

# Permian Basin Oil & Liquids Focus



**ENERGEN**®



# Safe Harbor Disclosure



This presentation contains statements expressing expectations of future plans, objectives, and performance that constitute forward-looking statements made pursuant to the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995. Unless noted, these statements do not reflect possible or pending acquisitions, divestitures, or restructurings. Statements based on *expectations* are forward-looking statements that are dependent on certain events, risks, and uncertainties that could cause actual results to differ materially from those anticipated. A discussion of risks and uncertainties may be found in the Company's periodic reports filed with the SEC.

# Today's Energen



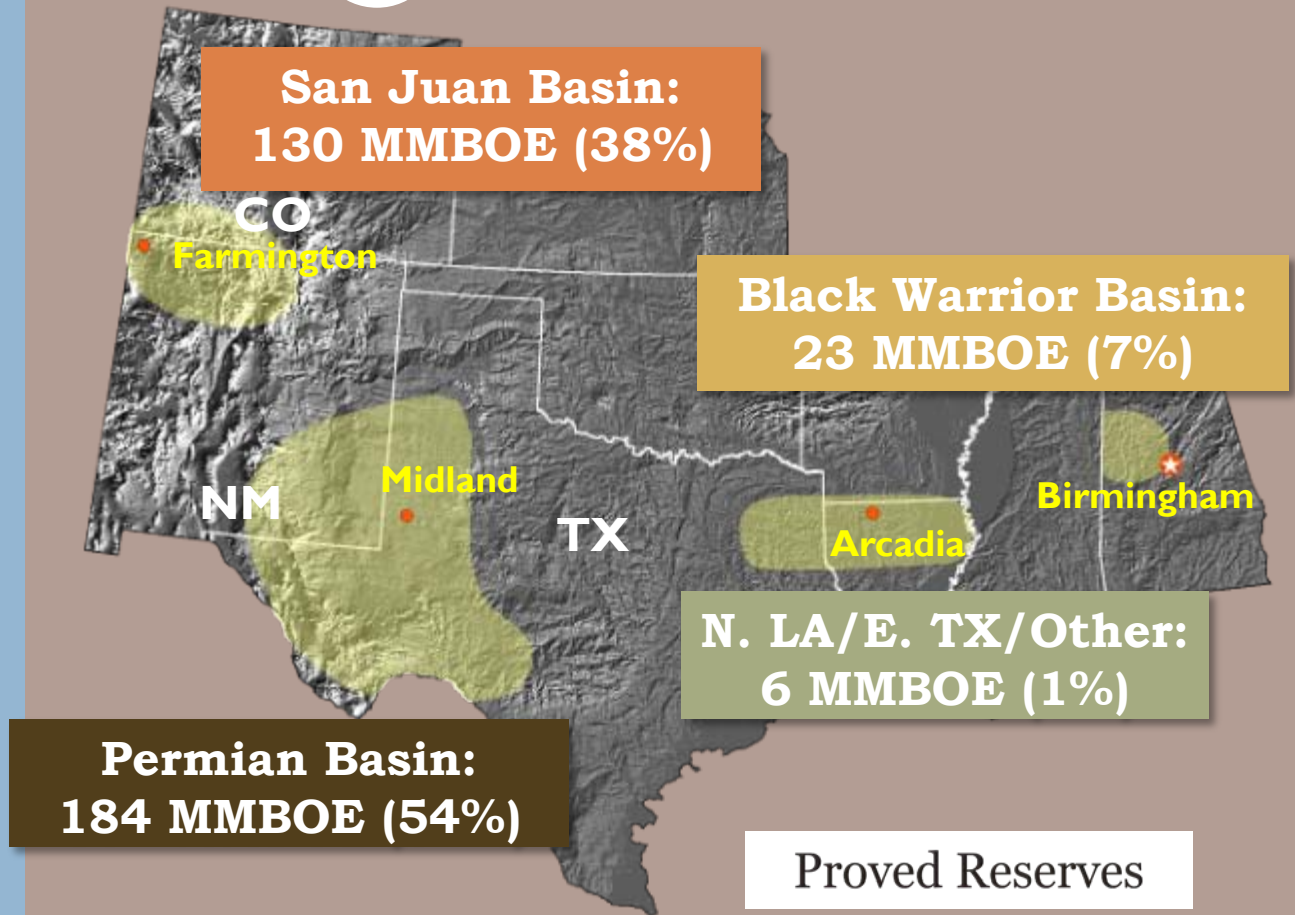
- Top 25 independent producer of domestic oil, NGL & natural gas\*
- 3P reserves: 941 MMBOE
- Permian Basin/liquids focus
- Financial strength and capacity to drill & develop Permian assets
- Hedging program that supports predictable cash flows



# Top 25 Independent Producer\*

- 343 MMBOE of proved reserves
- 598 MMBOE of unproved reserves
- Major presence in 3 largest areas of operation

## • Areas of Operation

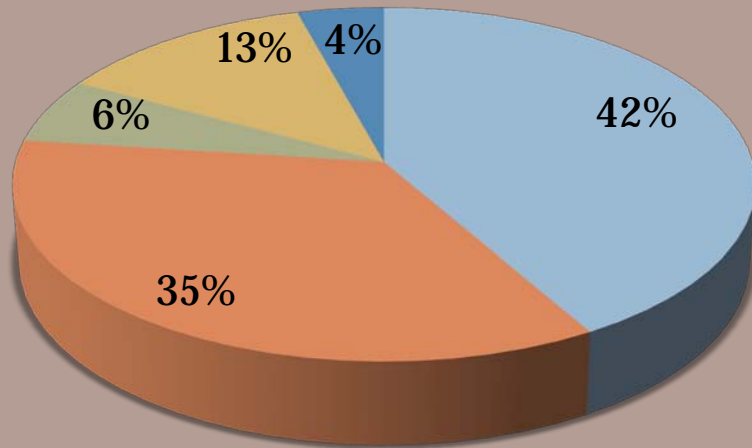


\* Based on North American Proved Reserves at YE11, Bloomberg

# 2012e E&P Capital, Drilling Plans



- Record Capital Investment (existing properties): ≈\$1.2 B
- Acquisitions, UPLH: ≈\$0.1 B



Permian Basin



- Wolfberry - \$490 MM
- 3rd Bone Spring - \$415 MM
- Wolfcamp (Delaware) - \$70 MM
- Central Basin - \$150 MM
- San Juan/Other - \$50 MM



## Midland Basin

- 8-10 rigs
- 167 net wells
- Est. production: 3.7 MMBOE



## Delaware Basin

- 5-7 rigs
- 46 net wells
- Est. production: 3.1 MMBOE



## Central Basin Platform

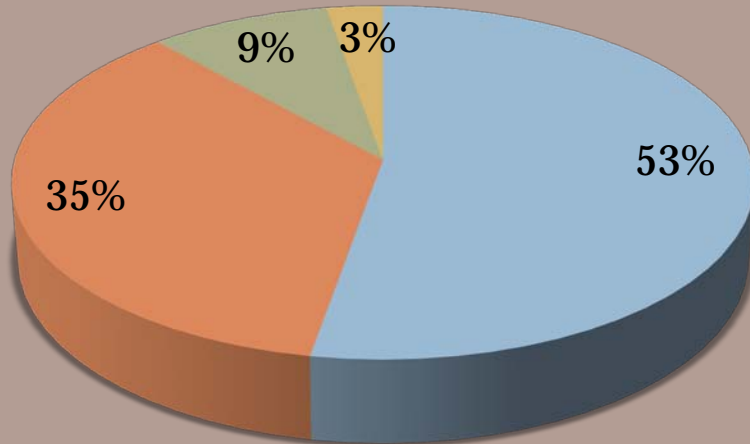
- 1-2 rigs
- 119 net wells\*
- Est. production: 5.0 MMBOE

\* Includes 33 injector wells

# 2013e E&P Capital, Drilling Plans



- Capital Investment: \$900 MM
  - Permian Development : \$745 MM
  - Permian Exploration: \$130 MM
  - San Juan /Other: \$ 25 MM



**Permian Basin** {

■ Midland Basin - \$475 MM
■ Delaware Basin - \$320 MM
■ Central Basin - \$80 MM
■ San Juan/Other - \$25 MM



