional seismic data.

In 2000, Canadian Forest announced several significant 1999 discoveries in the Alberta Foothills that were not previously announced due to land considerations. At Cutpick, Canadian Forest participated in two wells. The first well was completed in a Cretaceous (sweet gas) formation. Flow testing of the second well commenced in February 2000. Based on the success of these wells, Forest aggressively acquired additional land in the area throughout 1999 and currently has an interest in 73 sections of land surrounding this play. A 23-mile pipeline has been surveyed to connect this property to the NOVA System. Soil sampling for the stream crossing is complete and planning is underway to build the pipeline during the fourth quarter of 2000. Production is anticipated to commence near the end of 2000, by which time the Company expects to have six to eight wells completed. Drilling of additional wells is expected to continue at a rate of five to ten wells per year.

At Narraway, 15 miles from Cutpick, Canadian Forest completed and tested a discovery well. A second well has just finished drilling and is being production tested. A third well is planned to start drilling after spring breakup and development will continue in 2000 on this reservoir, which is currently expected to cover ten to twelve sections. Forest owns an interest in 18 sections on this play and will develop the shallow Cretaceous (sweet gas) field while monitoring adjacent well activity exploring deeper Belloy (sour gas) targets that Forest believes have potential.

### *What are the Plans for 2000 and Beyond?*

Canadian Forest plans to continue to push forward in both the Northwest Territories and the Foothills Frontier exploration plays.

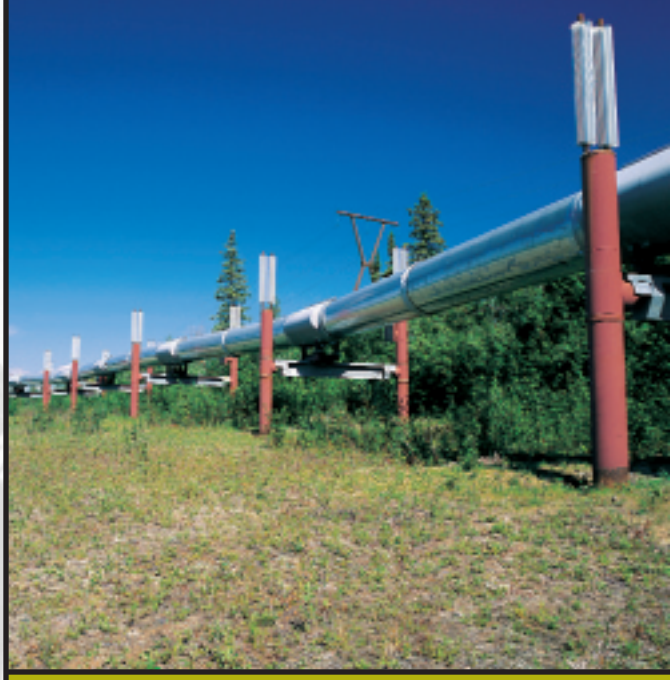
Significant development projects underway or that will begin in 2000 include the tie-in of the Liard – P-66A with first production in mid-2000, and the completion of pipelines at Narraway and Cutpick with estimated dates of first production in April 2000 and November 2000, respectively.

Drilling activity will also accelerate for Canadian Forest with plans for up to four development wells at Cutpick, three development wells at Narraway, an exploratory well at Federal and the drilling of another well at Liard in the Northwest Territories.

Overall, Canadian Forest's strategy has been to focus on the development of technical expertise, a sizeable prospect inventory and a significant land position in both the foothills and Northwest Territories. We made significant progress toward these goals in 1999 and expect the momentum to continue in 2000.

