

Edgar Filing: FOREST OIL CORP - Form 425

FOREST OIL CORP  
Form 425  
September 12, 2005

Filed by Forest Oil Corporation

Pursuant to Rule 425 under the Securities Act of 1933

Subject Company: Forest Oil Corporation

File No. 1-13515

These materials are not a substitute for the registration statement that will be filed with the Securities and Exchange Commission in connection with the transaction, or the proxy statement/prospectus-information statement to be mailed to stockholders. Investors are urged to read the proxy statement/prospectus-information statement which will contain important information, including detailed risk factors, when it becomes available. The proxy statement/prospectus-information statement and other documents that will be filed by Forest and Mariner with the Securities and Exchange Commission will be available free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov), or by directing a request when such a filing is made to Forest Oil Corporation, 707 17<sup>th</sup> Street, Suite 3600, Denver, CO 80202, Attention: Investor Relations; or by directing a request when such a filing is made to Mariner Energy, Inc., 2101 CityWest Blvd., Bldg. 4, Ste. 900, Houston, TX 77042-2831, Attention: Investor Relations.

Mariner, Forest and their respective directors, and executive officers may be considered participants in the solicitation of proxies in connection with the proposed transaction. Information about the participants in the solicitation will be set forth in the proxy statement/prospectus-information statement when it becomes available.

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[GRAPHIC]

**ALL EMPLOYEE MEETING**

[LOGO]

GROWTH

**PROGRESS**

MOMENTUM

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**THE NEW FST Operations Spin-Off Drives Value**

Distribution returns value to Forest's shareholders

Opportunistic tax-free spin / merge of offshore Gulf operations segment creates two highly focused and valuable enterprises

High quality partner in Mariner Energy creating well positioned GOM independent with excellent growth outlook

Enhanced competitive positioning of Forest's remaining onshore asset base to execute a more focused strategy

Forest's portfolio of long-life, concentrated assets in high quality basins poised for sustainable growth

***STREAMLINED ASSET BASE, BETTER POSITIONED FOR GROWTH***

[LOGO]

**KEY TRANSACTION TERMS**

<b>Asset Contribution</b>	344 Bcfe of Forest offshore proved reserves (12/31/04)
<b>Liability Contribution</b>	\$200 Million of debt \$50 Million of derivatives at 6/30/2005 \$157 Million of ARO
<b>Structure</b>	Tax-free Reverse Morris Trust transaction Spin-off of Gulf of Mexico operations Stock for stock merger of SpinCo and Mariner
<b>Mariner Equity Ownership</b>	58.2% Forest shareholders 41.8% Mariner shareholders
<b>Mariner Management &amp; Governance</b>	Scott Josey, Chairman & CEO 7 member board 2 members to be mutually agreed by Forest and Mariner
<b>Expected Close</b>	Q4 2005 / Q1 2006 (economic effective date of July 1, 2005) *

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\* Subject to Mariner shareholder vote and SEC registration requirements

## **TRANSACTION RATIONALE**

### **SHAREHOLDER VALUE**

Provides greater investor clarity with respect to value proposition of each entity

Unlocks intrinsic shareholder value in a tax efficient manner

Preserves ability to participate in continued success of two well-positioned enterprises

### **INCREASED OPERATIONAL FOCUS**

Provides greater strategic clarity and management focus for two separate and discreet asset bases, each with strong critical mass and track record

Integrates offshore shelf portfolio into high growth offshore deepwater focused vehicle run by Mariner's proven management team

Unleashes Forest's management to accelerate execution of resource oriented onshore acquire and exploit strategy

### **FINANCIAL CAPABILITIES**

Preserves financial flexibility of both companies to act opportunistically

Provides appropriate capital structure to fund deepwater opportunities





**SPIN-OFF OF FOREST OIL S GOM OFFSHORE ASSETS TO MARINER ENERGY**

A meeting was held with all of our GOM employees this morning to discuss the details of the deal and its implications for those employees

Forest Oil management and the Board of Directors have ensured throughout the negotiation process that Forest Oil employees were given full and fair consideration in all aspects of the deal

All Forest Oil employee shareholders will benefit from the proposed transaction:

The strike price of outstanding stock options will be adjusted to reflect the value of the dividend being paid by Mariner to FST shareholders

Participants who hold FST stock in the 401(k) plan will receive shares of Mariner stock in the plan equal to the dividend value (and keep their FST stock)

Shareholders in the ESPP or common stock:

will receive shares of Mariner stock equal to the value of the dividend

the grant price of options purchased in the quarter of closing will be adjusted to reflect the value of the dividend distribution

**SPIN-OFF OF GOM OFFSHORE ASSETS**

The majority of Denver, Metairie and Lafayette employees directly affiliated with GOM offshore assets (approximately 130 employees) will be transferred to Spinco/Mariner Energy upon closing of the transaction, tentatively scheduled for Q4 2005 / Q1 2006

The majority of employees affiliated with GOM onshore assets will remain with Forest Oil

JC Ridens will remain with Forest Oil as Senior Vice President responsible for the GOM onshore assets

## **CORPORATE STAFFING POST-CLOSING**

In the coming weeks Forest Oil management will undertake an extensive review of its corporate support requirements following closing of the transaction

Forest Oil has entered into a Transition Services Agreement with Mariner to provide support services for offshore GOM operations during a transition period through approximately June 30, 2006

We anticipate some corporate positions will be eliminated based on reduced support needs upon transaction closing and throughout the transition period

Individuals will be selected to fill ongoing staffing needs based on individual capabilities applicable to the position requirements

Employees will be considered for all ongoing positions in Forest Oil for which they may be qualified as well as opportunities in Mariner