## Midland Basin

- 10 rigs
- 173 net wells
- Est. production: 5.9 MMBOE



## Delaware Basin

- 5-6 rigs
- 35 net wells
- Est. production: 4.7 MMBOE

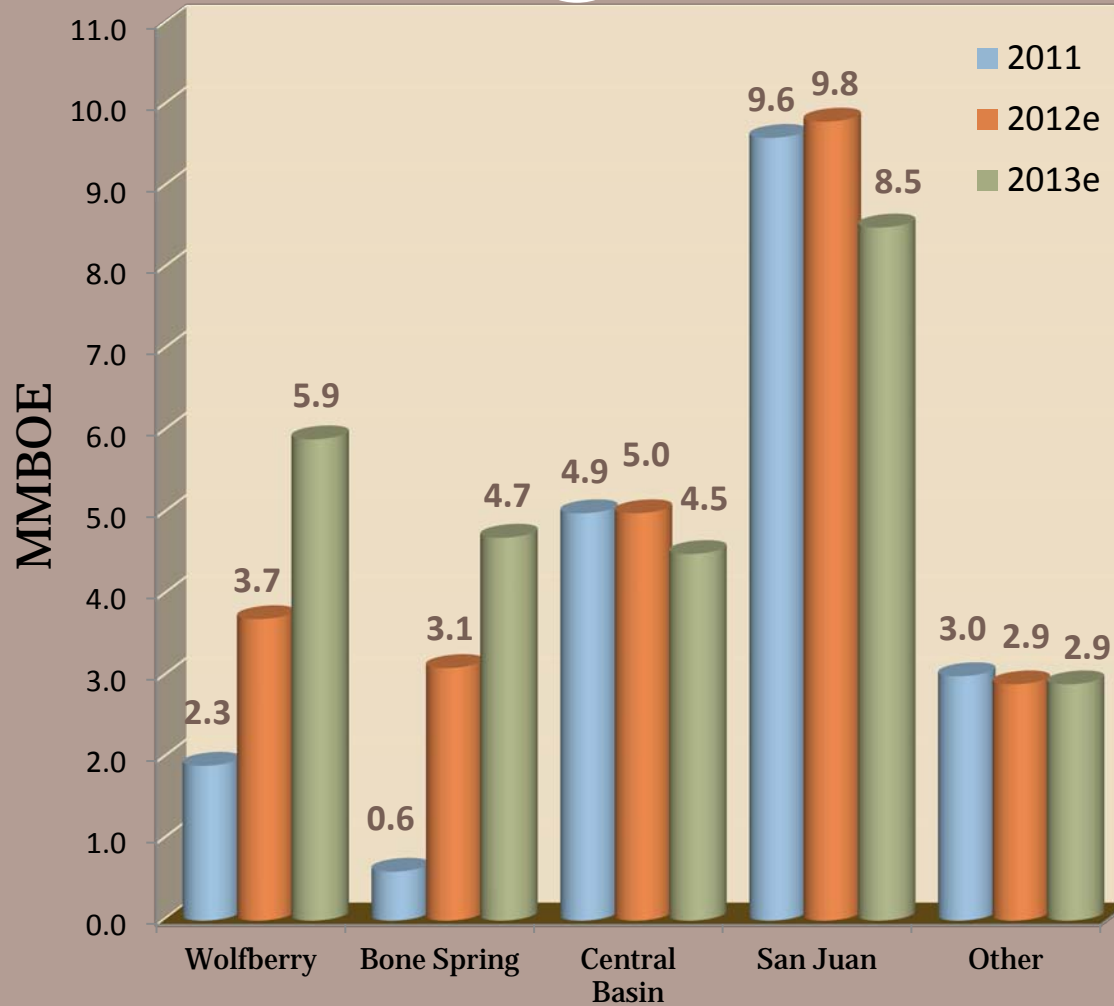


## Central Basin Platform

- 1-2 rigs
- 89 net wells\*
- Est. production: 4.5 MMBOE

\* Includes 4 net injector wells

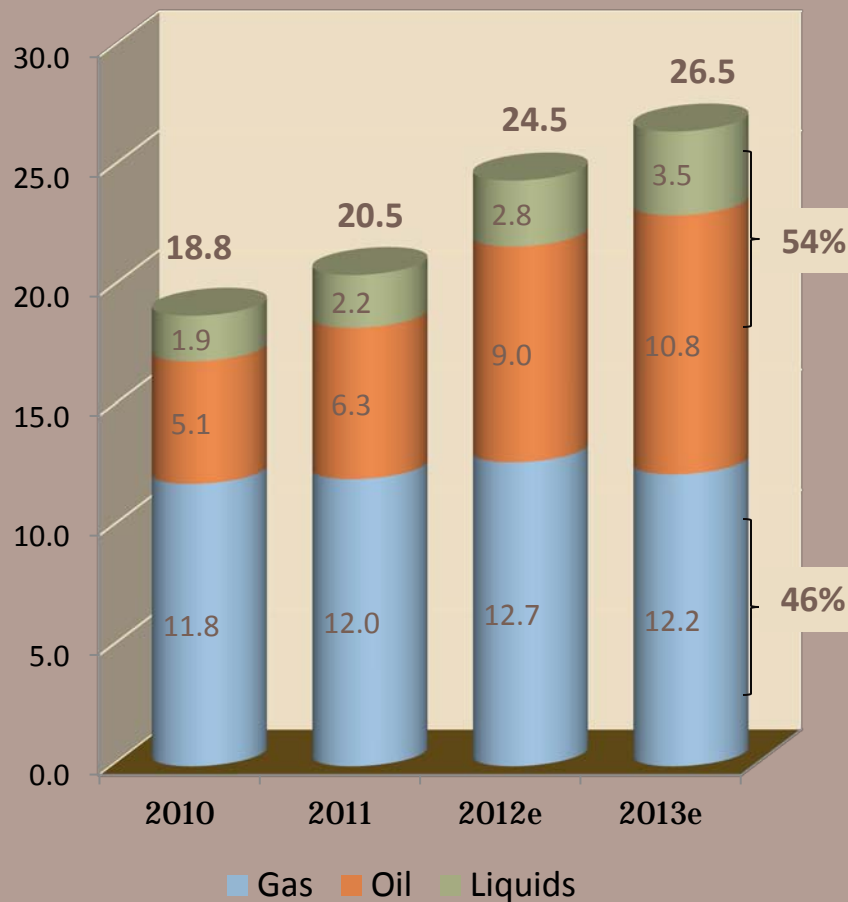
# Wolfberry, Bone Spring Drive Growth



# Liquids Focus Drives Growth



- Production (MMBOE)



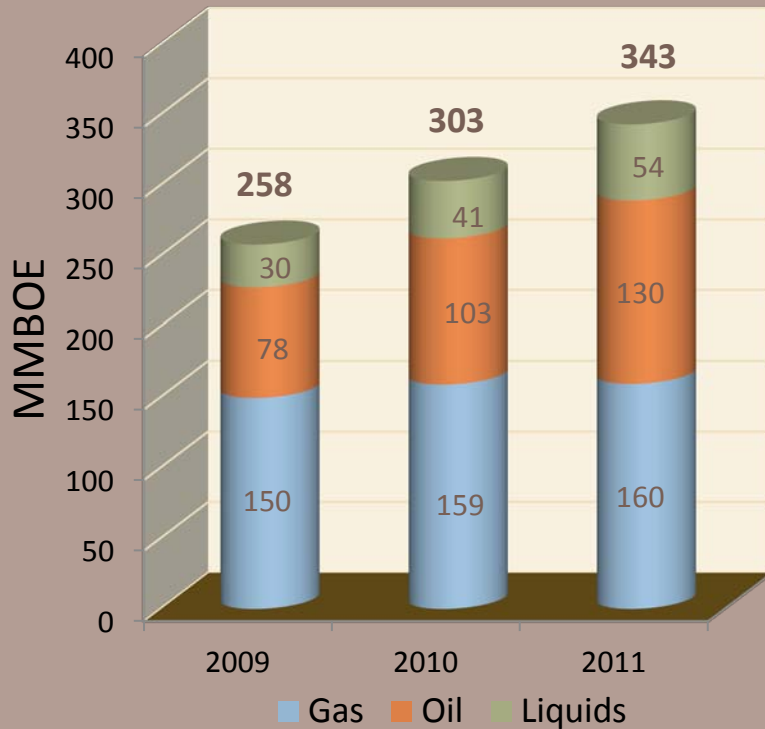
## 2010-2013e Production Growth

	3-Year Growth	
	CAGR	Aggregate
Oil	28%	112%
NGL	23%	84%
<b>Total Liquids</b>	<b>27%</b>	<b>104%</b>
Natural Gas	1%	4%
<b>TOTAL</b>	<b>12%</b>	<b>41%</b>

