Cordillera Energy Partners II, LLC

Denver A&D Breakfast Group

Denver, Colorado

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Cordillera II, Who We Are and How We Got There

- Funded in March, 2005
  - Equity commitment of $200 MM
  - Bank credit facility of $300 MM
- The Team – Sprinters not Marathoners
- The Model – An adaptive three prong strategy designed for the consolidation of assets in core areas
  - Acquisitions and annexations in core areas
  - Active leasing and drilling program to develop and expand plays
  - Divestitures to prune non-core assets, free-up capital and keep the team focused
- The Product – What we went to market with
  - 3 core areas; TX Panhandle, East TX, and Western OK
  - 48 MMCFED in net production
  - Proved reserves of 725BCFE, 3P reserves of 1.8TCFE
  - 150,000 gross and 97,000 net acres
  - Over 1,600 identified opportunities

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The Decision to Sell and the Pre-Sale Process

- Sale Now vs. Hold and Grow
  - Size/Marketability of the asset
  - Available resources
  - Burn rate vs. reserve growth
  - That other little company, CEP III
- Investment Bankers
  - Advisor vs. no advisor
  - Why two advisors?
- Pre-Marketing the Asset – Rifle vs. Shotgun Approach
  - Pre-screened over 35 companies
  - Prepared financial accretion/dilution models on over 25 companies
  - Went on 19 Road Shows
  - Invited only 10 prospective purchasers to the data room
  - Wanted a very exclusive process, by invitation only

The Sales Process – From Data Room to PSA

- Compressed Time Line
  - First acceptable bid carries the day
- Data Presentation and Distribution
  - Hosted 10 offsite data rooms over a two week period
  - All presentations were conducted by the CEP II team
  - All participants were provided with data prior to the presentations
- Negotiating the Sale
  - Completed by CEP II Management team two weeks after final offers due
  - The landscape…peaking over the cliff!
- The Role of the Advisors
  - Schedule the pre-data room Road Shows and confirm the data room visits
  - Assist in the preparation technical exhibits and presentation materials
  - Manage and route questions and requests for additional data
  - Received bids and assisted in the negotiations

Some Unique Aspects of the CEPII Sale

- Selling the Assets with a Very Active Drilling and Completion Program
  - Nine rigs running during the data room presentations
  - Ten wells drilled and waiting on completions on July 7th
  - Production forecasted to ramp up from 36 MMCFED to 50MMCFED by the close
  - Continually changing reserve categories
  - Deals still being negotiated
  - The Solution:
    - ✓ Asset valuation AS IS with a 7/1/2008 as of date
    - ✓ Pro-Forma asset valuation with a 1/1/2009 as of date reflecting a completed 2008 capital budget
    - ✓ Mechanism for dealing with costs accruing across the as of date
      - DIPS – Drilling in progress
      - LACS – drilled and logged waiting on completion
    - ✓ Tag-along/Drag-along

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Some Unique Aspects of the CEP II Sale

- Selling the Assets During Extremely Volatile Markets
  - Commodities price – first up, then down
  - Oil and Gas Company equities – down 40%
  - Capital Markets – severe credit crunch and pull back

➢ The Solution:

- ✓ A high quality well diversified asset
- ✓ A comprehensive and organized data set documenting the asset
- ✓ Investment Bankers willing and able to facilitate the transaction if required
- ✓ Willingness to take a meaningful portion of consideration in stock

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Some Unique Aspects of the CEP II Sale and Results

- Selling the Parts vs. the Whole
  - Buyers were very focused on what they wanted and willing to pay for
  - Each company was willing to pay more for what they were familiar with
  - Multiple closings vs. just one, in this case definitely worth the effort
- Sale Results
  - Three transactions
  - Total consideration in excess of $1 billion
  - Aggregate cash portion of $653 million
  - Includes 7.25 million shares of Forest Oil common stock valued at $51.16/share as provided in purchase and sale agreement

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…and Now the Rest of the Story, The Numbers

- $200 million invested in preferred equity

- In 40 months:

  √ Made 14 acquisitions and numerous annexations

  √ Drilled 116 operated wells investing $230 million

  √ Generated $154 million in net cash flow, a 434% CAGR

  √ Achieved equity ROR of 76% (S&P during period 17%)

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Cordillera III, Things to Come

- Funded in August, 2007
  - Equity commitment of $500 MM
  - Bank credit facility of $600 MM
- The Transition
  - Same experienced team in place
  - A wealth of knowledge and data in our core area
  - No down time, CEP III is up and running
    - ✓ 145,000 gross and 75,000 net acres
    - ✓ 10.5 MMcfed net production
    - ✓ $30 MM pro-forma September 2008 annualized cash flow
    - ✓ Robust reserve growth
- Our Strategy
  - Same three pronged model
  - Always be opportunistic
  - Acquire and/or lease and drill based on prices and costs

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Recent "Game Changers"

- Liquidity Crisis creates need for "new methods" of financing transactions
- Significant product price declines create a "once-in-a-lifetime" cycle to build value through acquisition transactions
- Costs for services have not declined in response to product price collapses in the third quarter
- Land grab for acreage in new shale plays has been slowed creating new opportunities for entry at attractive valuation levels
- "Innovation and re-design" of strategies are now a must to deliver value to shareholders
- With all turmoil, there are opportunities – learn from the past but adapt for the future
  - Take Wayne Gretsky's advice: "I skate to where the puck is going to be, not where it has been."

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