



## The Tradition Continues



**ENERGEN**<sup>®</sup>

Energen Corporation  
605 Richard Arrington Jr. Blvd. N.  
Birmingham, AL 35203-2707

**ENERGEN CORPORATION**  
2002 Summary Annual Report and Form 10-K

# Corporate profile

# Shareholder information

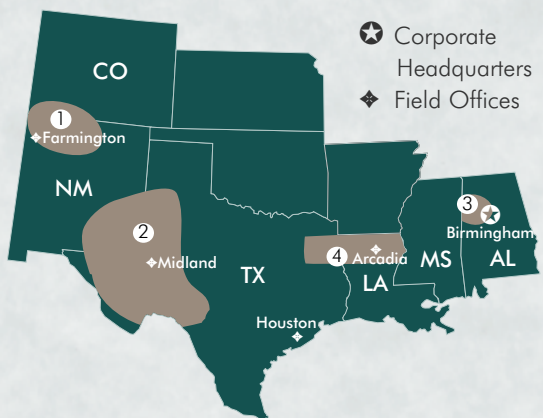
## Utility Service Area



Energen Corporation is a diversified energy company engaged in oil and gas acquisitions and exploitation and in natural gas distribution. Headquartered in Birmingham, Alabama, Energen combines the growth potential of its oil and gas subsidiary with the strength and stability of its natural gas utility.

Energen Resources Corporation focuses on increasing its production and proved reserves through the acquisition and exploitation of onshore North American oil and gas properties with development potential.

Alabama Gas Corporation (Alagasco) distributes clean-burning, energy-efficient natural gas to approximately 465,000 customers in central and parts of north Alabama.



## Oil & Gas Reserve Locations

Area	Reserves (Bcfe)
1 San Juan Basin	549
2 Permian Basin	357
3 Black Warrior Basin	258
4 N. La/E. Texas	82
Miscellaneous	17
<b>TOTAL</b>	<b>1,263</b>

Proved reserves as of 12/31/02

## Corporate Headquarters

Energen Corporation  
 605 Richard Arrington Jr. Blvd. N.  
 Birmingham, AL 35203-2707

## Investor Hotline

1-800-654-3206

## Common Stock Listing

Symbol: EGN

## Annual Meeting

April 23, 2003

Corporate Headquarters Auditorium

## Dividend Schedule

Energen's Board of Directors determines quarterly cash dividends at meetings held on or around the fourth Wednesday of January, April, July and October.

## Forms 10-K and 10-Q

Energen's annual and quarterly reports to the Securities and Exchange Commission are available from the Energen Investor Relations Department at Corporate Headquarters.

## Investor Relations

Analysts, investment professionals and shareholders should direct their inquiries to the Energen Investor Relations Department at Corporate Headquarters.

Vice President Investor Relations:

Julie S. Ryland

Investor Relations Coordinator:

Michelle A. Speed

1-205-326-2634 or 1-800-654-3206

## Energen on the Web

Interested parties with Internet access may review Energen corporate information, including news, on Energen's home page:  
[www.energen.com](http://www.energen.com)

## Transfer Agent and Registrar

EquiServe Trust Company, N.A.  
 P.O. Box 43069  
 Providence, RI 02940-3069  
 email: [equiserve@equiserve.com](mailto:equiserve@equiserve.com)  
 URL: [www.equiserve.com](http://www.equiserve.com)

Dedicated Toll Free Number: 1-888-764-5603

An automated voice response system is available 24 hours a day, seven days a week. Customer service representatives are available from 8:30 a.m. to 7 p.m. Eastern time, Monday through Friday, to assist shareholders with account balances, dividend information, transfer instructions and certificate information.

TDD/TTY for the Hearing Impaired:

1-800-952-9245

## Dividend Reinvestment and Direct Stock Purchase

The Company offers shareholders and investors the opportunity to purchase Energen common stock without incurring fees and commissions. Energen's Dividend Reinvestment and Direct Stock Purchase Plan is offered through a prospectus available from the Plan Administrator, EquiServe Trust Company, N. A., by calling:

1-866-238-5345 or 1-800-654-3206.