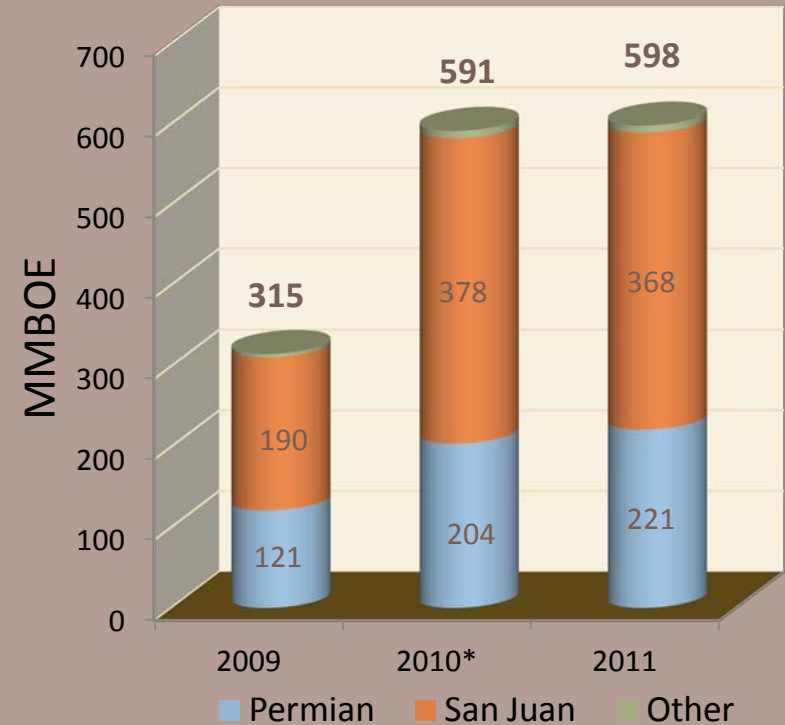
# YE11 3P Reserves Record 941 MMBOE



- Proved Reserves Mix



- P<sub>2</sub>, P<sub>3</sub> Reserves by Basin

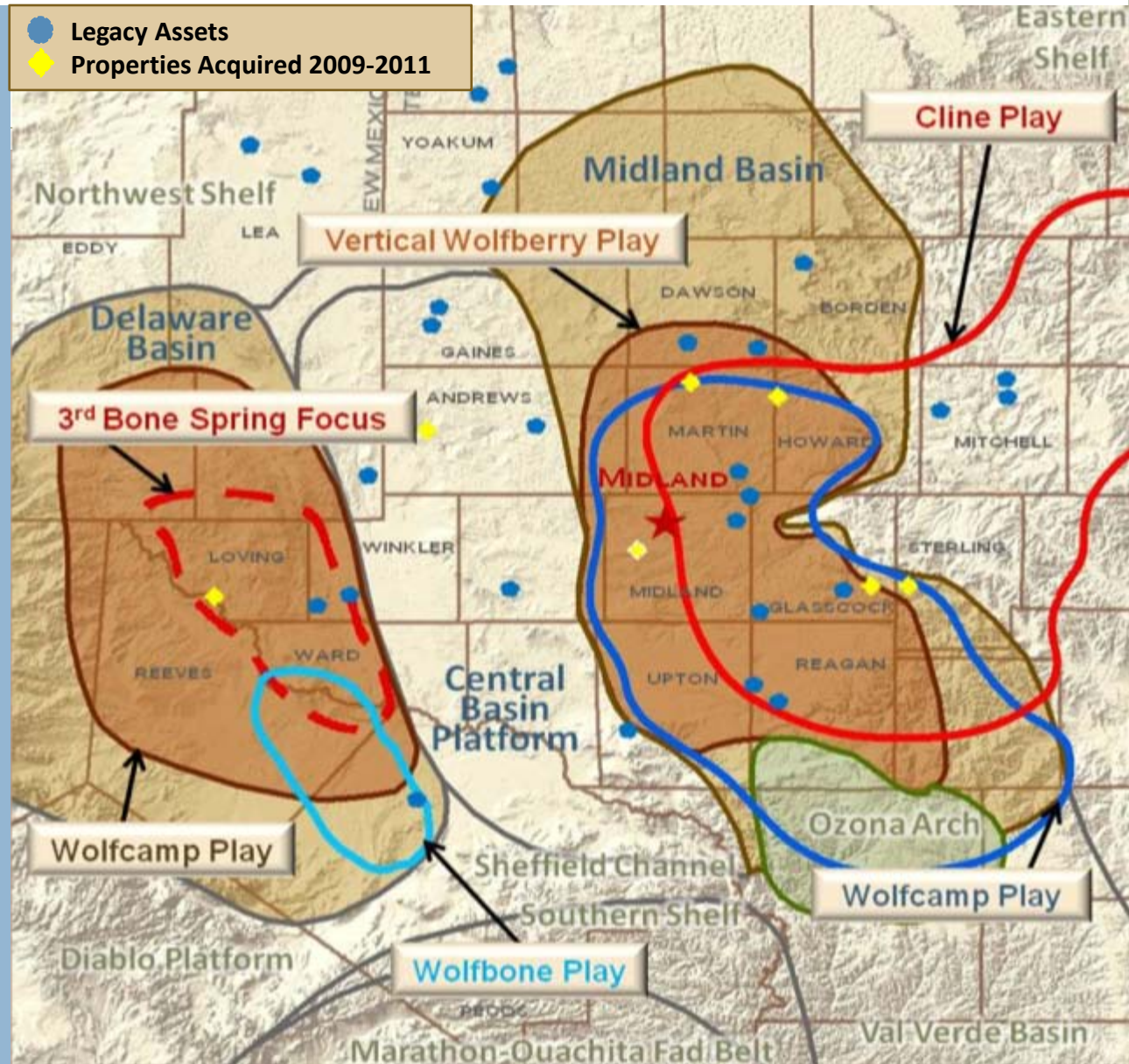


\* 2010 probable, possible reserves reflect 3/31/11 update



# PERMIAN OVERVIEW

- Total net acres: 275,000
- 7 major acquisitions 2009-12
  - \$68 MM Wolfberry acquisition in Feb. 2012
- Midland Basin
  - Wolfberry (V)
  - Wolfcamp shale (H)
  - Cline (H)
- Delaware Basin
  - 3<sup>rd</sup> Bone Spring (H)
  - Wolfcamp shale (H)
  - Avalon shale (H)
  - Wolfbone (V)
- Central Basin Platform:
  - San Andres (V)
  - Waterfloods (V)



