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## Forest Oil Corp. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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Thank you. [Operator Instructions]. And your first question comes from the line of Tom Gardener with Simmons & Company.

#### **Tom Gardner - Simmons & Company International**

Good afternoon gentlemen. Can you talk about your capital budget and how you go about setting that and specifically it's just typically you mentioned that you plan to live within cash flow. What price outlook are you predicating that on and with fraction of discretionary cash flow do you plan to set your budget?

#### **H. Craig Clark - President and Chief Executive Officer**

In terms of setting our budgets, we have all the business units put in their wish list, and then we basically put that in a ranking order based on rate of return and then work that rate of return within a context of lease saving operations and other required drilling. The initial CapEx budgets are set on a variety of prices with that final call being made by the Board. And so we have a CapEx budget that's in place right now for prices ranging anywhere from \$6 to \$8 for natural gas, NYMEX for next year. And related with the... and have the ability to go above that if conditions warrant that. But that is... that's how we do it, it's a strip ordering based on rate of return, but then with an overlay towards required drilling.

#### **Tom Gardner - Simmons & Company International**

Next one, jumping over to the Utica, you've mentioned earlier in the call that you've done corporate acquisitions in the past and certainly there are some acreage rich micro camps there in the play. Is that something you would reconsider perhaps a corporate acquisition in that area?

#### **H. Craig Clark - President and Chief Executive Officer**

Well we... I guess no comment on future acquisition, that's what we usually say, something clearly I think the science and technique give you first mover advantage, and our biggest competition out there is a large Canadian company, but I can't speak for this more and except to say that these wells are going to drill pretty fast once you commit to the development because of the shallow nature and ease from which they were drilled as a cohort. So, there might be some consolidation opportunities which we are not adverse to but I couldn't comment or speculate on any at this time.

And I think also the implied value of their acreage, we don't know if that's a real value or not to as many of the cash deals gone up there. So, I think we want to wait to see the play... play out a little bit

and this place you're going to take capital and we are the operator and we're going to [indiscernible]  
and it's up to those juniors to keep up and we will see what transpires there.

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