

FOREST OIL CORP
Form DEF 14A
March 29, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

Forest Oil Corporation

(Name of Registrant as Specified In Its Charter)

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Forest Oil Corporation
707 Seventeenth Street, Suite 3600
Denver, Colorado 80202

March 29, 2012

Dear Fellow Shareholder:

We cordially invite you to attend the annual meeting of shareholders of Forest Oil Corporation to be held on Tuesday, May 8, 2012, at 9:00 a.m., M.D.T., at the Marriott Hotel, 1701 California Street, Denver, Colorado.

At this year's meeting, you will be asked to (i) elect three Class III directors, (ii) approve, by non-binding vote, the compensation of the named executive officers as disclosed in this proxy statement, (iii) re-approve the performance measures under the Forest Oil Corporation 2007 Stock Incentive Plan, and (iv) ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm. Details regarding each of the proposals are described in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement.

We are pleased to be using the U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to many of our shareholders a notice of the availability of the proxy materials for the annual meeting of shareholders to be held on May 8, 2012, instead of mailing a paper copy of the annual meeting notice, the accompanying proxy statement, and our 2011 Annual Report. The notice contains instructions on how to access those documents over the Internet. The notice also contains instructions on how each of those shareholders can receive a paper copy of our proxy materials, including the notice, the accompanying proxy statement, our 2011 Annual Report, and a form of proxy card or voting instruction card. All shareholders who do not receive a notice will receive a paper copy of the proxy materials by mail. We believe this process represents a more direct mechanism for disseminating information, will reduce the number of printed copies and thus reduce the environmental impact of producing and delivering these materials, and will pare down the associated costs.

As owners of Forest common stock, your vote is important. Whether or not you plan to attend the annual meeting, we hope that you will vote as soon as possible. You may vote by proxy over the Internet or by telephone, or, if you received paper copies of the proxy materials by mail, you can also vote by mail by following the instructions on the proxy card or voting instruction card.

On behalf of our Board of Directors, thank you for your continued interest in Forest Oil.

Sincerely,

H. Craig Clark
President and Chief Executive Officer

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Forest Oil Corporation
707 Seventeenth Street, Suite 3600
Denver, Colorado 80202

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 8, 2012

We will hold the annual meeting of shareholders of Forest Oil Corporation on Tuesday, May 8, 2012, beginning at 9:00 a.m., M.D.T., at the Marriott Hotel, 1701 California Street, Denver, Colorado 80202. The items of business are:

1. Election of three Class III directors;
2. To conduct an advisory vote on executive compensation;
3. Re-approval of performance measures under the Forest Oil Corporation 2007 Stock Incentive Plan;
4. Ratification of the appointment of Ernst & Young LLP as Forest's independent registered public accounting firm for the year ending December 31, 2012; and
5. Consideration of such other business as may be properly brought before the meeting.

Only Forest shareholders of record at the close of business on March 15, 2012, the record date for the meeting, are entitled to vote at the meeting and any adjournments or postponements of the meeting.

Whether or not you plan to attend the annual meeting, we urge you to vote as soon as possible. You may vote your shares over the Internet or via a toll-free telephone number. If you received a paper copy of a proxy card or voting instruction card by mail, you may submit your proxy or voting instruction card by completing, signing, dating, and returning your proxy card or voting instruction card in the pre-addressed envelope provided. If you hold your shares of record and attend the meeting, you will have the right to revoke the proxy and vote your shares in person. For specific instructions on how to vote your shares, please refer to the section heading "GENERAL INFORMATION" in the accompanying proxy statement.

By Order of the Board of Directors,

Cyrus D. Marter IV
Senior Vice President, General Counsel and Secretary

Denver, Colorado
March 29, 2012

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**IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS
FOR THE FOREST OIL CORPORATION
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 8, 2012**

This notice, the accompanying proxy statement, and our 2011 Annual Report to Shareholders, which includes our Annual Report on Form 10-K for the year ended December 31, 2011, are available on our website at www.forestoil.com. Additionally, and in accordance with U.S. Securities and Exchange Commission (SEC) rules, you may access these materials at the cookies-free websites indicated in the notice of the availability of proxy materials that you may receive from our transfer agent, Computershare Shareowner Services LLC, or from Broadridge Financial Solutions, Inc.

IMPORTANT VOTING INFORMATION

Shareholders who hold Forest shares through a broker, bank or other financial institution receive proxy materials and a Voting Instruction Form either electronically or by mail before each shareholder meeting. For your vote to be counted with respect to Proposals 1, 2 and 3, you will need to communicate your voting decisions to your broker, bank or other financial institution before the date of the shareholder meeting.

Your Participation in Voting the Shares You Own Is Important

Voting your shares is important to ensure that you have a say in the governance of your company. Please review the proxy materials and follow the instructions on the Voting Instruction Form to vote your shares. We hope you will exercise your rights and fully participate as a shareholder in Forest's future.

More Information Is Available

If you have any questions about the proxy voting process, please contact the broker, bank or other financial institution where you hold your shares. The SEC also has a website (www.sec.gov/spotlight/proxymatters.shtml) with more information about your rights as a shareholder. Additionally, you may contact our Investor Relations Department at www.forestoil.com or by email at IR@forestoil.com.

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PROXY STATEMENT

**ANNUAL MEETING OF SHAREHOLDERS
To Be Held Tuesday, May 8, 2012**

**Forest Oil Corporation
707 Seventeenth Street, Suite 3600
Denver, Colorado 80202
*www.forestoil.com***

GENERAL INFORMATION

Proxy Solicitation

Beginning on or about March 29, 2012, Forest has made available to you on the Internet or has delivered paper copies of these proxy materials to you by mail in connection with the solicitation of proxies by the Board of Directors (the "Board") of Forest Oil Corporation ("Forest" and "we" and/or "our"), a New York corporation, for Forest's annual meeting of shareholders to be held at 9:00 a.m., M.D.T., on Tuesday, May 8, 2012, at the Marriott Hotel located at 1701 California Street, Denver, Colorado 80202. The proxies also may be voted at any adjournments or postponements of the meeting. In addition to solicitation by mail, certain of our directors, officers, and employees may solicit proxies by telephone, personal contact, or other means of communication. They will not receive any additional compensation for these activities. Also, brokers, banks, and other nominees will be requested to solicit proxies or authorizations from beneficial owners. Forest will bear all costs incurred in connection with the preparation, assembly, and mailing of the proxy materials and the solicitation of proxies and will reimburse brokers, banks, and other nominees, fiduciaries, and custodians for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of Forest common stock. We have engaged Alliance Advisors to assist us in the solicitation of proxies, for which we have paid it a fee of \$7,000 and will reimburse it for certain charges and expenses.

Shareholders Entitled to Vote; Record Date

Shareholders of record at the close of business on March 15, 2012, the record date, are entitled to notice of, and to vote at, the meeting or at adjournments or postponements of the meeting. Each owner of record on the record date is entitled to one vote for each share of Forest common stock held. On the record date there were 117,655,065 shares of Forest common stock issued and outstanding.

Notice of Internet Availability of Proxy Materials

Forest is pleased to be using the U.S. Securities and Exchange Commission ("SEC") rule that allows companies to furnish their proxy materials over the Internet. As a result, Forest is mailing to the majority of its shareholders a notice about the Internet availability of the proxy materials instead of mailing a paper copy of the proxy materials. All shareholders receiving the notice will have the ability to access the proxy materials over the Internet and request to receive a paper copy of the proxy materials by mail. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found on the notice. See below for details. Forest is providing some of its shareholders, including shareholders who have previously requested to receive paper copies of the proxy materials, with paper copies of the proxy materials instead of a notice about the Internet availability of the proxy materials.

The notice that you receive in the mail will come in one of two forms, depending on how you hold your shares of Forest. If your shares are held in a brokerage account, or by a trustee or other nominee, you

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are considered the "beneficial owner" of those shares and you will receive a four-page document titled "IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS" for the annual meeting of shareholders to be held on May 8, 2012, from Broadridge Financial Solutions, Inc. If your shares are registered directly in your name with our transfer agent, you are considered the "shareholder of record" and you will receive a two-page document from our transfer agent, Computershare Shareowner Services LLC, titled "IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS." In either case, instructions on how to access the proxy materials over the Internet and to request paper copies may be found on the notice. Our proxy materials may also be accessed on our website at www.forestoil.com.

How to Vote Your Shares Without Attending the Annual Meeting in Person

Whether you hold shares directly as a shareholder of record, or beneficially in "street name," you may direct how your shares are voted without attending the annual meeting. If you are a shareholder of record, you may vote by submitting a proxy; and if you hold your shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee, or nominee. There are three ways to vote by proxy and voting instruction card:

By Internet Shareholders who received a notice about the Internet availability of the proxy materials may submit their proxy over the Internet by following the instructions on the notice. Shareholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies over the Internet by following the instructions on the proxy card or voting instruction card.

By Telephone Shareholders of record may submit proxies by telephone, by calling the number included in the materials received from Computershare Shareowner Services LLC, and following the instructions. In addition, you will need to have the control number that appears on your notice available when voting. Shareholders who are beneficial owners of their shares and who have received a voting instruction card may vote by calling the number specified on the voting instruction card provided by their broker, trustee, or nominee.

By Mail Shareholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies by completing, signing, and dating their proxy card or voting instruction card and mailing it in the accompanying pre-addressed envelope.