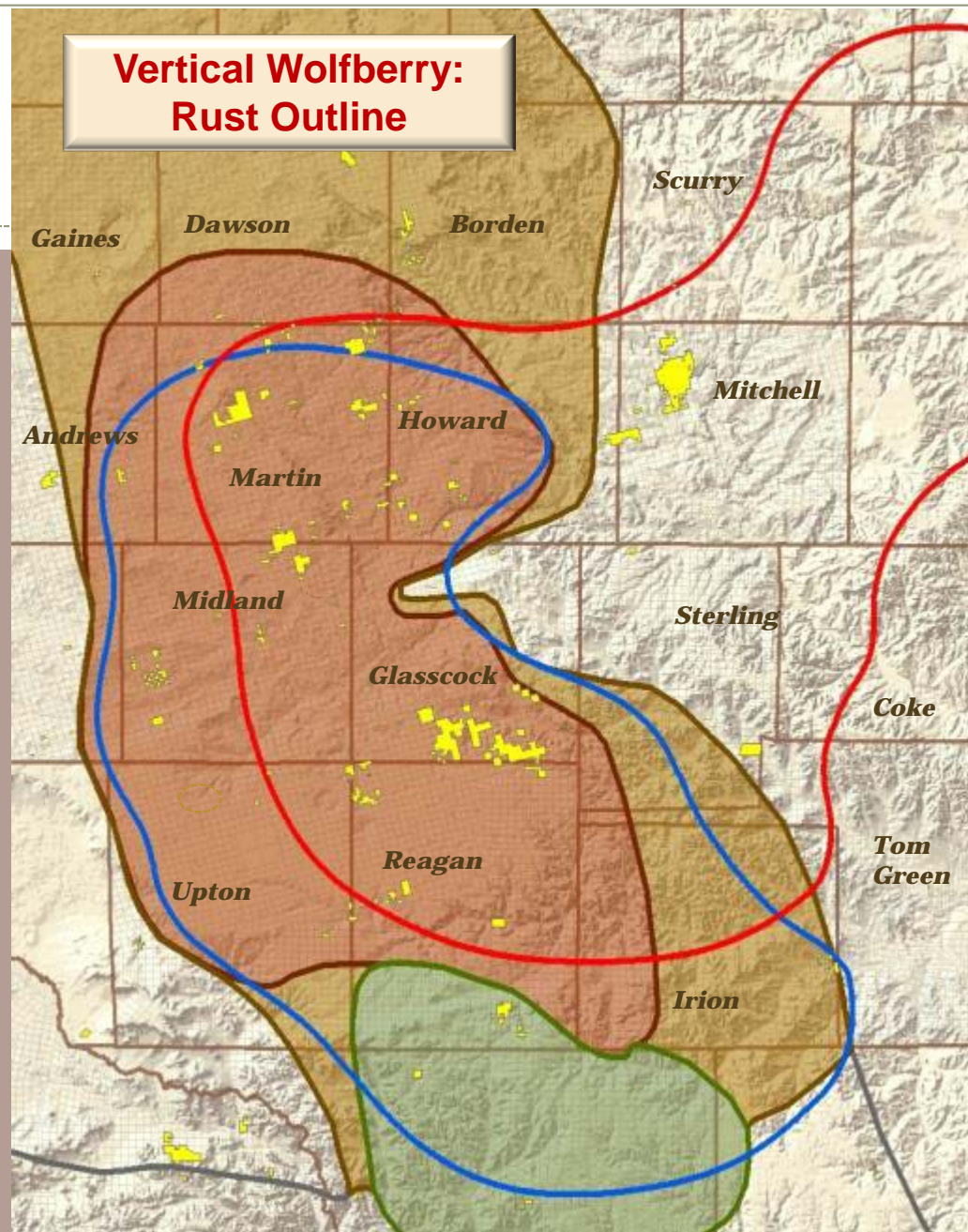
# Midland Basin

## WOLFBERRY PLAY

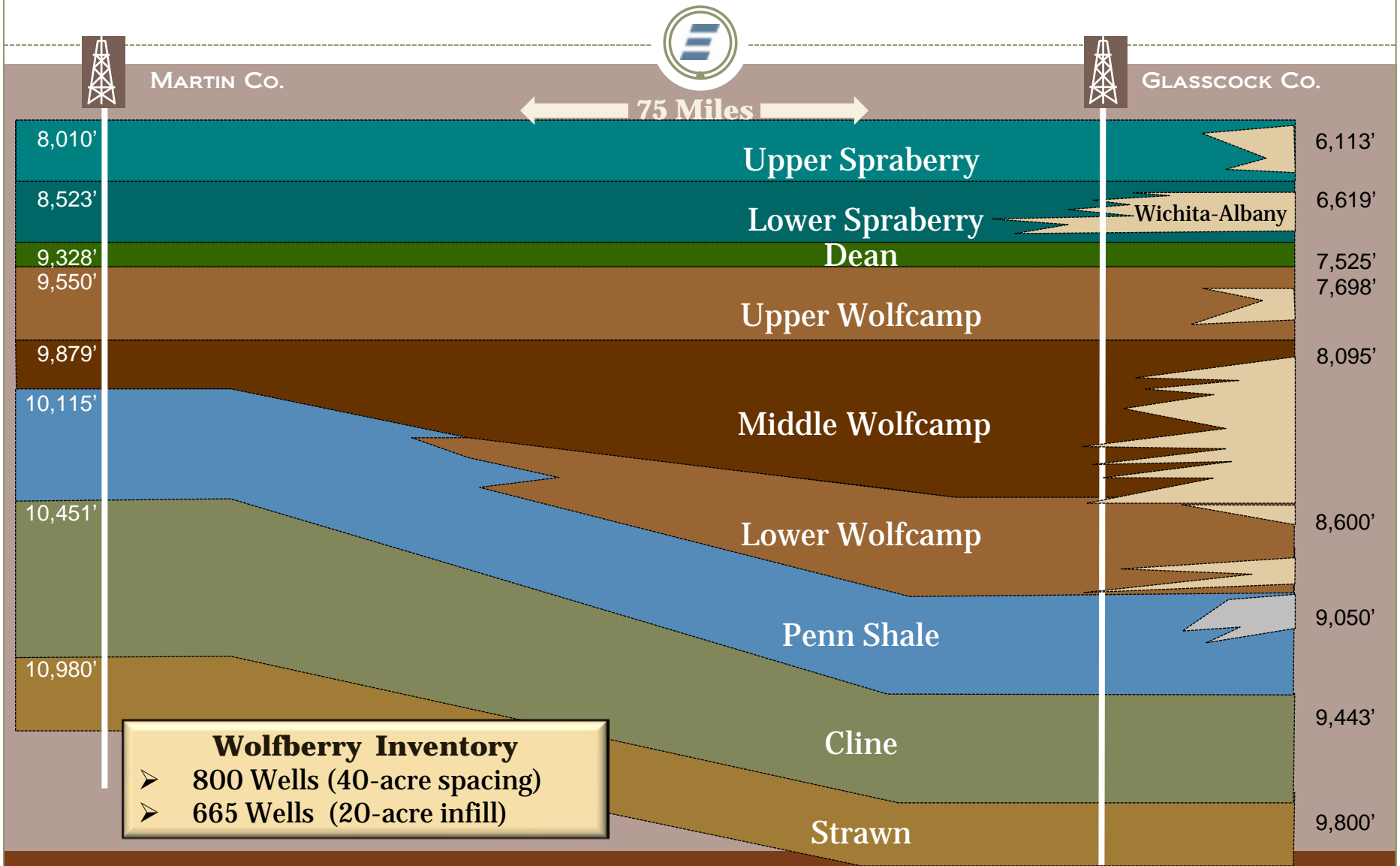
- 60,000 net acres
- 32,000 net undeveloped acres
- 800 potential locations (40-acre spacing)
- 665 potential locations (20-acre infill)

YTD Well Performance  
(135 gross/130 net):

Initial Stabilized Rate: 84 BOE/d (73% oil)  
30-day Average Rate: 69 BOE/d (76% oil)



# ERC Wolfberry Producing Zones

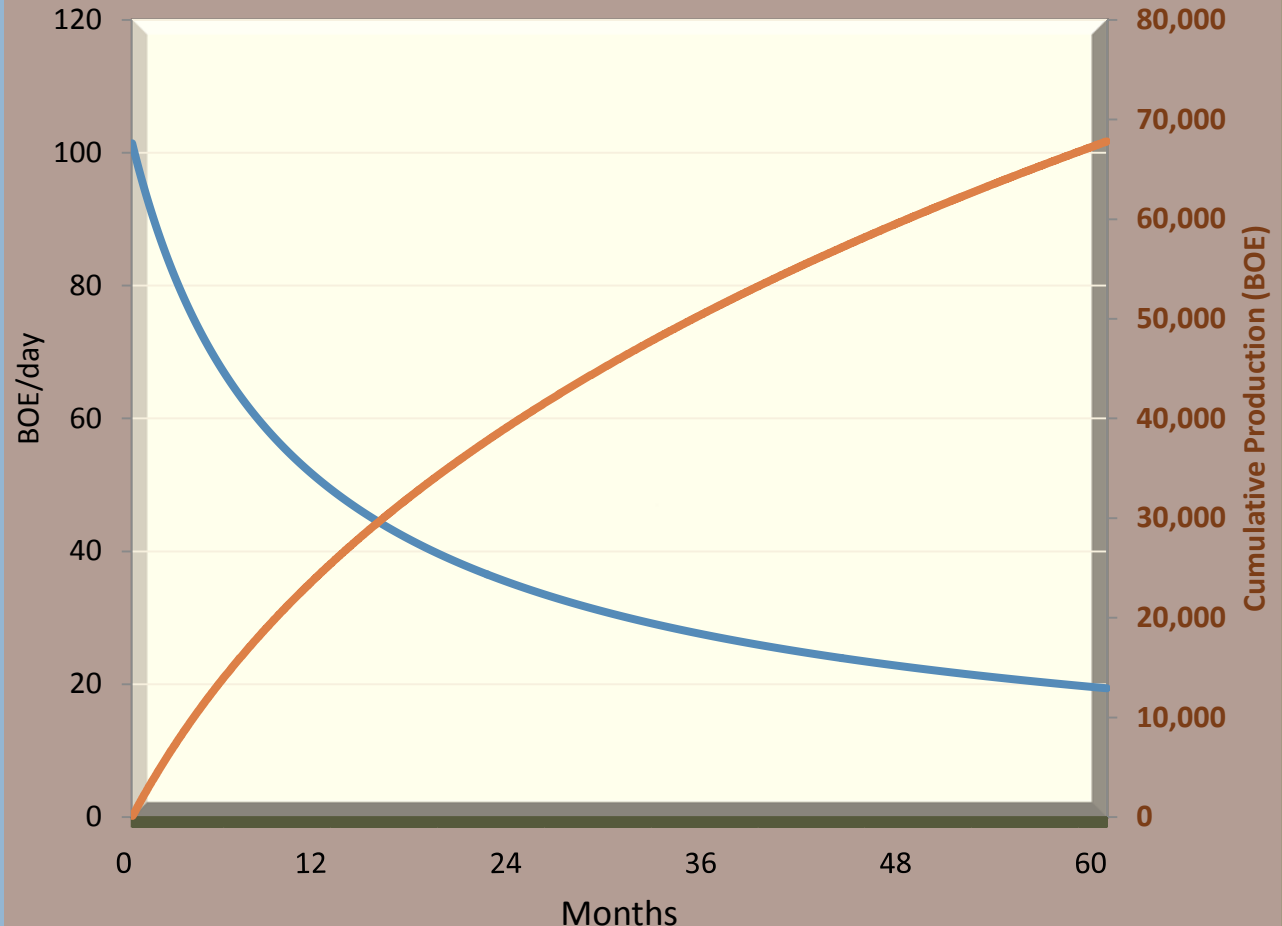




# 2012 PROGRAM

- EUR: 155 MBOE
- NRI: 75%
- Drill & complete cost: \$2.3 MM
- Product mix: 61% oil/23% NGL/16% gas
- 33% ROR (pre-tax)
- 6-8 frac stages

## Vertical Wolfberry Type Curve



NOTE: Based on unescalated NYMEX prices of \$100/barrel, \$4/MMBtu and 40-acre locations

# Midland Basin

## WOLFBERRY PLAY

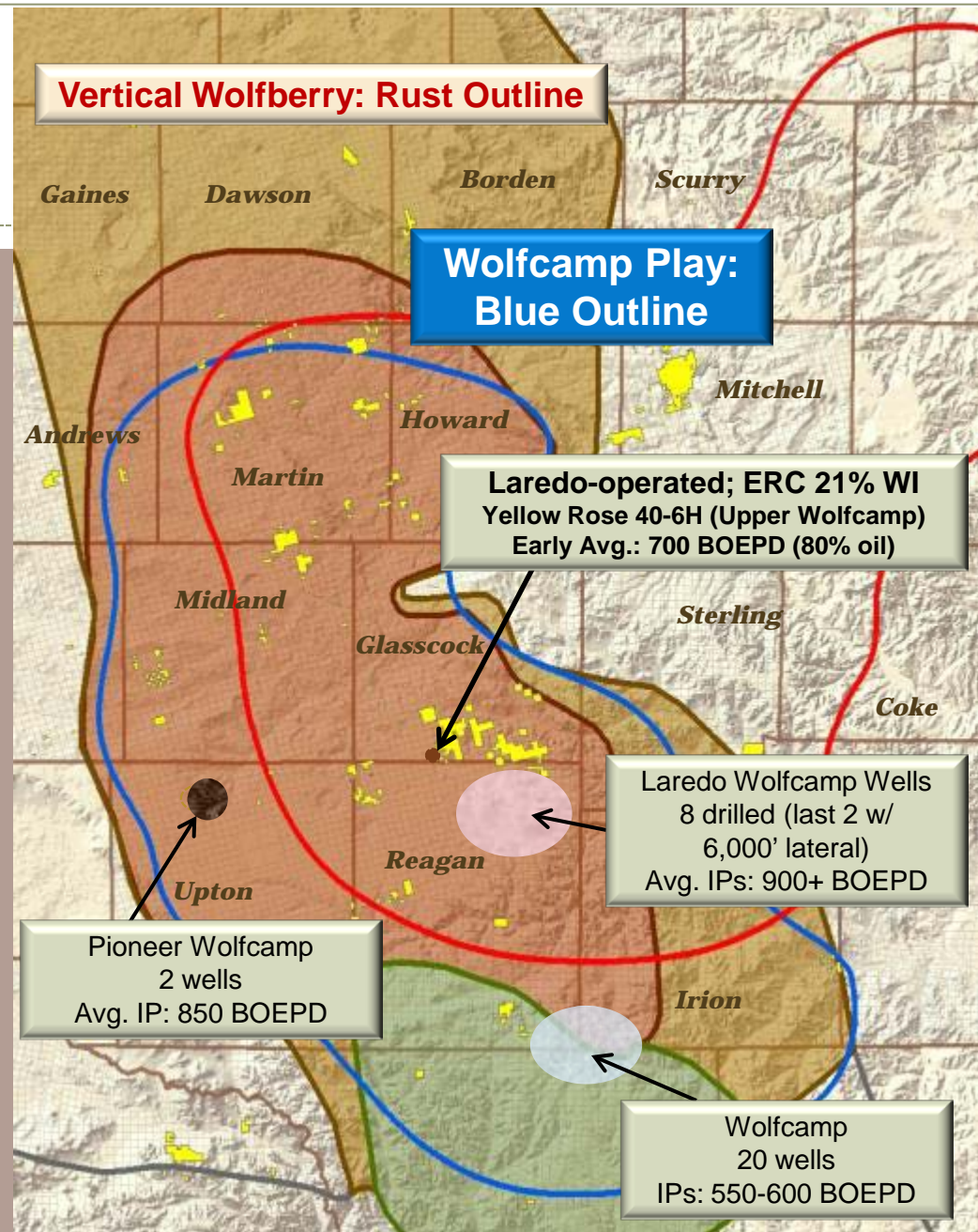
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## WOLFCAMP HORIZONTAL PLAY