*THE TRANSCONTINENTAL RAILROAD*

*When California was connected by rail to the rest of the United States in Promontory, Utah, on May 10, 1869, it was the culmination of one of the greatest engineering feats in history. For more than six years, 20,000 heroic workers of the Union Pacific and Central Pacific Railroads endured avalanches, unbearable summer heat, and Indian attacks as they laid 2,000 miles of track through some of the nation's most inhospitable land from California to the Missouri River. The completion of the Transcontinental Railroad meant that the trek that took overland pioneers four to six months could now be completed in six days. It ushered in an enormous development and social revolution that would make the United States the world's industrial titan.*



## *TRANS ALASKA PIPELINE*

In 1968, oil was discovered in Prudhoe Bay Alaska's North Slope, 250 miles north of the Arctic Circle. Plans were made to build one of North America's greatest engineering achievements – an 800-mile-long pipeline to connect the continent's largest petroleum field to Valdez, the nearest ice-free port. The engineering logistics were daunting because the Trans Alaska Pipeline would have to cross hundreds of miles of Arctic tundra, three mountain ranges, and 34 major rivers and streams to the port on Prince William Sound. After six years of preconstruction research, design, route survey and selection, construction on the Pipeline began on April 29, 1974. Engineers had many obstacles to overcome, including fragile permafrost (ground that remains below freezing temperatures for years at a time) and earthquakes, all the while trying to protect the area's wildlife. Eight billion dollars and three years, two months later, the 48-inch diameter Pipeline opened, capable of pumping as much as 88,000 barrels an hour. During the peak of construction, more than 28,000 employees worked on the Pipeline, which today delivers more than 20 percent of the U.S.'s domestic oil production.

### *International Business Unit – Prospecting for Value for the Future*

Overview: Forest acquired the majority of its international portfolio in June 1998. Currently, Forest has 17 concessions in eight countries covering approximately 21.7 million acres.

These concessions have several appealing characteristics: the opportunities are all proven basins, have excellent fiscal regimes, have high reserve potential close to infrastructure and markets, and have an emphasis on natural gas.

We entered into the international arena in 1998 with a solid strategy. Knowing it may take years from first discovery to first production, Forest has several strategy points that we believe separate us from other E&P companies. First, we seek under-explored basins with proven petroleum discoveries and where significant remaining reserve potential exists. We want to acquire under-developed properties where reserves can be added through the application of technology. Secondly, we will operate only if it adds significant value. Finally, our goal is to establish cash flow with minimal capital investment and actively manage the portfolio to maximize value.

### *How did the International Business Unit do in 1999?*

Forest formed a team of technical experts to begin the evaluation and the prospect generation of the various concessions.

Forest uses advanced technology to evaluate areas and manage risk within each concession. One example is in South Africa, where Forest completed a 3-D seismic survey over the AK gas discovery in Block 2 (50 MMcfed) in late 1999. This is the first step in the delineation and commercialization of this discovery. We further enhanced our acreage position in this play when, in November 1999, Forest and its partner were awarded Block 1 (5 million acres). This block has an existing undeveloped gas discovery (34.2 MMcfed) and is located directly to the north of Block 2.

### *What are the Plans for 2000 and Beyond?*

Forest will begin drilling some high reserve potential wells in 2000. In northeast Thailand, Forest will drill a 1,000-meter test well at the Phu Din #1 in the second quarter of 2000. If this well proves successful, Forest will begin delineation drilling on its 700,000 acres of land. This well is on trend with Exxon's Nam Phong field.

In early third quarter 2000, Forest will spud the Weiach #2, a 2,000-meter test well in northern Switzerland. This well is being drilled 350 meters away from a well that encountered significant gas shows in tight sandstones and coals. If the Weiach #2 is successful, Forest will begin further delineation drilling on its 1.8 million acres of land.

This is just the beginning of Forest's International program. We know there is a long cycle time for the return of capital invested; however, we believe that the returns to Forest could be substantial.