If you provide specific voting instructions, your shares will be voted as you instruct. If you hold your shares directly and you sign the proxy card but do not provide instructions or if you do not make specific Internet or telephone voting choices, your shares will be voted "FOR" the election of all director nominees, "FOR" the approval of the compensation of the named executive officers, "FOR" re-approval of performance measures under the Forest Oil Corporation 2007 Stock Incentive Plan, and "FOR" ratification of the appointment of Ernst & Young LLP ("Ernst & Young") as our independent registered public accounting firm for the year ending December 31, 2012.

If you sign the proxy card of your broker, trustee, or other nominee, but do not provide instructions, or if you do not make specific Internet or telephone voting choices, your shares will not be voted unless your broker, trustee, or other nominee has discretionary authority to vote. When a broker, trustee, or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have authority to vote in the absence of timely instructions from the beneficial owner, this is referred to as a "broker non-vote." Brokers who are members of the NYSE have discretionary authority to vote the shares of a beneficial owner in the ratification of Ernst & Young as our independent registered public accounting firm, but such brokers are not empowered to vote for Proposals 1, 2 or 3 in the absence of specific instructions from the beneficial owner.

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How to Vote Your Shares by Attending the Annual Meeting in Person

Shares held in your name as the shareholder of record may be voted in person at the annual meeting. Shares for which you are the beneficial owner but not the shareholder of record may be voted in person at the annual meeting only if you obtain a "legal proxy" from the broker, trustee, or other nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the annual meeting, we recommend that you also vote by proxy as described above so that your vote will be counted if you are unable to attend the meeting.

Revoking Your Proxy

A proxy may be revoked at any time before it is voted by (1) sending written notice of revocation to our Secretary at our office address set forth above prior to the annual meeting, (2) delivering a revised proxy (by one of the methods described above) bearing a later date, or (3) voting in person by completing a ballot at the annual meeting. If you have instructed a broker, trustee, or other nominee to vote your shares, you must follow the directions received from your broker, trustee, or other nominee to change those instructions. You may change your telephone or Internet vote as often as you wish following the procedures for telephone or Internet voting, as applicable.

Quorum; Vote Required

A majority of the outstanding shares entitled to vote at the meeting must be present or represented by proxy at the meeting in order to have a quorum. All shares that are voted "for" or "against" any matter, votes that are "withheld" for Class III nominees, abstentions, and "broker non-votes" are counted as present for the purpose of determining a quorum. If a quorum is not present at the meeting, a vote for adjournment will be taken among the shareholders present or represented by proxy. If a majority of the shareholders present or represented by proxy vote for adjournment, it is our intention to adjourn the meeting until a later date and to vote proxies received at such adjourned meeting. The place and date to which the annual meeting would be adjourned would be announced at the meeting, but would in no event be more than 30 days after the date of the annual meeting.

Under the laws of New York, our state of incorporation, "votes cast" at a meeting of shareholders by the holders of shares entitled to vote are determinative of the outcome of the matter subject to vote. Although they are considered in determining the presence of a quorum, abstentions and "broker non-votes" will not be considered "votes cast." Accordingly, they will have no effect on the outcome of the vote.

Under a recently amended provision of our Bylaws, Directors are elected by a majority of the votes cast at the meeting. Votes that are "withheld" are considered a vote against the director from whom the vote is withheld. Approval of each of the other proposals, as well as any other matter that may properly come before the meeting, also require the affirmative vote of a majority of the votes cast at the meeting. Abstentions and "broker non-votes" will not be treated as votes cast and, therefore, will have no effect on the outcome of any vote.

We intend to announce preliminary voting results at the meeting and publish final results in a periodic report on Form 8-K within four business days following the annual meeting of shareholders.

Other Matters

The Board knows of no matter, other than those referred to in the notice of annual meeting and this proxy statement, which will be presented at the meeting. If any other matter is properly brought before the meeting or any of its adjournments or postponements, the persons named in the proxy will vote the proxy in accordance with their judgment on such matter.

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Recommendations of the Board of Directors

Our Board of Directors recommends a vote "FOR" the election of each of the Class III director nominees, "FOR" the approval, by advisory vote, of the compensation of the named executive officers, "FOR" re-approval of the performance measures under the Forest Oil Corporation 2007 Stock Incentive Plan, and "FOR" the ratification of the appointment of Ernst & Young as Forest's independent registered public accounting firm for the year ending December 31, 2012.

Delivery of Documents to Security Holders Sharing an Address; Householding

The SEC rules permit companies and intermediaries, such as brokers and banks, to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address, by delivering a single proxy statement and annual report to those shareholders. This method of delivery, often referred to as "householding," is meant to reduce both the amount of duplicate information that shareholders receive and printing and mailing costs. We are not householding proxy materials for our shareholders of record in connection with the annual meeting, but we have been notified that certain intermediaries may household proxy materials. If you hold your shares of our common stock beneficially through a broker or bank that has determined to household proxy materials, only one proxy statement and 2011 Annual Report to Shareholders may be delivered to multiple shareholders sharing an address unless you notify your broker or bank to the contrary. If your household is receiving multiple copies of our proxy statement and annual report and you wish to receive only one copy of future notices or proxy materials, you should contact your bank or broker.

We will promptly deliver to you a separate copy of the proxy statement and 2011 Annual Report to Shareholders if you so request by calling us at 303.812.1400, or by writing, in care of the Secretary, Forest Oil Corporation, 707 Seventeenth Street, Suite 3600, Denver, Colorado 80202. You may also contact your bank or broker to make a similar request.

Access to Annual Report and Governance Documents

We refer you to our 2011 Annual Report to Shareholders, which includes our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC. Our Annual Report on Form 10-K, including our financial statements, and any amendments and any documents incorporated by reference in our Annual Report on Form 10-K, our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and each of the committee charters will be sent to you without charge upon written request. If you would like to receive any additional information, please contact us in care of the Secretary, Forest Oil Corporation, 707 Seventeenth Street, Suite 3600, Denver, Colorado 80202, or contact us by telephone at 303.812.1400. Alternatively, you may access the 2011 Annual Report to Shareholders and the foregoing governance documents on Forest's website at www.forestoil.com. The 2011 Annual Report to Shareholders is not considered a part of the proxy solicitation materials.

**CORPORATE GOVERNANCE PRINCIPLES AND
INFORMATION ABOUT THE BOARD AND ITS COMMITTEES**

Board Independence

Our Corporate Governance Guidelines provide that a majority of our Board of Directors (the "Board") will consist of independent directors. The Board has determined that six of our directors are independent, including Messrs. Loren K. Carroll, Dod A. Fraser, James H. Lee, James D. Lightner, Patrick R. McDonald, and Raymond I. Wilcox. H. Craig Clark is not independent due to his status as our President and Chief Executive Officer. Only directors who have been determined to be independent serve on our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. The Board uses the independence standards as adopted by the New York Stock Exchange ("NYSE") and the SEC in making these determinations and, based on information provided by the

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members, has determined that no member of these committees has a material relationship with Forest (either directly or indirectly as a partner, shareholder, or officer of an organization that has a relationship with Forest) that may interfere with the exercise of such member's independence. The independence standards are reflected in our Corporate Governance Guidelines. In addition, the Board has elected Mr. Lightner, an independent director, to serve as our non-executive Chairman.

Board Leadership Structure and Risk Oversight

Forest believes that its Board is best characterized as independent. As noted above, six of the Board's seven members are independent and unaffiliated, with our Chief Executive Officer being the only non-independent director. Further, although not required by our governance documents, since 2003 Forest has bifurcated the role of Chief Executive Officer and Chairman of the Board of Directors. We believe that having an independent, non-executive Chairman of the Board represents an appropriate governance practice for Forest at this time. This structure creates a separation of the day-to-day administrative and strategic planning activities of management from the Board's oversight function. This separation in turn spreads decision-making power and fosters the need for better and more purposeful communication between management and the Board in order to achieve corporate goals that are aligned with shareholder interests.

Our Board members have diverse backgrounds. From an educational standpoint, two of our directors have engineering backgrounds, two have geologic backgrounds, and three have economic and finance backgrounds. From a work experience standpoint, three of our directors' careers were spent primarily with independent oil and gas companies, one with finance and banking firms, one with a major oil and gas company, one with an oilfield service company, and one began his career primarily in banking and finance and has since devoted his career to consulting and investing in the domestic oil and gas industry. At the same time, all of our directors have extensive experience in the oil and gas industry. We believe that the breadth of our directors' experience, coupled with their diverse backgrounds, increases our Board's collective ability to lead Forest and to recognize and address risks to which Forest is exposed.

As described in detail below, there are four committees of the Board of Directors: the Audit Committee, the Nominating and Corporate Governance Committee, the Compensation Committee, and the Executive Committee. At the end of each quarter, the full Board reviews and ratifies the actions that each committee took during that quarter.

The Board of Directors and its committees play an important risk oversight role at Forest. The entire Board reviews and determines Forest's overarching business strategy, the management of its balance sheet, and each year's annual business plan and budget. The business plan and budget includes our capital expenditures plan for the year. Forest's annual business plan is also the source for most of the targets used in Forest's annual incentive compensation plan, which the Board's Compensation Committee oversees.

The Board also reviews all acquisition and disposition transactions entered into by Forest and its subsidiaries, and all transactions with a value of \$25 million or more must be approved in advance by the Board. In addition, the Board has approved and adopted a Risk Management Policy governing Forest's commodity price, interest, and foreign exchange risk management, including the allowable scope and terms of hedging contracts entered into by Forest. Any variations to the Policy's mandates must be approved in advance by the Board. In furtherance of the Board's role under the Risk Management Policy, senior management provides quarterly updates to the Board regarding Forest's existing hedges, the projected production volumes corresponding to the time periods of the hedges, and any outstanding hedging targets that senior management has developed. Senior management will communicate with the Board more frequently than through its quarterly reports if, for example, a variation to the Policy's mandates is proposed.