- 64,000 net acres
- 785 potential locations (160-acre spacing)
- 6 net Wolfcamp (and/or Cline) test wells to be drilled in 2013



# Midland Basin

## WOLFBERRY PLAY

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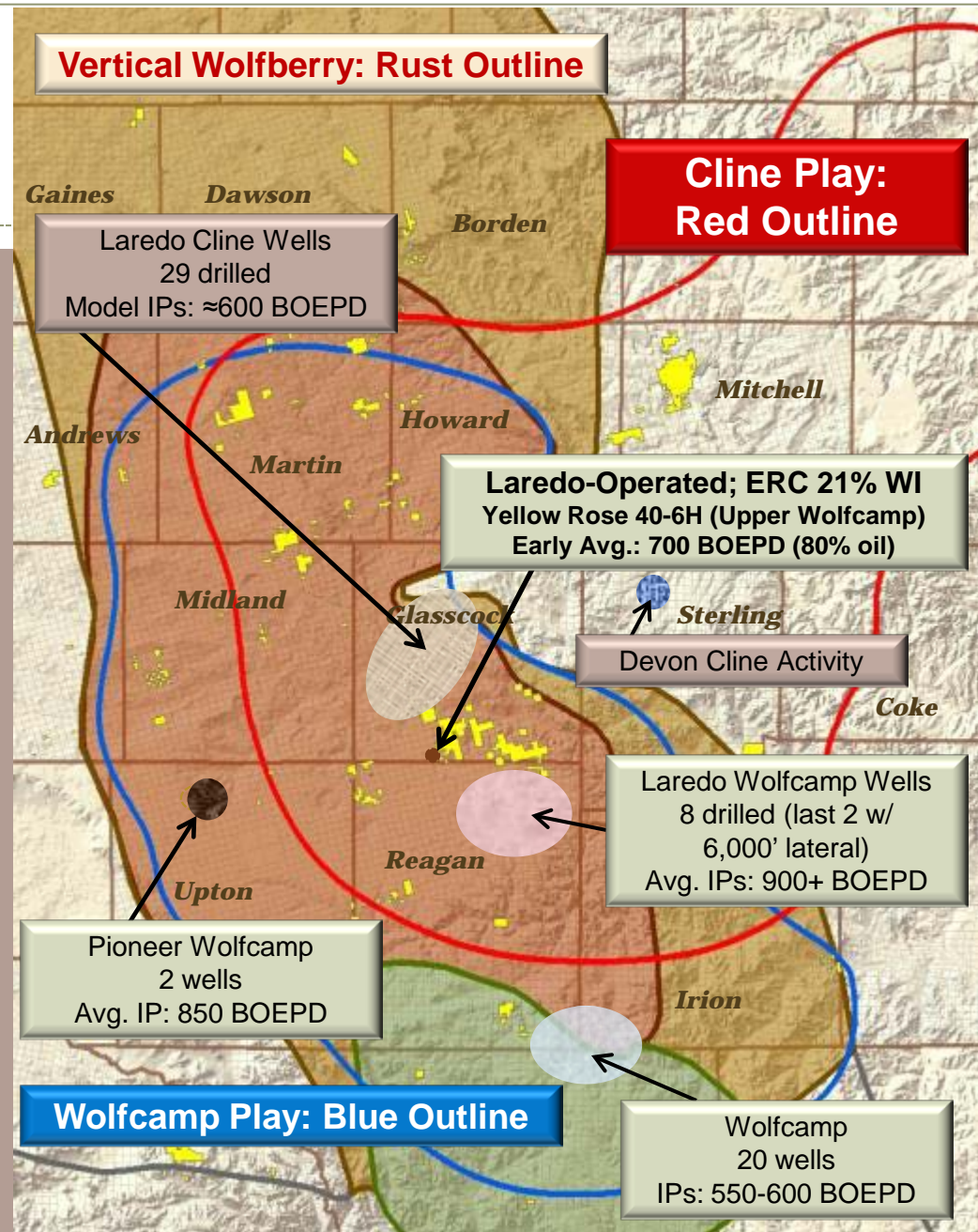
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## WOLFCAMP HORIZONTAL PLAY

- 64,000 net acres
- 785 potential locations (160-acre spacing)
- 6 net Wolfcamp (and/or Cline) test wells to be drilled in 2013

## CLINE HORIZONTAL PLAY

- 80,000 net acres
- 495 potential locations (160-acre spacing)



## Midland Basin:

# 1,280 Potential Wolfcamp/Cline Locations



\* 160-acre spacing

# Delaware Basin

## 3<sup>rd</sup> BONE SPRING (focus area)

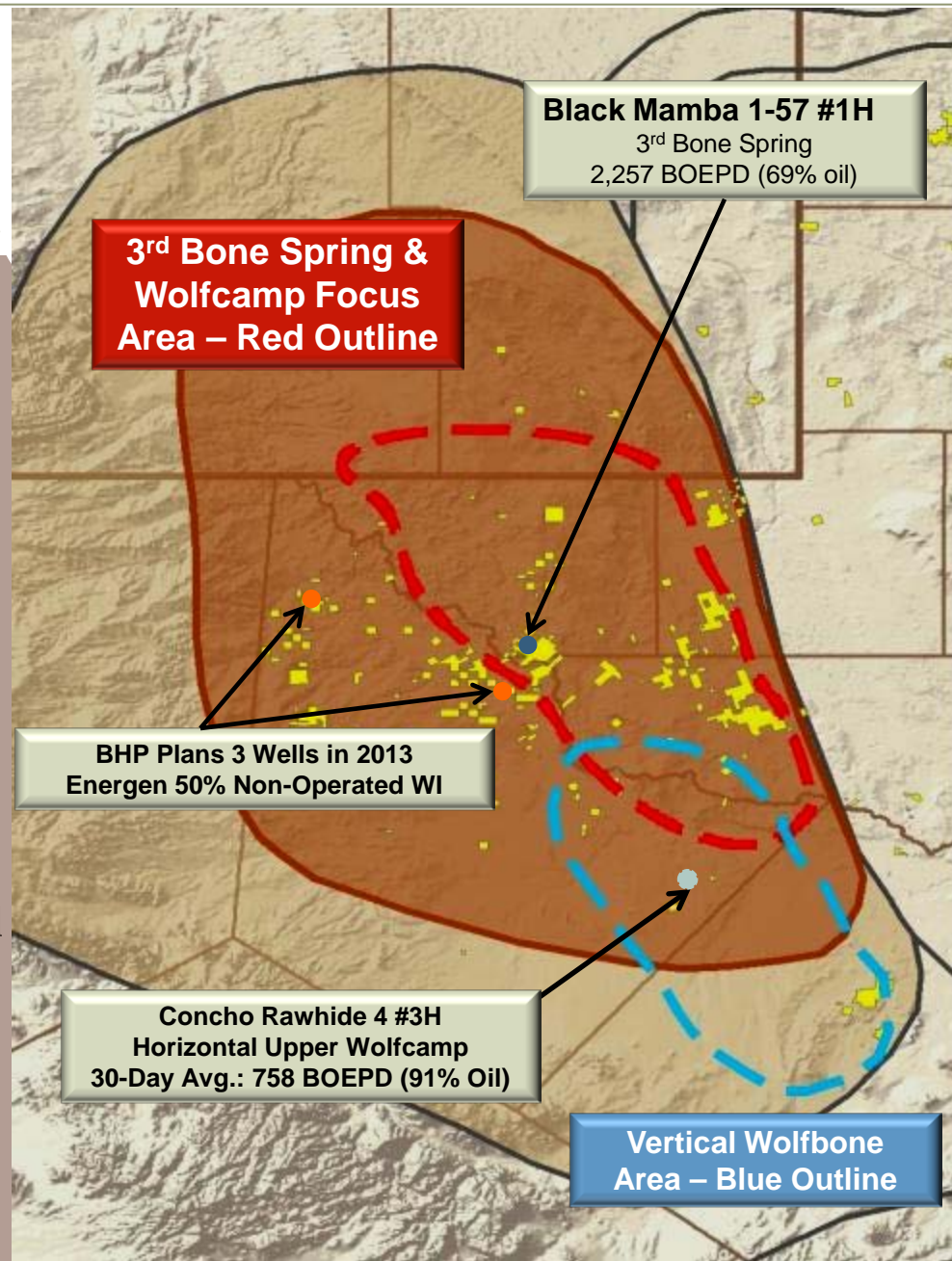
- 30,000 net acres
- 11,500 net undeveloped acres
- 72 potential locations (160-acre spacing)

