

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

## Forest Oil Corporation Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

---

#### Operator

(Operator instructions) Our first question will come from the line of Gil Yang with Citigroup.

#### Gil Yang – Citigroup

Thank you. Good morning or good afternoon to you in Denver. I think you said that your budget was based on 5% cost savings since I guess year end I would assume. Is that right?

#### J.C. Ridens

Yes, that's based on 2008 average well cost, Gil.

#### Gil Yang – Citigroup

Average well cost.

#### J.C. Ridens

Yes.

#### Gil Yang – Citigroup

What would happen if costs come down sort of to the 20% level that I think you mentioned you sort of expect would you spend that on more drilling or pay down debt?

#### Dave Keyte

If you are talking about a difference in average it goes from zero to 20 versus zero to 10 like we think. You are talking about 25 million bucks so I don't have an answer for that specific amount of money, Gil. I think we get it in here and see what we do there get it in here.

#### J.C. Ridens

I would say debt or you would have to reallocate it to the more successful areas. One thing I will say is if you do see a 20% reduction for that matter a 10, a lot of projects that fell out at four dollar and five dollar gas come back in again, you get a huge benefit in the rate of return. You get back some of the margin you probably lost in the last few years. So I want to incent those cost reductions on those wells and that's why we are continuing to drill some.

**Gil Yang – Citigroup**

Can you in that domain, you say you stress test your projects down to 450 and \$40 oil. Can you describe what you mean by stress test, does that mean a 10% rate of return or is there something else that you're thinking of?

**Dave Keyte**

No, in order to make the capital budget this year, the well has to be either a commitment well or it has to achieve a 20% rate of return at those levels.

**Gil Yang – Citigroup**

Okay. Alright. Great. And last question is how much data do you have on Hamilton County and can you compare what you think is there versus what you saw in Red River?

**J.C. Ridens**

Actually that's Harrison County.

**Gil Yang – Citigroup**

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.