In addition, the Audit Committee of the Board is specifically charged with reviewing Forest's financial risk exposures, Forest's internal oil and gas reserve estimates, and the annual audit of those estimates done

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by Forest's independent reserve engineers. The Audit Committee reports to the full Board regarding its review and assessment of Forest's reserve estimating processes. Further, both Forest's independent auditors and Forest's internal audit department report to the Audit Committee.

The administration of the Board's risk oversight role does not have any direct effect on the Board's leadership structure. However, we believe that the Board's structure, its committees, and the experience and diverse backgrounds of our directors all help to ensure the integrity of Forest's risk management and oversight.

Board Structure; Committee Composition; Meetings

As of the date of this proxy statement, our Board has seven members and the following four standing committees: (1) Audit Committee; (2) Compensation Committee; (3) Executive Committee; and (4) Nominating and Corporate Governance Committee. The membership and function of each of the committees are described below. Each of the committees operates under a written charter adopted by the Board. During 2011, the Board held five meetings. Each director attended at least 75% of the aggregate of all meetings of the Board and the standing committees on which he served during 2011. Directors are encouraged to attend the annual meeting of shareholders. All of the directors attended the 2011 annual meeting of shareholders, either in person or by teleconference. The following table identifies the members of the Board, the standing committees of the Board on which they serve, and the Chairman of each committee as of the date of this proxy statement.

Name of Director	Audit Committee	Compensation Committee	Executive Committee	Nominating and Corporate Governance Committee
Independent Directors:				
Loren K. Carroll		X		Chair
Dod A. Fraser ⁽¹⁾	Chair			X
James H. Lee	X		X	
James D. Lightner ⁽²⁾			Chair	X
Patrick R. McDonald	X	Chair		
Raymond I. Wilcox		X		X
Employee Director:				
H. Craig Clark			X	
Number of Meetings held in 2011	4	4	0	4

(1) The Board has determined that Mr. Fraser is an "audit committee financial expert" as defined under the applicable SEC rules.

(2) Mr. Lightner serves as non-executive Chairman of the Board.

Audit Committee. The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of Forest's financial statements, Forest's compliance with legal and regulatory requirements, the independence, qualifications, and performance of Forest's independent registered public accounting firm, and the performance of Forest's internal audit function. The Audit Committee has the authority to obtain advice and assistance of, and receive appropriate funding from Forest for, outside legal counsel or other advisers as the Audit Committee deems necessary to carry out its duties. As set forth in the Corporate Governance Guidelines, no member of the Audit Committee may serve on more than three audit committees of public companies, including the Audit Committee of Forest. Among other things, the Audit Committee: appoints and determines the compensation of, and if necessary terminates and replaces, our independent registered public accounting firm; pre-approves audit services and non-audit services by

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our independent registered public accounting firm; reviews the scope of, process for, and results of the annual independent audit engagement; reviews and evaluates the lead position of our independent registered accounting firm; confirms that the independent registered public accounting firm is in compliance with the SEC's position rotation rules; reviews and discusses with management and the independent registered public accounting firm our annual and quarterly financial statements; reviews with management our major financial risk exposures; reviews major changes, if any, to our accounting principles and practices; reviews our disclosure controls and procedures, internal controls and internal audit function, which reports to the Audit Committee, and reviews the significant reports prepared by our internal auditors; consults with the independent registered public accounting firm regarding internal control matters and the procedures for our financial reporting processes; approves the selection of our independent petroleum engineers; meets with management and our independent petroleum engineers to review the estimates of our oil and gas reserves; establishes and maintains procedures for the receipt, retention, and treatment of complaints concerning financial matters; prepares an annual report for inclusion in our proxy statement; and annually reviews and reassesses the Audit Committee charter. The Audit Committee consults separately and jointly with the independent registered public accounting firm, persons responsible for internal audit, and management. The Audit Committee also meets separately with our independent petroleum engineers to review our reserve estimates and the methodologies used in preparing these estimates. The current members of the Audit Committee are Dod A. Fraser, who serves as chairman of the committee and has also been designated as the "audit committee financial expert," James H. Lee, and Patrick R. McDonald. The report of the Audit Committee is included in this proxy statement under the caption "Report of the Audit Committee." The Audit Committee charter is available on our website at www.forestoil.com.

Compensation Committee. The Compensation Committee discharges the Board's responsibilities relating to compensation of Forest's executive officers, establishes Forest's overall compensation philosophy, reviews and discusses with management the disclosures under the caption "Compensation Discussion and Analysis" for inclusion in the annual proxy statement, prepares an annual Compensation Committee report, and retains and approves the compensation of any consultants used for executive compensation issues. The principal functions of the Compensation Committee include: reviewing the compensation strategies and programs for the officers and other Forest employees; determining the individual elements and compensation of the President and Chief Executive Officer; reviewing and approving the corporate goals and objectives relevant to executive officer compensation; evaluating the performance of executive officers (either as a committee or with the other independent directors); determining the components and total compensation of these officers in accordance with the corporate goals and objectives; modify and approve Forest's peer companies and data sources for purposes of evaluating Forest's compensation competitiveness and establishing the appropriate competitive positioning of the levels and mix of compensation elements; and reviewing and discussing, and making recommendations with respect to, disclosure in our proxy statement regarding the shareholder advisory votes on executive pay and the frequency of such advisory votes. The Compensation Committee also administers and determines awards under our restricted stock and stock option, bonus, and other incentive programs, and oversees our other compensation and benefit plans. The current members of the Compensation Committee are Loren K. Carroll, Patrick R. McDonald, who serves as the chairman of the committee, and Raymond I Wilcox. The report of the Compensation Committee is included in this proxy statement under the caption "Compensation Committee Report." The Compensation Committee charter is available on our website at www.forestoil.com.

Executive Committee. The Executive Committee, between meetings of the Board, exercises the powers of our Board, except as prohibited by law. From time to time, the Board delegates responsibility for specific matters to the Executive Committee. The current members of the Executive Committee are James D. Lightner, who also serves as the Chairman of the Board, James H. Lee, and H. Craig Clark, our Chief Executive Officer.

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Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee assists the Board in fulfilling its responsibilities by taking a leadership role in shaping the governance structure of Forest. The Nominating and Corporate Governance Committee oversees Forest's corporate governance principles and recommends candidates to be nominated for election to the Board. The Nominating and Corporate Governance Committee identifies qualified candidates and makes recommendations to the Board for selection of the candidates for all directorships to be filled by the Board or by the shareholders at an annual or special meeting. The Nominating and Corporate Governance Committee will consider other candidates, provided they are presented in accordance with the requirements of Forest's Bylaws or with the procedures outlined below, under the caption "Consideration of Director Nominees *Shareholder Nominees.*" The Committee also reviews and assists with the structure and composition of other Board committees. The Nominating and Corporate Governance Committee responsibilities also include: overseeing the evaluation of the Board and the executive officers; reviewing on an annual basis, non-employee director compensation and recommending any changes to the Board; assessing the need for adoption of stock ownership guidelines; reviewing the Code of Business Conduct and Ethics for Members of the Board, and recommending proposed changes to the full Board; overseeing and approving Forest's management continuity process, and reviewing the Board's policy regarding the structure of the offices of the Chairman of the Board and Chief Executive Officer. The Nominating and Corporate Governance Committee has authority, as it deems appropriate, to retain search firms to identify director candidates and approve their compensation. The current members of the Nominating and Corporate Governance Committee are Loren K. Carroll, who serves as the chairman of the committee, Dod A. Fraser, James D. Lightner, and Raymond I. Wilcox. The Nominating and Corporate Governance Committee charter is available on our website at www.forestoil.com.

Non-Executive Chairman. Mr. Lightner serves as Forest's non-executive Chairman of the Board and presides at all meetings of the Board. The Corporate Governance Guidelines provide for a non-executive independent Presiding Director in the event that the Chairman of the Board also holds the position of Chief Executive Officer.

Consideration of Director Nominees

Director Qualifications. Our Corporate Governance Guidelines contain Board membership criteria that apply to nominees recommended by the Nominating and Corporate Governance Committee for a position on the Board. The Corporate Governance Guidelines state that the Board considers director candidates diverse in gender, ethnic background, and professional experience. However, no formal diversity policy exists, and the ultimate goal of the Guidelines for director qualifications is to select individuals for Board service having sufficiently broad skills and characteristics that taken together will assure a strong Board with wide-ranging experience and expertise in the oil and gas business and in corporate governance. All director candidates must possess the following personal characteristics and qualifications: integrity and accountability; informed judgment; financial literacy; mature confidence; and high performance standards. In addition, the Board looks for recognized achievement and reputation, an ability to contribute to specific aspects of Forest's activities, and the willingness to commit the time and effort required, including attendance at all Board meetings and committee meetings of which he or she is a member. Please see "PROPOSAL NO. 1 ELECTION OF DIRECTORS" below for a discussion of the specific experience, qualifications, attributes and skills of each director considered in determining whether such person should serve on our Board.

The Corporate Governance Guidelines also contain standards with respect to the determination of director independence, and the Nominating and Corporate Governance Committee considers the independence standards as part of its process. In accordance with these standards, a director must have no material relationship with Forest, other than as a director, to be considered independent. The standards specify the criteria by which the independence of our directors will be determined, including strict guidelines for directors and their immediate families with respect to past employment or affiliation with us or our independent registered public accounting firm.