YTD Well Performance  
(28 gross, 26 net)

Initial Stabilized Rate: 1,040 BOE/d (70% oil)  
30-day Average Rate: 687 BOE/d (68% oil)

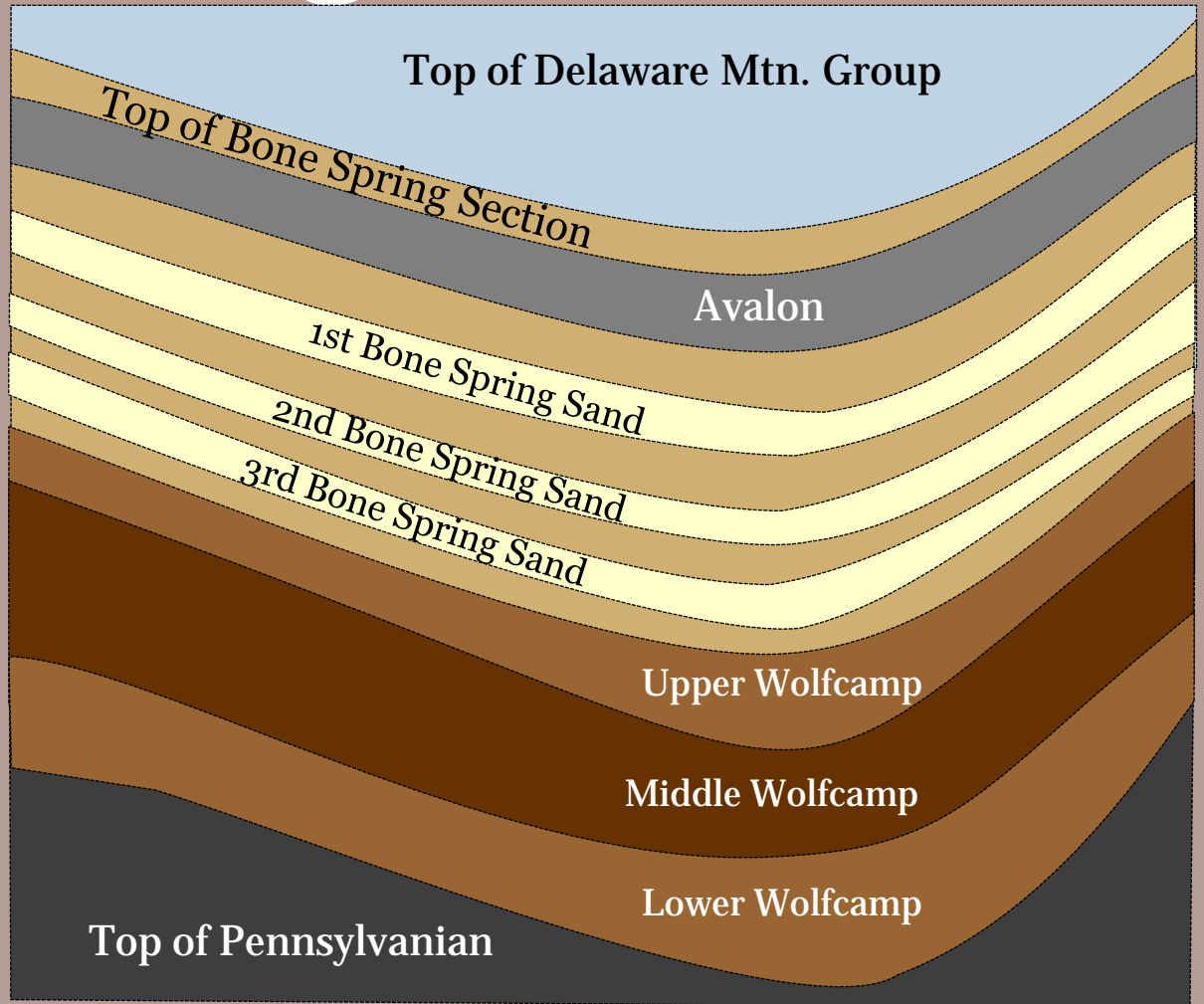
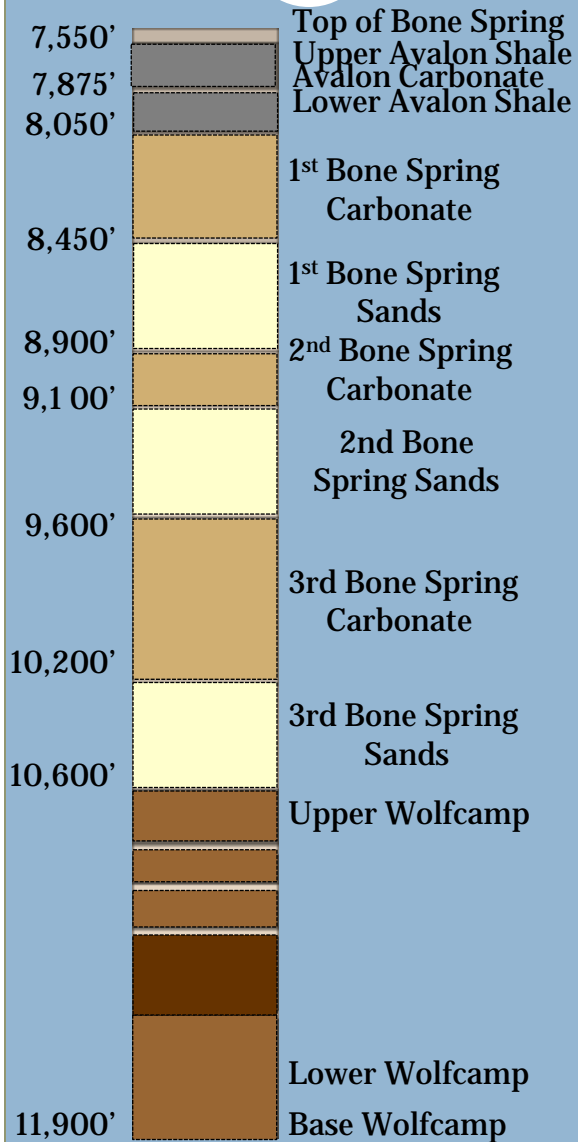
## WOLFCAMP/AVALON (basin-wide)

- ≈110,000 net acres
- Drilling 5 Wolfcamp test wells in 2012 and 7 wells in 2013