## INTERNATIONAL BUSINESS UNIT

| | Gross Acres | Working Interest |
|---|---|---|
| ALBANIA | 1.0 million | 30% |
| GERMANY | 1.4 million | 100% |
| ITALY | | |
| – Central Appenines | 709,000 | Chiete 50% |
| | | Pietracamela/Accumoli 100% |
| – Sicily | 111,000 | 100% |
| ROMANIA | 767,000 | 100% |
| SOUTH AFRICA | 13.0 million | 63% |
| SWITZERLAND | 1.9 million | 90% |
| THAILAND | 730,000 | 100% |
| TUNISIA | 2.2 million | 100% |
| *(In thousands)* | **2000e** | **1999** |
| EXPLORATION AND DEVELOPMENT EXPENDITURES: *(excludes capitalized G&A)* | $ 8,900 | $ 7,000 |

### *PANAMA CANAL*

*Mankind had dreamed about a water passage across the American continent for at least 400 years. The realization of that dream came in 1914 with the completion of the Panama Canal. The French started to build the canal in 1880, but disease, financial problems and the massive size of the project forced them to give up their 20-year struggle with the jungle. In 1903, the U.S. acquired perpetual rights to the canal zone. More than 40,000 people worked on the canal project. In the process, they built the world's largest manmade lake at the time; found a cure for mosquito-carried yellow fever and malaria; and excavated enough dirt to cover one city block 19 miles high. Time saved by travelers using the canal was stupendous. A ship leaving the U.S. East Coast for California sailed 8,000 fewer nautical miles by traversing the 50-mile-long canal. The canal cost less than $400 million to build at the time; the savings to the world's economy since then have been uncountable.*

### *TROLL A PLATFORM*

In 1979, Norske Shell discovered the Troll Field, an immense natural gas trap with approximately 1,300 billion cubic meters of recoverable gas reserves. Recovering that gas from the depths of the North Sea is and will continue to be the responsibility of the Troll A platform, built in four years by Norwegian engineers and builders and hauled out to sea in May 1995. It is the world's tallest and heaviest offshore platform – measuring 1,548 feet tall and weighing 1.5 million metric tons – and it is the largest structure ever to be moved across the face of the earth. The statistics of the Troll A platform are gargantuan: its concrete could have made 215,000 residential home foundations and its reinforcement steel could have built 15 Eiffel Towers. At the peak of construction, more than 2,000 people worked on the $5 billion project. Securely placed in the water about 1,000 feet deep and 40 miles offshore, the Troll A platform was built to withstand the sea's 100-foot waves for 70 years. The enormous gas reserves at Troll are expected to meet 25 percent of Europe's gas needs by the year 2010.

## BOARD OF DIRECTORS

### PHILIP F. ANSCHUTZ
*Age: 60*
*Director Since: 1995*

Director and Chairman of the Board of The Anschutz Corporation and Anschutz Company, and Director and Chairman of the Board of Qwest Communications International Inc. Director and Vice Chairman of Union Pacific Corporation.

### ROBERT S. BOSWELL
*Age: 50*
*Director Since: 1985*

Chairman of the Board since March 2000 and Chief Executive Officer since December 1995. Director of C.E. Franklin Ltd. Chairman of the Executive Committee and the Nominating Committee.

### WILLIAM L. BRITTON
*Age: 65*
*Director Since: 1996*

Partner of the law firm Bennett Jones. Director of Akita Drilling Ltd., ATCO Ltd., ATCO Gas, Canadian Utilities Limited, CanUtilities Holdings Ltd. and ATCO Pipelines. Member of the Audit Committee.

### CORTLANDT S. DIETLER
*Age: 78*
*Director Since: 1996*

Chairman of TransMontaigne Inc. since April 1995. Director of TransMontaigne, Inc., Key Production Company, Inc., Hallador Petroleum Company and Carbon Energy Corporation. Member of the Compensation Committee.

### DOD A. FRASER
*Age: 49*
*Director Since: 2000*

Former Managing Director and Group Executive of the global oil and gas group at Chase Securities Inc., a subsidiary of the Chase Manhattan Bank. Member of the National Petroleum Council, an advisory committee to the United States Secretary of Energy.

### CANNON Y. HARVEY
*Age: 59*
*Director Since: 1999*

Director, President and Chief Operating Officer of The Anschutz Corporation and Anschutz Company. Director of Qwest Communications International Inc.