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Identifying and Evaluating Nominees for Directors. The Nominating and Corporate Governance Committee is responsible for leading the search for individuals meeting the characteristics and qualifications to serve on the Board as set forth in the Corporate Governance Guidelines. In reviewing candidates, emphasis is given to educational backgrounds, professional experience, and expertise. The Nominating and Corporate Governance Committee will evaluate candidates for nomination to the Board, including candidates recommended by shareholders, and will conduct appropriate inquiries into the backgrounds and qualifications of possible candidates. The Nominating and Corporate Governance Committee may retain outside consultants, in its sole discretion, to assist in identifying director candidates, but it did not engage any outside consultants in connection with selecting the nominees for election at the 2012 annual meeting. The Nominating and Corporate Governance Committee is responsible for recommending to the Board director nominees to be presented for election at meetings of the shareholders or of the Board. Shareholders may recommend possible director nominees for consideration by the Nominating and Corporate Governance Committee as indicated below. Shareholders may also nominate candidates for election to the Board at the annual meeting of shareholders by following the provisions set forth in Forest's Bylaws. The Corporate Governance Guidelines include the qualifications and skills required for directors and are available on Forest's website at www.forestoil.com.

The Nominating and Corporate Governance Committee recommended to the full Board that Messrs. Fraser, Lightner and McDonald be nominated to stand for re-election as Class III directors.

Shareholder Nominees. The Nominating and Corporate Governance Committee will consider all properly submitted shareholder recommendations of candidates for election to the Board as described above. In evaluating the recommendations of shareholders for director nominees, as with all other possible director nominees, the Nominating and Corporate Governance Committee will address the director qualification criteria described above. Any shareholder recommendations for director nominees should include the candidate's name and qualifications, as well as the shareholder's name, and should be sent in writing to Forest, in care of the Secretary, Forest Oil Corporation, 707 Seventeenth Street, Suite 3600, Denver, Colorado 80202, or faxed to 303.812.1445.

Our Bylaws permit shareholders to nominate candidates for election to the Board at an annual meeting of shareholders. In order to nominate candidates, Forest's Bylaws provide that the proposal must be submitted in writing, in advance of the next annual meeting, in accordance with the deadlines established in the Bylaws. The nomination process is described below, under the caption "SHAREHOLDER PROPOSALS FOR 2013 ANNUAL MEETING."

Compensation Committee Interlocks and Insider Participation

During 2011, the Compensation Committee consisted of the following independent directors: Loren K. Carroll; Patrick R. McDonald; and Raymond I. Wilcox. No member of the Compensation Committee is now, or at any time since the beginning of 2011 has been, employed by or served as an officer of Forest or any of its subsidiaries or had any relationships requiring disclosure with Forest or any of its subsidiaries. None of Forest's executive officers are now, or at any time have been since the beginning of 2011, a member of the compensation committee or board of directors of another entity, one of whose executive officers has been a member of Forest's Board or Compensation Committee.

Executive Sessions; Non-Executive Chairman

The Board holds executive sessions in connection with each regular meeting of the Board outside the presence of the Chief Executive Officer or any other management directors. The Chairman of the Board (or in the event that the Chairman also holds the position of Chief Executive Officer, the Presiding Director) leads the executive sessions. As described above, under the heading "CORPORATE GOVERNANCE PRINCIPLES AND INFORMATION ABOUT THE BOARD AND ITS COMMITTEES," James D. Lightner currently serves as Chairman of the Board.

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Communications with the Board

Shareholders and other interested parties may communicate with the Board by contacting the Chairman of the Board (or in the event that the Chairman also holds the position of Chief Executive Officer, the Presiding Director), in writing, in care of the Secretary, Forest Oil Corporation, 707 Seventeenth Street, Suite 3600, Denver, Colorado 80202. The Secretary will forward all correspondence to the Chairman, except junk mail, surveys, job inquiries, solicitations, patently offensive material, and otherwise inappropriate material. If any shareholder or third party has a complaint or concern regarding accounting, internal accounting controls, or auditing matters at Forest, they should send their complaint in writing to the Chairman of the Audit Committee in care of the Secretary at the address noted above.

Corporate Governance Guidelines and Code of Business Conduct

Forest is committed to adhering to sound corporate governance principles. Forest has adopted codes of ethics and conduct for the directors and for the officers and employees, known as the Code of Business Conduct and Ethics for Members of the Board and the Proper Business Practices Policy, respectively. Forest also has adopted Corporate Governance Guidelines, which, in conjunction with the Certificate of Incorporation, Bylaws, and Board committee charters, form the governance framework for Forest. The Corporate Governance Guidelines are reviewed annually by the Nominating and Corporate Governance Committee. Each of the codes of ethics and conduct, the Corporate Governance Guidelines, and the Audit, Compensation and Nominating and Corporate Governance Committee charters, is available on Forest's website at www.forestoil.com, and copies may be obtained free of charge by contacting the Secretary of Forest. We also post on our website amendments to these policies and promptly disclose any waivers from these policies for our principal executive, financial, and accounting officers.

Director Indemnification and Insurance

Forest's Restated Certificate of Incorporation limits the personal liability of our directors to the fullest extent permitted by the New York Business Corporation Law, as currently formulated or as it might be revised in the future. The Restated Certificate of Incorporation provides that a director will not be liable for damages for any breach of duty unless it is finally established that (a) the director's acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law, (b) the director personally gained a financial profit or other advantages to which he was not legally entitled, or (c) the director's acts violated Section 719 of the Business Corporation Law, which provides that directors who vote for, or concur in, certain types of corporate action proscribed by the Business Corporation Law will be jointly and severally liable for any injury resulting from such action.

Forest carries Directors and Officers Liability coverage designed to insure the directors and officers of Forest and its subsidiaries against certain liabilities incurred by them in the performance of their duties. The coverage is also designed to provide reimbursement in certain cases to Forest and its subsidiaries for sums paid by them to directors and officers as indemnification for similar liability. The current program is led by the Arch Insurance Company. We paid aggregate premiums of \$782,601 for this insurance during 2011. Forest has not suffered a loss and no payments have been made to Forest or its subsidiaries or to any of their directors or officers under these policies.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Forest's Bylaws provide that the members of the Board shall be divided into three classes Class I, Class II, and Class III whose terms of office expire at different times in annual succession. Our Bylaws allow the Board to establish the number of directors from time to time by resolution passed by a majority of the whole Board, provided that the number of directors shall not be less than six or more than 15. Currently, our Board has seven members.

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Generally, each class of directors is elected for a term expiring at the annual meeting of shareholders to be held three years after the date of their election. The Class III directors other than Mr. McDonald were elected at the 2009 annual meeting of shareholders. Until recently Mr. McDonald served as a Class I director, and he was last elected at the 2010 annual meeting of shareholders. The terms of the Class III directors will expire at the 2012 annual meeting of shareholders. Based on recommendations from the Nominating and Corporate Governance Committee, the Board has nominated three individuals Messrs. Fraser, Lightner and McDonald for re-election as Class III directors. The Class III director nominees will be elected for a three year term, to hold such office until our 2015 annual meeting of shareholders and until their successor is elected and qualified or until their earlier resignation or removal. Information regarding the business experience of each of the nominees is provided below.

The Nominating and Corporate Governance Committee and the Board of Directors have evaluated the specific experience, qualifications, attributes, and skills of each nominee and director to determine that such person should serve as a director of Forest at this time. In doing so, the Nominating and Corporate Governance Committee and the Board focused primarily on the credentials described in the biographical information set forth below for each nominee or director. Particular consideration was given to the many years of experience in the oil and gas exploration and production industry or related industries of each nominee and director. The Nominating and Corporate Governance Committee and the Board believe that such experience is vital in order to quickly identify, understand, and address new trends, challenges, and opportunities for Forest.

The Nominating and Corporate Governance Committee and the Board also identified the knowledge and understanding of corporate governance issues developed by Messrs. Carroll, Fraser, Lee, Lightner, McDonald, and Wilcox from years of service on corporate boards. In addition, with regard to Messrs. Carroll, Fraser, Lee, and McDonald, the Nominating and Corporate Governance Committee and the Board considered their extensive knowledge of corporate finance and accounting. For Mr. Carroll, the Nominating and Corporate Governance Committee and the Board considered the knowledge he brings with respect to the oilfield services industry, including insight into that industry's trends, service and equipment availability, and costs. For Mr. Fraser, consideration was given to his experience in public, private debt and equity markets and bank markets as well as his experience in mergers and acquisitions, and the valuable resource this experience provides the Board in its risk oversight function. Regarding Mr. Lee, consideration was given to his education and work experience in finance as well as his twenty-five years of experience consulting and investing in the domestic oil and gas industry including exploration and producing property acquisitions and divestitures. For Mr. Lightner, the Nominating and Corporate Governance Committee and the Board identified his geologic training and his many years of experience in forming, operating, and managing both private and large public oil and gas companies. The Nominating and Corporate Governance Committee and the Board also identified Mr. McDonald's geologic training and his extensive knowledge and experience with exploration and production companies. For Mr. Wilcox, consideration was given to his engineering training and his years of experience managing major integrated exploration and production companies, both domestic and overseas. Mr. Clark's engineering training and his experience in and understanding of virtually every functional area of oilfield operations, including engineering, exploration, production, and marketing, also were considered by the Nominating and Corporate Governance Committee and the Board, as was the in-depth knowledge of Forest's business he has developed during his years of service as our Chief Executive Officer and previously as our Chief Operating Officer.