# Delaware Basin Strata

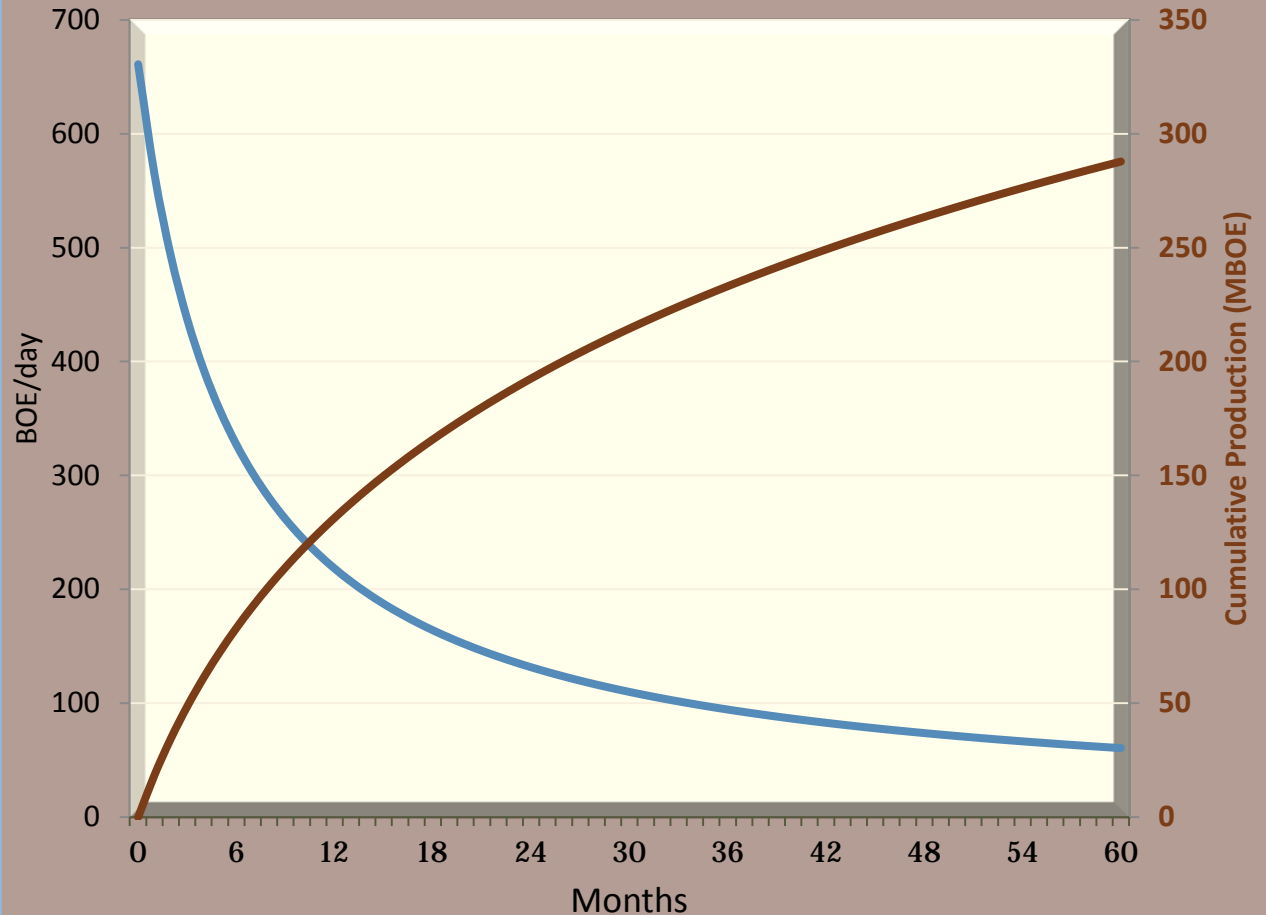




# 2012 PROGRAM

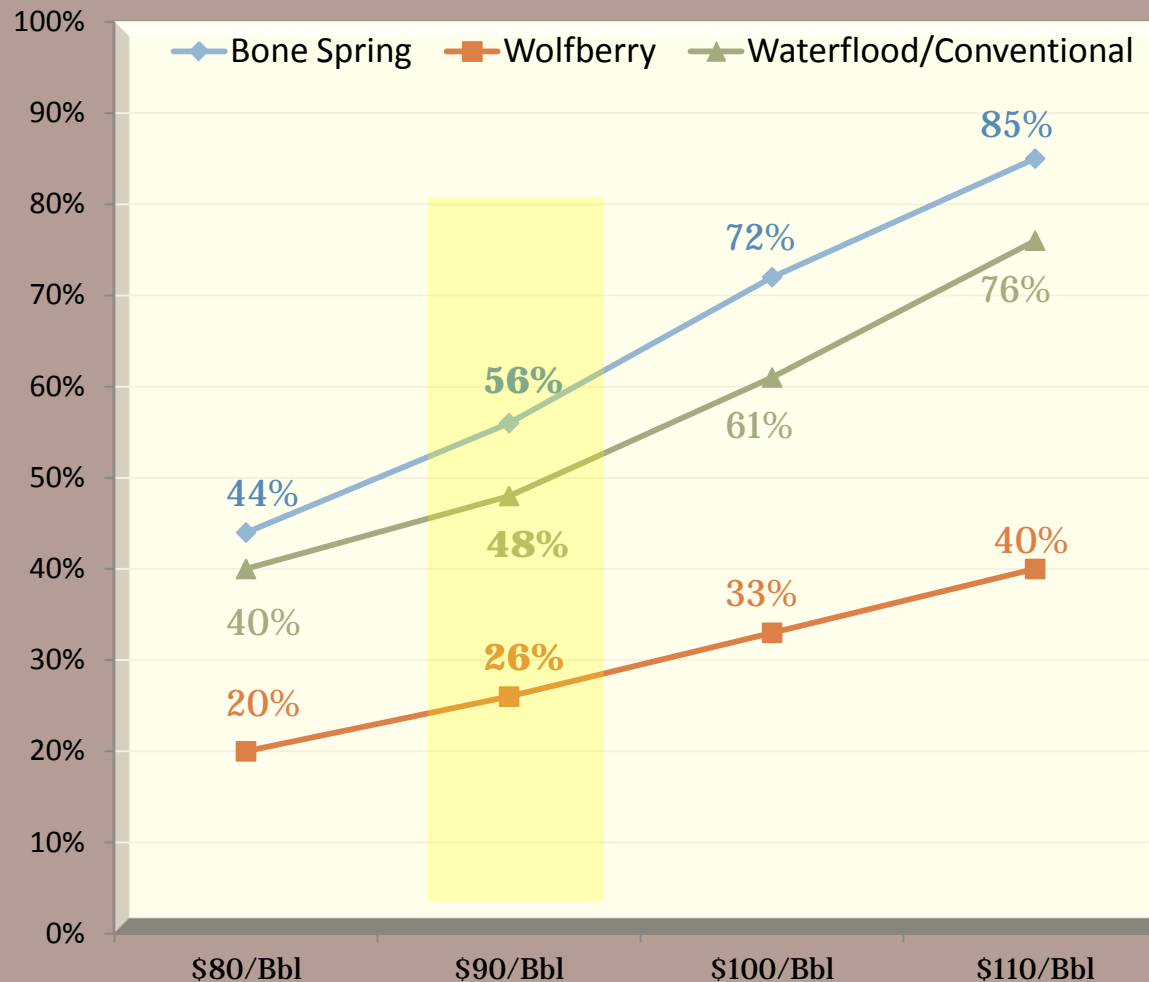
- EUR: 475 MBOE
- NRI: 75%
- Target cost to drill & complete: \$6.9 MM
- Product mix:  
66% oil/18% NGL/16% gas
- 72% ROR (pre-tax)
- 4,400' lateral lengths
- 10-11 frac stages

## 3<sup>rd</sup> Bone Spring Type Curve



NOTE: Based on unescalated NYMEX prices of \$100/barrel, \$4/MMBtu and 160-acre spacing