Enrollment material also is available on the Web:  
[www.equiserve.com](http://www.equiserve.com)

## Independent Auditors

PricewaterhouseCoopers LLP  
 AmSouth/Harbert Plaza  
 1901 Sixth Avenue North, Suite 1600  
 Birmingham, Alabama 35203

## Legal Counsel

Bradley Arant Rose & White LLP  
 One Federal Plaza  
 1819 Fifth Avenue North  
 Birmingham, Alabama 35203

## About the Cover

The flatness of the west Texas landscape is broken by oil and gas wells producing the plentiful, long-lived reserves in the Permian Basin. Energen Corporation expanded its operations in the Permian Basin with the April 2002 acquisition of 38 million barrels of oil equivalent reserves.

From its 150-year-old roots as a small gas utility in central Alabama ... to its stature today as a successful diversified energy company with 1.3 trillion cubic feet equivalent of domestic oil and gas reserves and a premier gas distribution utility ... Energen's tradition of success continues as the company builds on the excellent track record it has established under its 7-year-old diversified growth strategy.

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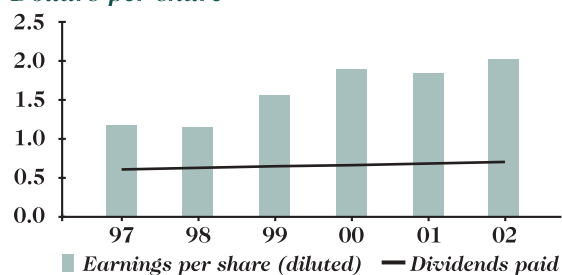
# Financial highlights

Years ended 12/31	2002	2001	% change
<b>Financial (dollars in thousands)</b>			
Net income	\$ 68,639	\$ 57,835	18.7
Return on average equity* (%)	12.4	12.6	(1.6)
Revenues	\$ 677,175	\$ 749,550	(9.7)
Total assets	\$ 1,530,891	\$ 1,240,356	23.4
Total capitalization	\$ 1,095,764	\$ 1,018,338	7.6
Shareholders' equity	\$ 582,810	\$ 474,205	22.9
Long-term debt	\$ 512,954	\$ 544,133	(5.7)
Capital expenditures	\$ 371,291	\$ 210,688	76.2
Proved oil and gas reserves (Bcfe)	1,262.9	984.8	28.2
<b>Per share</b>			
Earnings per average common share (diluted)	\$ 2.03	\$ 1.85	9.7
Dividends paid	\$ 0.71	\$ 0.69	2.9
Dividend rate at year end	\$ 0.72	\$ 0.70	2.9
Book value	\$ 16.77	\$ 15.18	10.5
<b>Other</b>			
Average common shares outstanding (diluted)	33,838,299	31,198,383	8.5
Shares outstanding at year end	34,745,477	31,248,547	11.2
Shareholders of record	8,024	8,360	(4.0)
Number of employees at year end	1,533	1,473	4.1

\*Excludes accumulated other comprehensive income

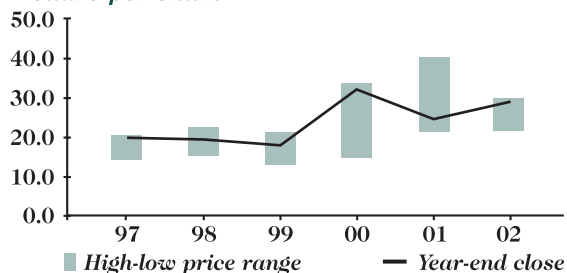
## Earnings And Dividends Paid

Dollars per share



## Stock Price

Dollars per share



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“A keen sense of tradition permeates Energen’s corporate culture, and the celebration of our 150th anniversary gave us an excellent opportunity to focus on our heritage and its impact on our present and our future.”

– Mike Warren



# To Our Shareholders

A year of double-digit earnings growth and significant business developments capped an exciting year for Energen Corporation as we celebrated our 150th anniversary in 2002.

Driven by a 15 percent increase in oil and gas production at Energen Resources Corporation, our oil and gas acquisition and exploitation subsidiary, Energen's 2002 earnings of \$2.03 per diluted share increased 10 percent over 2001. This growth also reflected the impact of our natural gas utility, Alabama Gas Corporation (Alagasco), earning a higher rate of return on an increased level of equity.

As our oil and gas operations continue to comprise a greater portion of Energen's consolidated net income, an increasingly important metric is pre-tax cash flow. Energen's pre-tax cash flow per share increased 18 percent in 2002 to \$5.97 per diluted share.