Each nominee has indicated that he will be available to serve as a director. In the event any nominee should become unavailable to serve as a director, any shares represented by a proxy will be voted for the remaining nominee and for any substitute nominee designated by the Board.

The proxy holders, who have been so designated by the Board, will vote "FOR" the election of each of the three Class III nominees unless otherwise instructed in the proxy.

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Information concerning the director nominees and each of our other directors who will hold office following the annual meeting, is set forth below:

Class III Nominees Terms Expiring at the Annual Meeting of Shareholders in 2015

Dod A. Fraser, age 61, has been a director since 2000. Mr. Fraser is President of Sackett Partners Incorporated, a consulting company, and a member of corporate boards, since 2000. Previously, Mr. Fraser was an investment banker, a General Partner of Lazard Freres & Co. and, most recently, Managing Director and Group Executive of Chase Manhattan Bank, now JP Morgan Chase, where he led the global oil and gas group. Mr. Fraser was a board member of Smith International, Inc., an oilfield service company, and Terra Industries, Inc., a nitrogen-based fertilizer company. Mr. Fraser is a board member of Subsea 7 S.A., a sub-sea engineering and contracting company. Mr. Fraser serves as Chairman of our Audit Committee and is a member of our Nominating and Corporate Governance Committee. Mr. Fraser graduated from Princeton University with a bachelor of arts degree.

James D. Lightner, age 59, has been a director since 2004 and has served as our non-executive Chairman of the Board since May 2008. Mr. Lightner has been Chief Executive Officer of Beacon E&P Company, an oil and gas exploration company, since its inception in 2009. Mr. Lightner was a Partner and Chief Executive Officer of Orion Energy Partners, an oil and gas exploration and production company, from its inception in August 2004 until its winding down in 2009. From 1999 to 2004, Mr. Lightner served in various capacities with Tom Brown, Inc., an oil and gas exploration and production company, including director, Chairman, Chief Executive Officer and President, until its sale to EnCana Oil & Gas (USA) Inc. in 2004. Prior to 1999, he served as Vice President and General Manager of EOG Resources, Inc., a publicly traded oil and gas exploration and production company. Mr. Lightner had been a director since November 2004 of W-H Energy Services Inc., an oil field services company, until its sale in July 2008. Mr. Lightner serves as Chairman of our Executive Committee and as a member of our Nominating and Corporate Governance Committee. Mr. Lightner received a bachelor of science degree in geology from Southern Illinois University, and a master of science degree in geology from the Australian National University.

Patrick R. McDonald, age 54, has been a director since 2004. He was appointed as the Chief Executive Officer, President and as a Director and Chairman of the Board of Directors of Carbon Natural Gas Co. on February 14, 2011 and served as Chief Executive Officer, President and Director of its predecessor company Nytis USA since 2004. In March 2011, Mr. McDonald was elected as a director of Lone Pine Resources Inc., an oil and gas exploration, development and production company. From 1998 to 2003, Mr. McDonald served as President, Chief Executive Officer, and Director of Carbon Energy Corporation, an oil and gas exploration and production company. From 1987 to 1997 Mr. McDonald served as Chief Executive Officer, President and Director of Interenergy Corporation, a natural gas gathering, processing, and marketing company. Prior to that he worked as an exploration geologist with Texaco, Inc. where he was responsible for oil and gas exploration efforts in the Middle and Far East. Mr. McDonald is a member of our Audit Committee and serves as chairman of the Compensation Committee. He is a Certified Petroleum Geologist and is a member of the American Association of Petroleum Geologists and Canadian Society of Petroleum Geologists. Mr. McDonald received a bachelor's degree in geology and economics from Ohio Wesleyan University and an MBA in Finance from New York University.

Vote Required

A majority of the votes cast is required to elect the Class III nominees as directors.

THE BOARD RECOMMENDS A VOTE "FOR" EACH OF THE CLASS III NOMINEES SET FORTH ABOVE.

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CONTINUING MEMBERS OF THE BOARD:

Class I Directors Terms Expiring at the Annual Meeting of Shareholders in 2013

Loren K. Carroll, age 68, has been a director since 2006. Mr. Carroll served as President and Chief Executive Officer of M-I SWACO, a supplier of drilling and completion fluids and waste management products and services owned 60% by Smith International, Inc., and as Executive Vice President of Smith International, Inc., a supplier of products and services to the oil and gas, petrochemical, and other industrial markets from March 1994 until his retirement in April 2006. He initially joined Smith International in December 1984, and was serving as Executive Vice President and Chief Financial Officer when he left in 1989 and when he returned in October 1992. Mr. Carroll is a director of CGG-Veritas, a geophysical services and equipment company, and KBR, Inc., an engineering and construction company. Mr. Carroll previously served as a director of Smith International, Inc. and Fleetwood Enterprises, Inc., a producer of recreational vehicles and manufactured homes. Mr. Carroll is a member of our Compensation Committee and is Chairman of the Nominating and Corporate Governance Committee. Mr. Carroll graduated from California State University at Long Beach with a bachelor of science degree in accounting.

Raymond. I. Wilcox, age 66, has been a director since 2009. Mr. Wilcox served as President and Chief Executive Officer of Chevron Phillips Chemical Company LLC, producers of olefins and polyolefins, aromatics, alpha olefins, styrenics and specialty chemicals, from April 2006 until his retirement in March 2008. From 2002 until 2006, Mr. Wilcox served as Vice President of Chevron Corporation, a worldwide integrated energy company, and President of Chevron North America Exploration and Production Company, an oil and gas exploration and production company. Mr. Wilcox joined Chevron in 1968 and his career covered responsibilities in the upstream, midstream and chemical segments, and included activities in North America, Indonesia, Australia, Kazakhstan, the Far East, the Middle East and Africa. Mr. Wilcox previously served as a director of Dynegy, Inc. from June 2003 until March 2006. Mr. Wilcox is a member of our Nominating and Corporate Governance Committee and our Compensation Committee. He graduated from the University of Michigan with a bachelor of science degree in mechanical engineering.

Class II Directors Terms Expiring at the Annual Meeting of Shareholders in 2014

H. Craig Clark, age 55, has served as our President and Chief Executive Officer and as a director of Forest since July 2003. Mr. Clark joined Forest in September 2001 and served as President and Chief Operating Officer through July 2003. Mr. Clark was employed by Apache Corporation, an oil and gas exploration and production company, from 1989 to 2001, where he served in various management positions including Executive Vice President U.S. Operations and Chairman and Chief Executive Officer of Pro Energy, an affiliate of Apache. Mr. Clark is a member of our Executive Committee. Mr. Clark graduated from Texas A&M University with a bachelor of science degree in engineering.

James H. Lee, age 63, has been a director since 1991. Mr. Lee has served as the Managing General Partner of Lee, Hite & Wisda Ltd., an oil and gas consulting and exploration firm, since 1984. Mr. Lee has been a director of Holly Frontier Oil Corporation, successor to Frontier Oil Corporation, a crude oil refining and wholesale marketing company, since 2000. He is a member of our Audit Committee and our Executive Committee. Mr. Lee graduated from Stanford University with a bachelor of arts degree in economics and from The Harvard Graduate School of Business Administration with an MBA.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

For the fiscal year ending December 31, 2011, our "named executive officers" were:

H. Craig Clark President and Chief Executive Officer

Michael N. Kennedy Executive Vice President and Chief Financial Officer

J.C. Ridens Executive Vice President and Chief Operating Officer

Cyrus D. Marter IV Senior Vice President, General Counsel and Secretary

Glen J. Mizenko Senior Vice President, Eastern Region

What are the objectives of Forest's compensation program?

Forest's compensation program is administered by the Compensation Committee. The objectives of Forest's compensation program are to keep compensation consistent with Forest's strategic business and financial objectives and competitive within the oil and gas industry and to enable Forest to attract, motivate, and retain executive personnel as the Compensation Committee deems necessary to maximize return to shareholders.

What is the compensation program designed to reward?

Ultimately, Forest's compensation program is designed to encourage behavior and performance among Forest's key employees, including our named executive officers, that the Compensation Committee believes are in the best interest of Forest's shareholders. During 2011, the incentive portion of the compensation program was designed to reward positive annual performance with respect to (i) production, (ii) business unit or corporate department performance objectives, (iii) cash cost per unit of production, and (iv) "bankable value PV10," which is a metric designed to measure efficient growth in reserve value on a commodity price-neutral basis.

The compensation program is also structured so as to provide each executive officer and key employee with a competitive income, to incentivize outstanding individual performance, to create meaningful incentive for this group of employees to remain at Forest and not be unreasonably susceptible to recruiting efforts by competitors of Forest, and to align the interests of this group of employees with those of Forest's shareholders. Forest has been forced to address efforts by competitors trying to persuade its employees to leave Forest in favor of positions elsewhere, and in fact Forest's former chief financial officer left Forest in December 2009, one of Forest's vice presidents left in July 2011, and one of Forest's senior vice presidents left in September 2011, all to work in the private equity arena of the oil and gas industry. Forest's compensation program and the magnitude of its specific components reflect the competitive nature of the oil and gas industry. Further, although the principles described above apply to all key employees and the design of the compensation program, the Compensation Committee also intends that outstanding individual performance by executive officers and key employees be rewarded.

What is each element of compensation?