# 2012e Permian Basin Rates of Return



Note: Maintains constant natural gas price of \$4/MMBtu



# NIOBRARA SHALE

## ■ HBP

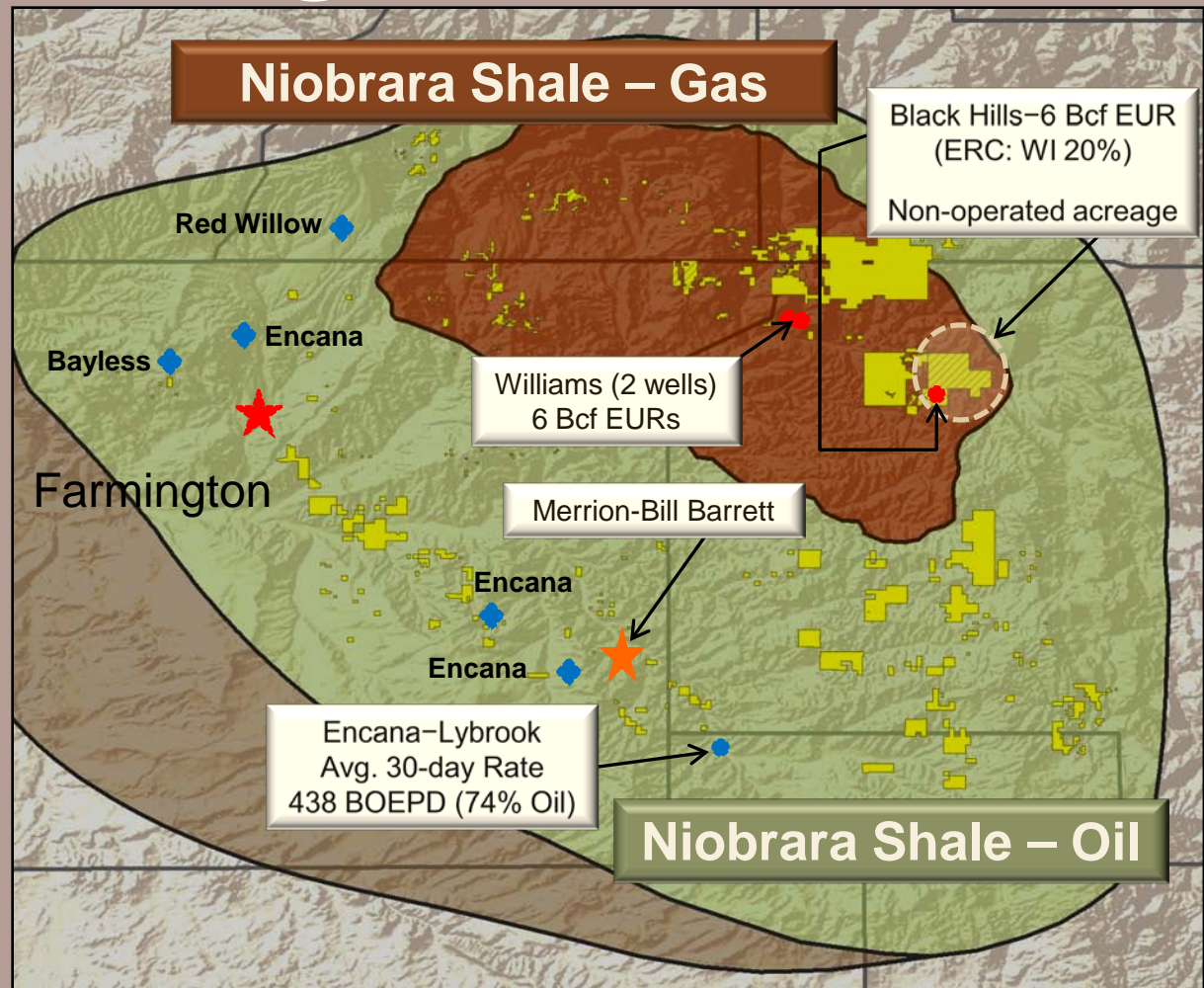
## ■ Gas phase

- 58,500 net undeveloped acres
- 854 Bcfe of possible reserves booked

## ■ Oil phase

- 81,466 net undeveloped acres
- 51.5 MMBOE of possible reserves booked

# Long-term Optionality

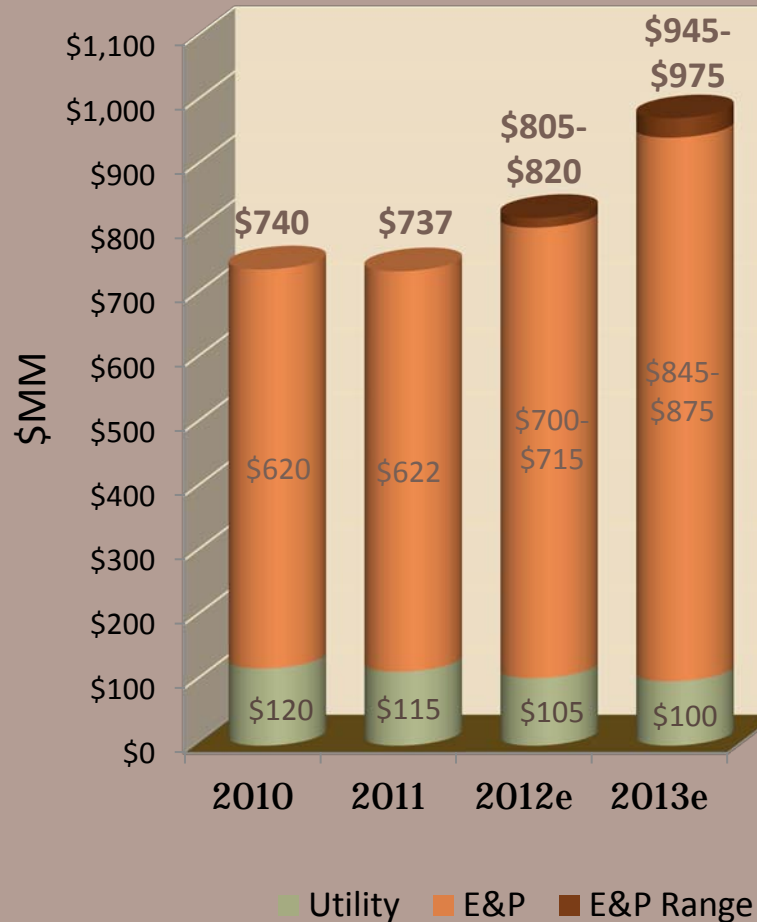




# 2013 ASSUMPTIONS

- Production: 26.5 MMBOE
- Unhedged prices:  
\$4 gas • \$90 oil • 89¢ NGL
- Est. E&P expenses/BOE:
  - LOE: \$ 10.04
  - Prod. Taxes \$ 2.61
  - DD&A: \$ 18.15
  - G&A: \$ 3.09
  - Interest : \$ 2.34
- Key differentials:
  - WTI Mid-Cushing \$ 1.00
  - WTS Mid-Cushing \$ 2.00
  - Gas basis \$ 0.15

# Consolidated ATCF Guidance



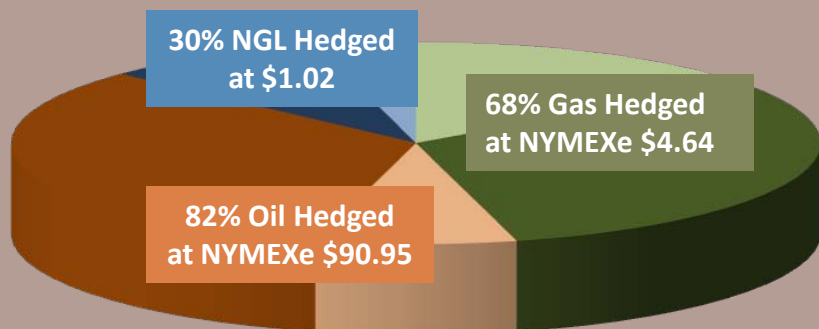
Note: 2013e sweet/sour oil split: 65%/35%

# Hedging Minimizes Price Risk



- 69% of 2013e production hedged
- 2013e cash cost: ≈\$16.50/barrel
- 2013e net income break-even: ≈\$35/barrel

2013e



■ Unhedged Gas    ■ Hedged Gas    ■ Unhedged Oil  
■ Hedged Oil    ■ Unhedged NGL    ■ Hedged NGL

2013

	Hedged Volumes	Estimated Production	Hedge %	Average Price
Oil	8.9 MMBO	10.8 MMBO	82%	\$ 90.95
NGL	44.5 MMgal	147.0 MMgal	30%	\$ 1.02
Gas	50.0 Bcf	73.2 Bcf	68%	\$ 4.64*

WTS Midland to WTI Cushing: 3.6 MMBO @ \$3.03  
 WTI Midland to WTI Cushing: 2.8 MMBO @ \$1.01

- Includes basin-specific hedges that have been converted for comparability purposes to a NYMEXe price by adding to them assumed San Juan and Permian basis differentials of \$0.15 per Mcf.

2014

	Hedge Volumes	Average Price
Oil	9.8 MMBO	\$ 92.64
Gas	46.1 Bcf	\$ 4.61*

- Includes basin-specific hedges that have been converted for comparative purposes to a NYMEXe price by adding to them assumed San Juan and Permian basis differentials of \$0.16 per Mcf and \$0.14 per Mcf, respectively.

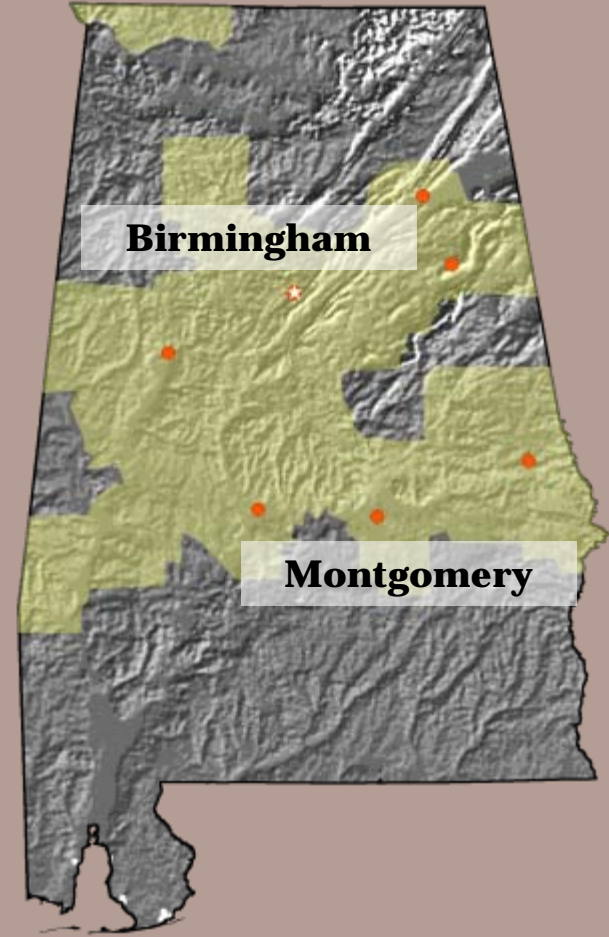
Note: 2013e sweet/sour oil split: 65%/35%

# Utility Operations



- Single-state utility
- >425,000 customers
- Allowed ROE (after tax):  
13.15-13.65%
- Forward-looking test year
- Temperature adjustment

RY ROE(%)	2008	2009	2010	2011	2012
Allowed	13.15 - 13.65				
Earned	13.1	13.3	13.5	13.3	13.6



# 30 Years of Dividend Growth



- 2012 dividend raised 3.7%
- Altagasco funds dividend at utility payout  $\geq 65\%$
- ERC may make small payout contribution

## ● Annual Dividend Rate



# Energen: In Summary



- Liquids-focused
- Significant Hedges
- Strong Cash Flows
- Undervalued Permian Player
- Proven Track Record

# ATCF Reconciliation to GAAP



ENERGEN		Years Ended 12/31						
(\$ in millions)	2010	2011	2012e			2013e		
Net income (GAAP)	\$ 291	\$ 260	\$ 218	-	\$ 233	\$ 234	-	\$ 264
DD&A (including asset impairment)	\$ 248	\$ 284	\$ 453	-	\$ 453	\$ 528	-	\$ 528
Deferred income taxes, net	\$ 134	\$ 129	\$ 110	-	\$ 110	\$ 119	-	\$ 119
Other/Exploration Expense	\$ 67	\$ 64	24	-	24	64	-	64
<b>Consolidated after-tax cash flows (Non-GAAP)</b>	<b>\$ 740</b>	<b>\$ 737</b>	<b>\$805</b>	-	<b>\$ 820</b>	<b>\$ 795</b>	-	<b>\$ 824</b>
Less: AGC cash flows from operations	\$(120)	\$(115)	\$ (105)	-	\$ (105)	\$(100)	-	\$(100)
<b>Adj. cash flows from ops excl. AGC (Non-GAAP)</b>	<b>\$ 620</b>	<b>\$ 622</b>	<b>\$ 700</b>	-	<b>\$ 715</b>	<b>\$ 845</b>	-	<b>\$ 875</b>

*Note: 2012e and 2013e data constitute forward-looking statements*

The U.S. Securities and Exchange Commission (SEC) requires public companies to reconcile Non-GAAP financial measures to related GAAP measures. GAAP refers to generally accepted accounting principles. After-tax Cash Flow (ATCF) is a Non-GAAP financial measure. Energen believes ATCF is relevant as a measure of cash available to fund its capital expenditures, dividends, debt reduction, and other investments.

# For More Information



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