### JAMES H. LEE
*Age: 51*
*Director Since: 1991*

Managing Partner, Lee, Hite & Wisda Ltd., a private oil and gas consulting firm. Member of the Executive Committee. Chairman of the Audit Committee.

### J.J. SIMMONS, III
*Age: 75*
*Director Since: 1997*

President of The Simmons Company, a consulting firm. Member of the Audit Committee.

### CRAIG D. SLATER
*Age: 43*
*Director Since: 1995*

President of Anschutz Investment Company and Executive Vice President of both The Anschutz Corporation and Anschutz Company. Director of Qwest Communications International Inc. and Director of Qwest Communications Corporation. Member of the Executive Committee and the Compensation Committee.

### MICHAEL B. YANNEY
*Age: 66*
*Director Since: 1992*

Director and Chairman of the Board of America First Investments Inc. and Chairman and Chief Executive Officer of the America First Companies, L.L.C. Director of Burlington Northern Santa Fe Corporation, Level 3 Communications, Inc. and RCN Corporation. Chairman of the Compensation Committee. Member of the Nominating Committee.

## OFFICERS

**ROBERT S. BOSWELL**
Chairman and Chief Executive Officer
*Age: 50*
*Years of Service: 10*

**DAVID H. KEYTE**
Executive Vice President and
Chief Financial Officer
*Age: 43*
*Years of Service: 12*

**FOREST D. DORN**
Senior Vice President – Gulf Coast Region
*Age: 45*
*Years of Service: 22*

**ARTHUR C. EASTLY**
President – Canadian Forest Oil Ltd.
*Age: 64*
*Years of Service: 10*

**JAMES W. KNELL**
Vice President – Gulf Coast Region
*Age: 49*
*Years of Service: 12*

**JOHN F. MCINTYRE, III**
Vice President – International New Ventures
*Age: 44*
*Years of Service: 2*

**JOAN C. SONNEN**
Vice President – Controller and Corporate Secretary
*Age: 46*
*Years of Service: 10*

**NEAL A. STANLEY**
Senior Vice President – Western Region
*Age: 52*
*Years of Service: 3*

**DONALD H. STEVENS**
Vice President – Capital Markets and Treasurer
*Age: 47*
*Years of Service: 2*

From left to right: ***Joan C. Sonnen, David H. Keyte, Robert S. Boswell and Donald H. Stevens***

From left to right: ***Neal A. Stanley, Forest D. Dorn, John F. McIntyre, James W. Knell and Arthur C. Eastly***

*Creating Tangible Value Over Time.*

This year's annual report theme exemplifies not only our business strategy but also the way in which members of the Forest Oil family approach volunteerism and service projects. By being involved in numerous projects, at all levels from pounding nails to providing executive expertise to not-for-profit agencies, we support the value created by charitable organizations. We also strive to conduct our business in such a manner as to conserve and protect the environment in which we live, work and play.

Forest employees continued their tradition of community involvement during 1999. There were two company-sponsored workdays when a significant portion of our Denver workforce contributed time and effort. In 1999, as in 1998, we helped Habitat for Humanity build homes at two locations in the Denver area. We also worked with Volunteers for Outdoor Colorado (VOC) on its Mt. Bierstadt trail project. This project marked the fifth year that a Forest Oil team has participated with VOC in preserving and enhancing Colorado trails and ensuring access for people of all levels of physical ability. In December, we "adopted" a struggling inner-city family as well as a family recently relocated from Kosovo. Our staff and their families provided appliances and household items, clothing and monetary gifts to assist these families in meeting their everyday needs as well as those of the holiday season.

A contributions committee consisting of employee volunteers distributed grants to 40 charitable organizations, with emphasis given to those organizations to which individual employees contribute and volunteer their time. In 1999, we supported organizations dedicated to helping children, youth at risk, the disabled, the hungry and the homeless. The committee also managed the annual United Way fundraising drive, increasing employee donations by 47 percent over the previous year.