Forest's compensation program, in which all employees participate, currently consists of three primary components: an annual base salary, an annual incentive bonus, and periodic grants of longer-term equity incentive awards, which may include restricted stock, phantom stock units, performance units, and, in the case of Mr. Clark, cash-based awards. Further, all U.S. employees participate in Forest's Retirement Savings Plan, or 401(k) Plan, and Forest also allows its executive officers to participate in an executive deferred compensation plan; both plans contain employer-matching provisions. All employees may also participate in the Forest Oil Corporation 1999 Employee Stock Purchase Plan, or the employee stock

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purchase plan, wherein Forest common stock may be purchased at a discount within limits established by the Internal Revenue Code of 1986, as amended, or the Code. Forest's executive officers participate in other benefit plans that are provided to all employees, and the officers are also reimbursed for the costs associated with tax-preparation and an annual extensive physical examination. Forest does not have employment agreements with its executive officers, but it does have severance agreements with them that provide for benefits in the event of certain defined involuntary terminations.

The amount of base salary and annual incentive bonus awarded for our named executive officers for 2011 is stated in the Summary Compensation table on page 29. The restricted stock awards, performance units, and cash-based awards granted to the named executive officers in 2011 are shown in the 2011 Grants of Plan-Based Awards table on page 30. Information for each of the named executive officers regarding Forest's employer contribution to the 401(k) Plan and executive deferred compensation plans are described in the Summary Compensation Table, and in the Nonqualified Deferred Compensation table on page 35. The remaining limited perquisites provided to the named executive officers are described in the Summary Compensation Table and the footnotes thereto.

Why does Forest choose to pay each element?

The purpose of base salary is to create cash compensation for executive officers that is competitive in the industry and will enable Forest to attract, motivate, and retain capable executives. Forest chooses to pay annual incentive bonuses to ensure focus on and reward the achievement of key objectives during the applicable calendar year, because it believes that the satisfaction of the goals of its annual incentive plan, which satisfaction triggers the right to and determines the amount of the bonuses, furthers the interests of Forest's shareholders. The purpose of Forest's long-term incentives (*i.e.*, performance units, restricted stock, phantom stock units, and cash-based awards) is to reward individual performance, align the executive officers' compensation with their contribution to the success of Forest in creating shareholder value, tie their long-term economic interest directly to those of Forest's shareholders, and encourage retention of the executive officers. Performance units (assuming the successful achievement of the performance criteria) and restricted stock also allow executive officers to have equity ownership in Forest, in addition to their direct purchases of Forest stock under the Forest employee stock purchase plan, and to share in the appreciation in value of Forest's stock over time. The annual incentive bonus and restricted stock, and phantom stock unit programs cover all employees.

Forest's 401(k) Plan is designed to encourage all employees, including the participating named executive officers, to save for the future. Because of their higher compensation levels, our named executive officers are generally prevented from receiving what would otherwise be their full employer-match as a percentage of their salary under the 401(k) Plan. Once the maximum Forest match allowable under the 401(k) Plan has been made, the remainder of the match is contributed on behalf of the officer to the executive deferred compensation plan (if the executive elected to participate in the latter plan). Forest also reimburses the named executive officers for tax-preparation and estate or financial planning expenses and the cost of an annual extensive physical examination. Such benefits are common for executive officers in our industry. They increase the competitiveness of the total compensation package, save the executive officer's time spent on the important but time-consuming activities associated with tax preparation and estate or financial planning, and aid in retaining these key individuals.

Finally, the equity compensation award agreements, including the cash-based award agreements, may contain a "single trigger" for accelerated vesting of such awards, which means vesting accelerates upon a change-of-control irrespective of whether the officer is terminated. Forest also has certain change-of-control severance agreements that provide for post-termination payments following a qualifying termination in connection with a change-of-control event, or what is commonly referred to as a "double trigger." Forest believes that these provisions create important retention tools for Forest, as providing for accelerated vesting of equity awards upon a change-of-control enables employees to realize value from these awards in the event that Forest undergoes a change-of-control transaction, while post-termination

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payments allow employees to walk away with value in the event of certain terminations of employment that were beyond their control. In addition, Forest believes that it is important to provide the named executive officers with a sense of stability, both in the middle of transactions that may create uncertainty regarding their future employment and post-termination as they seek future employment. Whether or not a change-of-control results in a termination of its officers' employment with Forest or a successor entity, Forest wants to provide its officers with certain guarantees regarding the importance of the equity incentive compensation awards they were granted prior to that change-of-control. Forest believes that change-of-control protection allows management to focus their attention and energy on the business transaction at hand without any distractions regarding the effects of a change-of-control. Likewise, post-termination payments allow management to focus their attention and energy on making the best objective business decisions that are in the interest of the company without allowing personal considerations to cloud the decision-making process. Further, Forest believes that such protections maximize shareholder value by encouraging the named executive officers to review objectively any proposed transaction in determining whether such proposed transaction is in the best interest of Forest's shareholders, whether or not the executive will continue to be employed. Executive officers at other companies in Forest's industry and the general market against which Forest competes for executive talent commonly have equity compensation plans that provide for accelerated vesting upon a change-of-control event of that company and post-termination payments, and Forest has consistently provided this benefit to the named executive officers in order to remain competitive in attracting and retaining skilled professionals in our industry. This goal is further served through the severance agreements that Forest enters into with key non-officer employees and through Forest's general severance plan, which applies to all other Forest employees.

How does Forest determine the amount (and, where applicable, the formula) for each element?

Base Salary. The Compensation Committee has historically reviewed the base salaries of Forest's executive officers on roughly an annual basis. However, in August 2009, the Compensation Committee determined to freeze executive salaries in light of the continued downturn in the U.S. economy and in the oil and gas industry in particular. (The freeze did not apply to Forest employees who were not executive officers.) That freeze remained in place until August 2010, at which time the Compensation Committee determined to increase executive base salaries and to resume its schedule of annually reviewing those salaries. At its regular meeting in August 2011, the Compensation Committee reviewed and determined to increase the base salary of certain of the named executive officers.

In analyzing the base salaries of Forest's executive officers, the Compensation Committee reviewed and discussed 2011 oil and gas industry surveys and other third-party data gathered by Forest's Vice President, Human Resources, including salary data for Forest's peer companies (described below). With respect to the available data, the Compensation Committee generally tried to set the base salary of Forest's executive officers at or near the 50th percentile of salaries of comparable executive officers at Forest's peer group of companies.

The Compensation Committee is responsible for selecting Forest's peer group of companies, which in 2011 was used for purposes of the Committee's assessment of base salaries and under the terms of the performance unit awards granted to officers. The Compensation Committee tries to select non-integrated, oil and gas production companies that closely resemble Forest in terms of market capitalization, revenues, geographic focus, employee count, and operational challenges. The peer group of companies that the

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Compensation Committee chose to consider during 2011, which did not change from the 2010 peer group, consisted of the following:

- | | |
|--|--------------------------------|
| 1. Newfield Exploration Company | 7. Cimarex Energy Co. |
| 2. Pioneer Natural Resources Company | 8. Range Resources Corporation |
| 3. SM Energy Company | 9. Cabot Oil & Gas Corporation |
| 4. EXCO Resources, Inc. | 10. SandRidge Energy, Inc. |
| 5. Plains Exploration & Production Company | 11. Comstock Resources, Inc. |
| 6. Petrohawk Energy Corporation | 12. Quicksilver Resources Inc. |

Assuming the accuracy of Forest's compensation data and industry surveys, Mr. Clark's base salary, which was not increased during 2011, was approximately at the 50th percentile of base salaries for chief executive officers; the base salary of Mr. Kennedy was approximately at the 45th percentile of base salaries for chief financial officers following the increase in his salary in August 2011; the base salary of Mr. Ridens, which was not increased during 2011, was approximately at the 50th percentile of base salaries for chief operating officers; the base salary of Mr. Marter was approximately at the 60th percentile of base salaries for chief legal officers following the increase in his salary in August 2011; and the base salary of Mr. Mizenko was approximately at the 50th percentile of base salaries for vice presidents of business units following the increase in his salary in August 2011.

The Compensation Committee also reviewed with Mr. Clark and Forest's Vice President, Human Resources, the responsibilities and performance of each of the executives for whom salary increases in August 2011 were considered. The salary increases approved in 2011 were based on the Compensation Committee's decision that the executive officers' individual performances, corporate performance, industry inflation, and the competitive aspects of the oil and gas industry justified the increases. With respect to Mr. Kennedy's 2011 salary increase, the Compensation Committee considered his individual performance, his leadership role over, and the strong performance of, the finance, accounting, treasury, corporate planning, and investor relations groups, his critical role in the Lone Pine Resources Inc. ("Lone Pine") initial public offering and spin-off transaction, including his serving as interim chief financial officer for Lone Pine, and the need to maintain his salary at a competitive level. With respect to Mr. Mizenko's 2011 salary increase, the Compensation Committee considered his individual performance, his role during the first half of the year in the Lone Pine initial public offering and spin-off transaction, his mid-year assumption of the leadership of Forest's Eastern business unit, and the need to maintain his salary at a competitive level. With respect to Mr. Marter's 2011 salary increase, the Compensation Committee considered his individual performance, his critical role on the Lone Pine initial public offering and spin-off transaction, his department's role in negotiating transactions in-house, and his oversight of Forest's various legal issues.

In addition, in executive session at each of its regular meetings during 2011, the full Board of Forest reviewed and discussed the performance of Forest's entire senior management team.

Annual Incentive Bonus. The annual incentive bonuses for fiscal 2011 were awarded under the terms of Forest's Annual Incentive Plan for 2011, or the 2011 AIP, which was adopted by the Compensation Committee. The 2011 AIP was filed with the SEC on August 16, 2011. In general terms, the 2011 AIP was designed to meet the following objectives:

provide an annual incentive plan framework that was performance-driven and focused on objectives that were critical to Forest's success in 2011;

offer competitive cash compensation opportunities to all employees;

incentivize and reward outstanding achievement; and

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incentivize the creation of new asset plays and value.

