

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

1

IMPORTANT
ADDITIONAL
INFORMATION
WILL
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INVESTORS
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Corporation's
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Relations
department
at
www.forestoil.com
or
by
email
at
IR@forestoil.com.

PARTICIPANTS
IN
THE
SOLICITATION

Holdco,
Forest
Oil
Corporation,
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dated
March
26,
2014,
for
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shareholders.
Information
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Sabine
Oil
&
Gas

LLC's
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Other
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Investors
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making
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You
may

obtain
free
copies
of
these
documents
from
Holdco
or
Forest
Oil
Corporation
using
the
sources
indicated
above.
This
document
shall
not
constitute
an
offer
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sell
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offer
to
buy
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securities,
nor
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No
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10
of
the
U.S.
Securities
Act
of
1933,
as
amended.
CAUTIONARY
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
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based
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assumptions
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Forward-looking
statements
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The
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anticipates,
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estimates,
expects,
projects,
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statements.
It
is
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anticipated
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transpire,
or
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what
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will
have
on
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results
of
operations
and
financial
condition
of
Holdco,
Forest
Oil
Corporation
or
Sabine
Oil
&
Gas
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business
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and
achieve
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benefits
and
savings,
and
the
ability
to
realize
opportunities
for growth. Other important
economic, political, regulatory, legal, technological,
competitive and other uncertainties are identified in the documents filed with the SEC by Holdco or
Forest
Oil
Corporation
from
time
to
time,
including
Forest
Oil
Corporation's
Annual
Reports
on
Form
10-K,
Quarterly
Reports
on
Form
10-Q,
and
Current
Reports

on
Form
8-K.
For
additional
information
on
the
risks
and
uncertainties
that
could
impact
Sabine
Oil
&
Gas
LLC's
business
and
operations,
please
see
the
Annual
Report
posted
to
the
investor
relations
section
of
its web
site
at
www.sabineoil.com.
The
forward-looking
statements
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are
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None
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Holdco,
Forest
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undertakes
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obligation
to
update
the
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statements
included
in
this
document
to
reflect
subsequent
events
or circumstances.

»
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	
-	
\$578	
-	
Senior Unsecured Notes due 2020	
-	
222	
-	
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 (Mmcfd)

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 (Mmcfe/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
Mmcfe
(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)