Any salaried employee terminated involuntarily other than for cause throughout this process will be eligible for a lump sum severance payment equal to one-half month's base salary per year of service, with a minimum payment equal to six months' base salary and a maximum payment of twelve months' base salary

We will inform all employees affected by this transaction of their employment status (continuing versus transitional) no later than October 15, 2005

Employees working on a transitional basis will be informed of the completion date of their transition assignment as soon as practicable following Mariner's assessment of its ongoing needs post-closing

Severance payments are conditional upon successful completion of the transitional assignment as determined by Forest Oil management and execution of a release

**REALIGNING ASSET BASE    The Perfect Pie**

**Old Forest Oil**

[CHART]

**2004 Reserves: 1,454 Bcfe \***  
**61% Gas**  
**75% PD**

[CHART]

**YTD 2005 Production: 495 MMcfe/d**  
**2005 R/P: 8.0**

**New Forest Oil**

[CHART]

**2004 Reserves: 1,110 Bcfe \***  
**55% Gas**  
**74% PD**

[CHART]

**YTD 2005 Production: 267 MMcfe/d**  
**2005 R/P: 11.4**

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\* Pro forma for the Buffalo Wallow acquisition and offshore spin-off



**SUSTAINABLE GROWTH PROFILE**

[CHART]

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## STATUS OF GOM EMPLOYEES

The majority of Denver employees directly affiliated with GOM offshore assets and all Metairie and Lafayette-based employees, including offshore field personnel, will be transferred to Spinco/Mariner Energy upon closing, scheduled for Q4 2005 / Q1 2006

The majority of employees affiliated with GOM onshore assets will remain with Forest Oil

JC Ridens will remain with Forest Oil as Senior Vice President responsible for the GOM onshore assets

You will be advised of your assignment to Mariner Energy or Forest Oil today

Upon closing, Mariner Energy will make decisions regarding continued employment, positions, salaries and work locations of transferring employees

Mariner Energy may decide to discontinue, temporarily extend or continue employment of individuals at that time

Mariner Energy management will be in Denver and Lafayette to address employees regarding Mariner Energy employment this month

**EMPLOYEES TRANSFERRING TO MARINER ENERGY**

The following will apply to all employees joining Mariner Energy upon closing:

Unvested Forest Oil Stock options will be converted to Mariner Energy stock options under the same terms and conditions of the FST options (following adjustment of the strike price to account for the Mariner Energy dividend distribution to FST shareholders)

Vested FST stock options may be exercised for up to three months following termination from FST

A Retention Bonus equal to 2.5 times the target bonus award under Forest Oil 2005 bonus plans will be paid to continuing Mariner Energy employees in lieu of the 2005 Forest Oil bonus as follows:

25% of target award October 14, 2005

75% of target award if employed on February 15, 2006

75% of target award if employed on May 1, 2006

75% of target award if employed on June 30, 2006

Involuntary termination of employment following closing would result in payment of the next scheduled bonus installment

Minimum payment of 100% of target bonus if involuntarily terminated

Account balances in the FST Retirement Savings Plan (401(k) Plan) will be transferred to the Mariner Energy Plan and will become 100% vested

Unused earned 2005 vacation under the FST Plan will be honored by Mariner Energy

Employees will be eligible to participate in Mariner Energy group benefits plans and compensation plans

Relocation Benefits Employees asked to relocate to Houston will be eligible for:

A three months base salary cash relocation allowance

Shipment of household goods and personal effects

Reimbursement of home sale and home purchase expenses

Temporary living expenses in Houston

House-hunting trip to Houston

Employees with school-age children may delay relocation until completion of the current school year

**SEVERANCE PAY**

Employees who are terminated involuntarily by Mariner Energy prior to the later of June 30, 2006 or six months after closing for reasons other than cause, experience a reduction in salary, or who elect not to relocate more than 50 miles from their current work location (not applicable to offshore employees) will be eligible for severance pay as follows:

Salaried employees will be eligible for one-half month s base salary per year of service, with a minimum of six months base salary

Hourly employees will be eligible for two weeks base wage per year of service, with a minimum of 26 weeks base wage (regularly-scheduled overtime included in hourly rotational employee base wage rate)

Severance pay will be offset by the amount of any Retention Bonus paid

All severance payments are contingent upon execution of a release

Any employment termination dates will be determined by Mariner Energy management

It will be business as usual for the GOM business unit through closing under current management with no planned staffing changes

Combination

MARINER ENERGY, INC.

Mariner Contribution	[LOGO]	Forest Contribution	[LOGO]
Management		Development Expertise/Personnel	
Deepwater, Shelf, West Texas Assets		Underexploited Shelf Assets	
Exploration Track Record		Identified Exploitation Opportunities	
Prospect Inventory		Cash Flow	
<b>41.8%</b>		[GRAPHIC]	<b>58.2%</b>

Dynamic GOM player with scale and expertise to  
 effectively compete in the Shelf, Deep Shelf, and Deepwater  
 Strong cash flow  
 Modest debt level  
 Shareholders benefit from the diversity and upside potential intrinsic in these complementary asset bases  
 Blend of Exploration and Exploitation opportunities



Mariner-SpinCo Trend Map

[GRAPHIC]

**Shelf and Deepwater (460,000+ net undeveloped acres)**

- Creates a leading Gulf of Mexico focused independent
  - Balances deepwater exploration with low risk shelf exploitation
  - Adds high impact deep shelf and ultra-deep shelf opportunities
  - Extensive deepwater exposure with prospects in inventory
  - Synergies through property overlap and G&A savings
-

Deepwater Operations Expertise

[GRAPHIC]

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