The 2011 AIP provided for annual incentive awards determined primarily on the basis of Forest's results under specified performance measures. The framework of the 2011 AIP was similar to annual incentive plans utilized by Forest in the past. Each year, the Compensation Committee establishes the threshold, target, and outstanding (or maximum) performance levels for each performance measure and its appropriate weighting. These performance measures and their weighting are reviewed annually in light of changing Forest priorities and strategic objectives. The awards under the 2011 AIP were based upon the success of the business units and corporate staff of Forest in achieving the objectives established by the Compensation Committee and included in the plan. These goals, stated in terms of the specific performance measures, were derived in part from Forest's 2011 business plan. The Compensation Committee also maintains discretion to adjust awards up or down to account for corporate achievements and results during the year that are not captured in the performance measures.

For 2011, performance measures were established for (i) production, (ii) business unit or corporate department performance objectives, (iii) cash cost per unit of production (Mcf), and (iv) "bankable value PV10." The performance measures for each executive officer were tied to that officer's business unit. If the officer worked in the corporate group, the performance measures were tied to Forest as a whole, with the exception of the corporate department performance objectives, which were tied to that officer's department. In addition, the Compensation Committee provided a separate set of performance objectives to Mr. Clark.

Cash cost per Mcf was defined as the sum of direct operating expense and expensed workovers, but excluding ad valorem taxes, transportation expense, allocated general and administrative, or G&A, expense for the applicable business unit, and total company-wide expensed G&A costs, divided by the business unit's total net production for the year. Production was defined under the 2011 AIP as total net production, excluding royalty and other burdens; provided that adjustments were made for increased capital spending, acquisitions, and divestitures.

The business unit and department performance objectives were individual objectives, designed specifically for each business unit and corporate department, that the Compensation Committee and Mr. Clark determined would advance Forest's interests in a meaningful fashion during 2011 and were reasonably measurable; the objectives included, *e.g.*, the completion of the Lone Pine initial public offering and spin-off, creating new resource plays, increasing oil and natural gas liquids production and reserves, technical field studies, creating value from non-producing assets such as midstream infrastructure, and completing defined divestiture efforts. In addition, the Compensation Committee provided a separate set of performance objectives to Mr. Clark, which focused on long-term strategic planning and execution, including with respect to the Lone Pine transaction, asset rationalization, the creation of new crude oil resource plays to be done primarily in the context of directly supervising Forest's New Ventures group, increasing Forest's capabilities and technical staffing with respect to unconventional oil and gas development, industry and investor relations, governmental affairs, management succession planning and leadership development, environmental, health, and safety matters, and company-wide operational and financial performance.

"Bankable Value PV10" was designed to measure the creation of value by the applicable business unit through the addition of proved reserves, the reduction of lease operating expense, lower well costs, lower future development capital, marketing enhancements, remedial work, and other similar efforts. The measure started with a baseline tied to the standardized measure ("SMOG") of Forest's proved reserves at December 31, 2010, and then compared that against an adjusted SMOG at December 31, 2011. Adjustments to the final SMOG were done so as to neutralize the effects of tax, added debt, increased share count, and commodity price changes during 2011. Divestitures and land investments during the year, such as the Lone Pine transaction, were also excluded from the final SMOG calculation, and acquisitions were included.

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Each participant in the 2011 AIP has a target bonus expressed as a percentage of his or her base salary. The Compensation Committee determined not to change the target bonus percentage for each named executive officer from what the percentage had been in 2010. For the named executive officers, the aggregate target percentages of salary were as follows:

Executive	Aggregate target bonus as % of salary
H. Craig Clark	100%
Michael Kennedy	75%
J.C. Ridens	75%
Cyrus Marter	60%
Glen Mizenko	60%

The total expected pool under the 2011 AIP is equal to the sum of the target bonuses for each of the participants in the plan. However, as described below, the final size of the pool could be lower or higher than the expected amount and is dependent on the extent to which Forest and its business units satisfied the 2011 performance measures.

With respect to each of the four performance measures under the 2011 AIP, the Compensation Committee determined a "threshold," "target," and "outstanding" (or maximum) performance level. The "threshold" level is equal to 25% of the target level and is the level at which payout under the 2011 AIP begins for the applicable performance measure. If the actual performance level for a measure is below the threshold level, no payout will occur with respect to that measure. The "target" level is that at which 100% of the expected payout for the applicable performance measure will occur. Where applicable, the target levels for the 2011 AIP performance measures correlated with production and cost projections contained in Forest's 2011 business plan. The "outstanding" level is that at which 200% of the expected payout for the applicable performance measure will occur. The maximum total bonus pool achievable under the 2011 AIP is limited to 200% of target.

Actual performance that falls somewhere between the threshold and target levels or between the target and outstanding levels is rewarded in direct proportion to where it falls relative to the three performance level benchmarks. For example, actual performance that is higher than the target level, and reaches 20% of the difference between the target level and the outstanding level, would dictate a payout equal to 120% of the expected payout for the applicable performance measure. Actual performance that is above the threshold level, and reaches 10% of the difference between the threshold level and the target level, would dictate a payout equal to 32.5% of the expected payout for the applicable performance measure, since the threshold level represents 25% of the target level.

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The table below contains the specific performance levels for the cash costs, production, and "bankable value PV10" performance measures.

Business Unit/ Department	Threshold	Target	Outstanding
Forest (and corporate departments)*	Cash Cost \$0.639/Mcfe Production 139.7 Bcfe Bankable Value 5%	Cash Cost \$0.609/Mcfe Production 147.1 Bcfe Bankable Value 10%	Cash Cost \$0.548/Mcfe Production 161.8 Bcfe Bankable Value 15%
Eastern	Cash Cost \$0.734/Mcfe Production 37.5 Bcfe Bankable Value 5%	Cash Cost \$0.699/Mcfe Production 39.5 Bcfe Bankable Value 10%	Cash Cost \$0.629/Mcfe Production 43.4 Bcfe Bankable Value 15%
Western	Cash Cost \$0.387/Mcfe Production 69.2 Bcfe Bankable Value 5%	Cash Cost \$0.360/Mcfe Production 72.9 Bcfe Bankable Value 10%	Cash Cost \$0.324/Mcfe Production 80.2 Bcfe Bankable Value 15%
Southern	Cash Cost \$0.838/Mcfe Production 33.0 Bcfe Bankable Value 5%	Cash Cost \$0.798/Mcfe Production 34.7 Bcfe Bankable Value 10%	Cash Cost \$0.718/Mcfe Production 38.2 Bcfe Bankable Value 15%

*

Cash Cost, Production, and Bankable Value for Forest as a whole and the corporate departments reflect the cumulative performance of the Eastern, Western, and Southern business units as well as the International and New Ventures business units.

With respect to the business unit and corporate department objectives, an achievement percentage ranging from zero to 200% will be assigned to each business unit or corporate department based on an assessment by Mr. Clark, with input from relevant senior executives, of the accomplishment of its objectives.

Each participant's target bonus was to be paid if all of the 2011 performance measures reached the target level and the individual's contribution merited a bonus. Each performance measure represented a percentage of the total target bonus. In 2011, the weightings for each participant, as set by the Compensation Committee, were as follows: (i) 20% for cash cost, (ii) 20% for production, (iii) 20% for "bankable value PV10," and (iv) 40% for business unit or corporate department performance objectives. The specific payout for each performance measure is dictated by where the actual performance level for the measure falls in relation to the threshold, target, and outstanding benchmark levels. An individual's performance is considered in the context of the extent to which his or her performance during 2011 contributed to the overall success of Forest or, if applicable, to the success of his or her business unit or corporate department. If in the opinion of the Compensation Committee and Mr. Clark (with respect to executive officers other than himself), the individual makes a disproportionately positive contribution, his or her bonus would be adjusted upward; conversely, if the individual does not contribute appropriately, his or her bonus would be adjusted downward.

At its regular meeting in February 2012 and in subsequent communications among the members and with Mr. Clark, the Compensation Committee reviewed the performance of Forest and its business units under the 2011 AIP. The Committee also reviewed with Mr. Clark other accomplishments during 2011, including the Lone Pine initial public offering and spin-off, the significant time-consumption that transaction represented for certain of Forest's executive officers, and the identification of new resource

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plays, as well as Forest's disappointing stock price performance during the year. With respect to the four performance measures, the results under the 2011 AIP were as follows:

Business Unit/Department	Cash Cost per Mcfe (% of Target) ⁽¹⁾	Production (% of Target) ⁽¹⁾	Bankable Value (% of Target) ⁽¹⁾	Business Unit or Department Objectives (% of Target)
Forest	0	0	0	Not applicable
All corporate departments	0	0	0	Range
(a) Treasury				90
(b) Corporate Planning and Investor Relations				120
(c) Accounting				115
(d) Legal				100
Eastern	0	179	100	96
Western	0	0	0	86
Southern	0	0	0	76

(1) The appearance of a "0" in the column means that the threshold performance level for that measure was not met.