A keen sense of tradition permeates Energen's corporate culture, and the celebration of our 150th anniversary gave us an excellent opportunity to focus on our heritage and its impact on our present and our future.

## **Tradition of Accomplishment**

The 2002 year was outstanding in many respects. Your management was pleased with the financial performance of our two lines of business. Perhaps more importantly, though, 2002 saw significant achievements that have set the stage for an exciting 2003 and 2004.

In April 2002, Energen Resources made its largest property acquisition to date when it bought some 38 million barrels of oil equivalent reserves in the Permian Basin of west Texas for approximately \$184 million dollars in cash and equity. This was an excellent acquisition that met our investment criteria; the equity component facilitated our commitment to balance sheet strength; and the significant behind-pipe and proved undeveloped reserves acquired offer excellent development opportunities.

Also during 2002, Energen Resources drilled 64 new coalbed methane wells in the Black Warrior Basin in Alabama. It was here, in the mid-1980s, where Energen Resources made its mark as a "player" in the oil and gas industry. Production rates from this in-fill drilling program have surpassed our expectations, and more wells are slated to be drilled in 2003.

But the greatest thing about these two events is that, together, they set the stage for Energen to more than compensate for the absence of some \$14 million of nonconventional fuels tax credits in 2003. These credits expired, as anticipated, on December 31, 2002. Our strategy to deal with this eventuality was formulated a number of years ago and called for Energen Resources to make a major acquisition in 2002 and to

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continue the aggressive exploitation of oil and gas properties. The achievement of these goals is a source of considerable pride at Energen and a source of great excitement about our future – a future that anticipates continued earnings growth in 2003 and 2004, without benefit of the tax credits.

Another point worthy of note is the 28 percent increase in Energen Resources' year-end reserves to 1.3 trillion cubic feet equivalent (Tcfe). The Permian Basin acquisition and the coalbed methane downspacing program were the major contributors to this solid increase.

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**A struggling economy and volatile commodity prices presented numerous challenges for Energen in 2002. Nevertheless, Energen was able to continue generating solid earnings growth.**

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At our utility in 2002, the Alabama Public Service Commission extended for six more years Alagasco's unique, progressive rate-setting mechanism, Rate Stabilization and Equalization (RSE). In place now for almost 20 years, RSE has benefited Alagasco's customers and Energen's shareholders. We are very pleased that RSE will continue providing Alagasco with the real opportunity to earn a return on average equity between 13.15 percent and 13.65 percent for the foreseeable future.

### **Tradition of Financial Strength**

A struggling economy and volatile commodity prices presented numerous challenges for Energen in 2002. Nevertheless, Energen was able to continue generating solid earnings growth.

For the 12 months ended December 31, 2002, Energen earned \$68.6 million, or \$2.03 per diluted share, as compared with \$57.8 million, or \$1.85 per diluted share, in 2001. Energen's 2002 net income included a non-cash benefit of \$5.7 million, or 17 cents per diluted share, associated with accounting for the company's previous hedges with Enron Corporation, as well as a one-time charge of \$2.2 million, or 7 cents per diluted share, reflecting the cumulative effect on prior years of the adoption of Statement of Financial Accounting Standard No. 143, "Accounting for Asset Retirement Obligations," which changed the methodology used to account for estimated future costs to plug and abandon wells.

In the prior year, net income included \$1.3 million, or 4 cents per diluted share, from discontinued operations and a non-cash expense of \$5.5 million, or 18 cents per diluted share, associated with accounting for the company's previous hedges with Enron.

Energen Resources' income from continuing operations in 2002 totaled \$43.2 million as compared with \$32.5 million in the prior year. This 33 percent increase was due to a 10 billion cubic feet equivalent (Bcfe) increase in production primarily resulting from the acquisition of Permian Basin oil properties in April 2002. Energen Resources' production from continuing operations in 2002 totaled 77.4 Bcfe.

Alagasco's natural gas distribution operations generated a 12 percent increase in net income to \$27.6 million from \$24.7 million in the prior year. The utility earned a return of 12.3 percent on average equity of \$223.6 million as compared with a return in the prior year of 11.6 percent on average equity of \$212.8 million.