In our Lafayette, Louisiana office, managers contribute to the community through donating their time to Habitat for Humanity and Meals on Wheels, as well as supporting a local Christmas fund. Participation in the very successful local Beach Sweep program was extended into 1999.

In Calgary, Canadian Forest, ProMark and their employees make contributions of cash and goods to various medical charities, to organizations combating hunger and homelessness, and to local youth groups.

As a natural resource company, we are strongly committed to protection of the environment while we work to supply North America's energy needs. As scientists, citizens, and outdoorsmen, we feel it is our responsibility to not only protect the environment and minimize the impact of our operations but to contribute to the betterment of the areas where we work. We do this by our contributions, our actions and our investments. In Canada, we are keenly aware of the delicate balance between the needs of nature and man, often delaying critical operations to insure that we do not disturb wildlife cycles and the natural ecosystems processes. In the Gulf of Mexico, we are extremely proud of our reputation as a safe, clean operator. Recently, the Minerals Management Service announced its finalists for the Safety Award For Excellent (SAFE) awards given annually to those companies who exhibit the best safety records in the Gulf. Forest Oil is once again among the finalists for these prestigious awards, the winners of which will be announced April 14, 2000.

At Forest Oil, we believe that corporate citizenship is critical to the communities where we live and work. We are proud of our people and will continue to support their efforts as they help to build value in the communities where we are privileged to do business.

# SHAREHOLDER INFORMATION

### AUDITORS

KPMG Peat Marwick LLP
Denver, Colorado

### ATTORNEYS

Vinson & Elkins L.L.P.
New York, New York

### PETROLEUM ENGINEERS

Ryder Scott Company
Houston, Texas

### ACTIVE SUBSIDIARIES

Canadian Forest Oil Ltd.
Forest Oil International Corporation
Forest Pipeline Company
Producers Marketing Ltd.

### PRINCIPAL OFFICES

Headquarters
1600 Broadway, Suite 2200
Denver, Colorado 80202
(303) 812-1400

Gulf Coast Office
900 South College Road, Suite 300
Lafayette, Louisiana 70503
(318) 264-0500

Canadian Forest Oil Ltd.
600, 800 - 6th Avenue S.W.
Calgary, Alberta, Canada T2P 3G3
(403) 292-8000

International New Ventures Office
1331 Lamar Street, Suite 676
Houston, Texas 77010
(713) 752-2523

### STOCK

Common Stock Listed and Traded on:
The New York Stock Exchange NYSE Symbol - FST

### SENIOR SUBORDINATED NOTES

10-1/2% Senior Subordinated Notes Due 2006
Trustee: State Street Bank and Trust Company
Hartford, Connecticut
Registrar: Marine Midland Bank
New York, New York

8-3/4% Senior Subordinated Notes Due 2007
Issuer: Canadian Forest Oil Ltd.
Guarantor: Forest Oil Corporation
Trustee: State Street Bank and Trust Company
Hartford, Connecticut
Registrar: Marine Midland Bank
New York, New York

### TRANSFER AGENT AND REGISTRAR FOR COMMON STOCK

ChaseMellon Shareholder Services
Dallas, Texas
(800) 635-9270 or www.chasemellon.com

Co-Transfer Agent and Co-Registrar for Common Stock
Montreal Trust Company
Calgary, Alberta, Canada

### INVESTOR RELATIONS

Additional information, including Investor Package, may be obtained from:

Forest Oil Corporation
Patricia Ann Murphy
Investor Relations Associate
1600 Broadway, Suite 2200
Denver, Colorado 80202
(303) 812-1401 or InvestorRelations@ForestOil.com
or visit our website at www.ForestOil.com

### ANNUAL GENERAL MEETING

The annual meeting of shareholders of Forest Oil Corporation will be held at the Colorado State Bank Building, 1600 Broadway, 5th Floor, Denver, Colorado, on Wednesday, May 10, 2000 at 10:00 am MDT.

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FOREST OIL CORPORATION

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Denver, Colorado 80202