The Committee reviewed with Mr. Clark, during its February 2012 regular meeting and in subsequent communications, the 2011 individual performance of each executive officer. With respect to Mr. Kennedy, the Compensation Committee considered his key role in Forest's finance efforts, his involvement in Forest's hedging program, his role in the negotiation of Forest's and Lone Pine's new credit facilities, and his significant role in the design and accomplishment of the Lone Pine initial public offering and spin-off. With respect to Mr. Ridens, the Compensation Committee considered the performance of the various business units, that Mr. Ridens assumed the additional role of leading the Western business unit at the end of the third quarter, when the senior vice president for that business unit resigned, the success of that business unit under Mr. Ridens' leadership, including with respect to the testing of new zones in the Texas Panhandle, and his assistance on Lone Pine operations. With respect to Mr. Mizenko, the Compensation Committee considered his leadership of the business development and corporate engineering department during the first half of the year, his assistance on the Lone Pine transaction, that he assumed leadership of the Eastern business unit in June, and the excellent performance of that business unit during the second half of 2011. With respect to Mr. Marter, the Compensation Committee considered his coordination of Forest's various legal matters, his significant role in the Lone Pine initial public offering and spin-off, and the performance of the Legal department with respect to staying within budget during 2011.

Looking at Forest's performance as a whole, the calculated payout under the 2011 AIP was equal to approximately 47% of the total target payout. Taking into account Forest's other accomplishments during 2011, specifically, the Lone Pine initial public offering and spin-off and the creation of new resource plays, the Compensation Committee determined in its discretion to increase the overall payout under the 2011 AIP such that the final bonus pool equaled approximately 67% of the total target pool. Based on the performance of Forest, its business units, and the individual executive officers, the Compensation Committee approved cash bonus awards under the 2011 AIP in the aggregate amount of \$1.140 million for all of the executive officers, as a group, including Mr. Clark. The Compensation Committee and the full Board (excluding Mr. Clark) reviewed Mr. Clark's performance at their regular meetings in February 2012 and in subsequent communications. The Compensation Committee granted a bonus award to Mr. Clark, which are approved and ratified by the Board, equal to approximately 34% of his year-end base salary; or, stated differently, the actual bonus award was 34% of Mr. Clark's target award.

The other named executive officers were granted bonus awards ranging from approximately 50% to 64% of base salary; or, stated differently, the actual bonus awards ranged from approximately 67% to

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107% of the officer's target award. Individual executive officer bonus awards were reviewed and approved by the Compensation Committee.

In determining Mr. Clark's bonus under the 2011 AIP, the Compensation Committee took into account Mr. Clark's specific accomplishments during 2011, which included his leadership of efforts to grow organically Forest's production and reserves, particularly with respect to oil and natural gas liquids, his essential role in effectuating the Lone Pine initial public offering and spin-off and the resulting benefits that have accrued to Forest and its shareholders, his performance and effectiveness in regard to the development of Forest's senior management team and New Ventures group, his role in improving Forest's asset base through the acquisition of significant resource-based acreage positions in the emerging Wolfcamp Shale and Wolfbone plays in the Permian Basin area of Texas, and his focus on maintaining strong cost control. The Compensation Committee also considered Forest's disappointing stock price performance during 2011.

The Compensation Committee establishes the target level of performance such that achievement of the target level on any financial or operating measure represents above-average performance by management. At the time target levels are established, the outcome is intended to be substantially uncertain but achievable with a high level of performance from Forest's executives. Further, the Compensation Committee intends that achievement of the "outstanding" level on any financial or operating measure be very difficult. Over the past five years, Forest has achieved performance in excess of its target levels three times, that being in 2007, 2009, and 2010. The following table shows the specific achievement percentage under AIPs, for Forest as a whole, for such years:

Year	AIP achievement percentage total company
2007	169% of target
2008	96% of target
2009	132% of target
2010	148% of target
2011	67% of target

Annual incentive bonus awards for executive officers in charge of business units, such as Mr. Mizenko, are calculated in accordance with the performance of their business unit, which may vary from the performance of Forest as a whole. In 2011, the calculated annual incentive bonus awards for Messrs. Clark and Ridens were based on the performance of Forest as a whole and, with respect to Mr. Clark, the individual performance objectives provided to him by the Compensation Committee; and the calculated annual incentive bonus awards for Messrs. Kennedy and Marter were based on the performance of Forest as a whole with respect to production, cash cost, and "bankable value PV10," and on the performance of their respective corporate departments (*i.e.*, "Treasury," "Corporate Planning and Investor Relations," "Accounting," "Internal Audit," and "Information Technology" for Mr. Kennedy, and "Legal" for Mr. Marter) with respect to the business unit/corporate department objectives measure.

Special Bonuses. There were no special bonuses awarded for fiscal 2011.

Long-Term Incentive Awards. At its regular meeting in May 2011 and through subsequent communications with Mr. Clark, the Compensation Committee determined to make long-term incentive awards equity awards to our named executive officers (and authorized awards to all other Forest employees). The 2011 equity awards, ultimately granted in June, were based on the executive officers' performance during 2010.

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The Compensation Committee has followed the trend in our industry and in industry in general toward the granting of restricted stock (rather than stock options) to the executive officers. The Committee chose restricted stock for recent grants, because (i) the majority of Forest's competitors have shifted to restricted stock awards, or to a combination of restricted stock awards and stock option awards, and away from stock option awards only, (ii) restricted stock awards are less dilutive than stock options, and (iii) in the Committee's opinion, restricted stock provides a more effective retention incentive.

In 2010, the Compensation Committee implemented performance unit awards for the Forest officers. The Compensation Committee again granted performance unit awards to Forest's officers in June 2011. The performance unit awards are tied to Forest's total shareholder return, or TSR, over a three-year period (in the case of the June 2011 awards, April 1, 2011 through March 31, 2014) relative to that of twelve peer companies. The peer companies selected by the Compensation Committee for purposes of the June 2011 awards are the following:

- | | |
|--|--------------------------------|
| 1. Newfield Exploration Company | 7. Cimarex Energy Co. |
| 2. Pioneer Natural Resources Company | 8. Range Resources Corporation |
| 3. SM Energy Company | 9. Cabot Oil & Gas Corporation |
| 4. EXCO Resources, Inc. | 10. SandRidge Energy, Inc. |
| 5. Plains Exploration & Production Company | 11. Comstock Resources, Inc. |
| 6. Petrohawk Energy Corporation | 12. Quicksilver Resources Inc. |

Petrohawk Energy Corporation has since been acquired and, in accordance with the terms of the performance unit award agreement for the 2010 and 2011 grants, it is no longer part of the peer group and its performance is no longer considered when determining relative TSR.

The peer group for the performance unit awards was designed to mirror the peer companies chosen for Forest's 2011 AIP.

Each officer's performance unit award is governed by a performance unit award agreement, the forms of which were approved by the Compensation Committee in advance and filed with the SEC on May 26, 2010. Each officer's award contains a target number of performance units, each performance unit representing a contractual right to receive one share of Forest common stock. For example, Mr. Clark's target under his June 2011 performance unit award is 58,000 performance units. Under the terms of the performance unit award agreements, at the end of the three-year performance period the recipient will earn from 200% of the target number of shares down to 0% of the target, depending on Forest's TSR performance relative to the peer companies. All payments in respect to earned performance units will be made in shares of Forest common stock no later than the 15th day of the third calendar month following the end of the three-year performance period.

The Forest Oil Corporation 2007 Stock Incentive Plan, or the 2007 Stock Plan, contains a provision that, at the time of the June 2011 grants, limited the maximum size of any individual award under the Plan to 175,000 shares of Forest stock. Historically, this limitation did not impact the awards to Forest's officers. However, the terms of the 2007 Stock Plan require Forest to assume at the time of grant that, for purposes of the individual award cap, the maximum 200% distribution under a performance unit award will ultimately occur. Applying this interpretation, a long-term incentive award to Mr. Clark that would have been generally consistent with his prior grants would now violate the 2007 Stock Plan's limitation on individual awards. As a result, the Compensation Committee determined in June 2011 to provide that a portion of what would otherwise have been included in Mr. Clark's performance unit award and restricted stock award would instead be structured so that such portion is based on an initial cash amount, rather than a number of shares or units, and will ultimately settle in cash rather than in Forest stock. Thus, Mr. Clark received (i) a performance unit award, (ii) a restricted stock award, and (iii) a cash-based award.

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Mr. Clark's cash-based award is comprised of a performance-based component (tracking the same performance criteria found in his performance unit award) and a time-based component (tracking the same timing criteria found in his restricted stock award), with each component tied to the change in Forest's stock price during the period covered by the award. A detailed description of Mr. Clark's cash-based award agreement is contained on page 32.

The Compensation Committee is responsible for administering the 2007 Stock Plan, which was the source of the 2011 long-term incentive awards to the named executive officers (other than the time-based component of Mr. Clark's cash-based award). The awards in June 2011 were in the form of performance units, restricted stock, and, in the case of Mr. Clark, a cash-based award. The awards are governed by individual restricted stock, performance unit, and cash-based award agreements, all of which were approved in advance by the Compensation Committee. Under the terms of those agreements, the restricted stock, performance units, and the cash-based award are subject to forfeiture provisions that generally lapse 100% on the third anniversary of the date of the award, although the acceleration of vesting will occur upon a change-of-control of Forest or a termination of the executive's employment by death, disability or an involuntary termination (subject, in the case of performance units and the performance-based component of Mr. Clark's cash-based award, to satisfaction of the applicable performance goals in the case of a change-of-control or involuntary termination). If the named executive officer resigns or is terminated for unsatisfactory performance of his duties (as determined by Forest in its sole discretion) prior to the conclusion of the three years, all of the restricted shares, performance units, and the cash-based award are forfeited. There are no other qualitative and quantitative targets that impact the vestin