## Tradition of Enhancing Shareholder Value

From the 'big picture' perspective, Energen's success in 2002 was due in large part to our focus on strategic vision, to our commitment to achieving the goals and objectives of our strategic plan, and to our outstanding employees who have so effectively implemented the business plans of Energen and our subsidiaries.

Our current strategic vision took shape more than seven years ago when your management determined that shareholder value would benefit from a more aggressive approach to diversification within the energy industry. Today, we continue to be very pleased with our concentration on two, and only two, lines of business in the energy arena as well as with our success under this strategy.

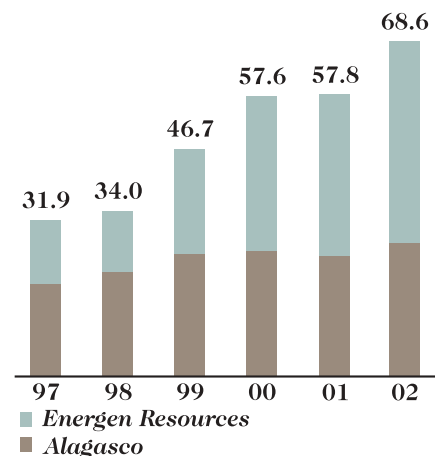
Over the last seven years, we have invested over \$1 billion in property acquisitions and related development. Our reserves have grown from less than 100 Bcfe to 1.3 Tcfe. Our annual production has grown from some 10 Bcfe to approximately 80 Bcfe. Energen Resources today is one of the top 20 independent oil and gas producers based on U.S. reserves, and Alagasco remains one of the premier natural gas utilities in this country.

Perhaps most importantly, our strategy has generated significant earnings growth. We surpassed our initial target of 10 percent growth over every rolling 5-year period. In the first five years — the building years — Energen generated a compound growth rate in earnings per diluted share (EPS) of 17.5 percent. In the two subsequent rolling 5-year periods, we have generated growth rates of 13.1 percent and 11.5 percent, respectively, despite tumultuous economic times, commodity price volatility and upheaval in the energy industry.

About a year ago, we retooled our growth rate target in light of the current long-term economic outlook, which includes single-digit growth prospects for the broad market, and given the importance of balance sheet strength. We believe it is realistic for Energen's EPS to grow at an average compound rate of 7 to 8 percent annually over the next five years without investing capital in a manner that unduly increases our leverage. We believe this growth rate, combined with Energen's cash dividend, offers a very competitive return.

Energen's stock price has responded well to the results of our diversified growth strategy. Because of the growing impact of commodity prices on our earnings, our stock price has become more volatile; however, we are pleased that, from the end of our old fiscal year 1995 through December 31, 2002, our stock has

**Net Income, Consolidated**  
*Dollars in millions*



generated a total shareholder return of 18.4 percent a year on an annualized compound growth basis. This return is particularly compelling when compared to the broad market, as reflected by the S&P 500 Index, which saw a compound annual return over the same period of only 7.5 percent.

In the challenging year of 2002, Energen continued to perform, outpacing its closest diversified energy peers and the S&P 500 Index to generate a total shareholder return for the year of 21 percent.

For those investors seeking a long-term, total value investment, Energen represents an excellent opportunity backed by an excellent tradition of performance.

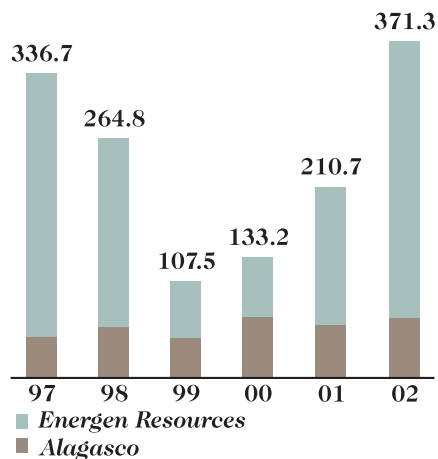
### Keeping the Tradition Alive

Your management is confident that Energen is well-positioned for earnings growth in 2003. Importantly, while this growth can be enhanced by a realization of the current outlook for commodity prices on the New York Mercantile Exchange, growth in Energen’s earnings in 2003 is not reliant on prices remaining at their current high levels.

Energen’s base businesses are solid. At Energen Resources, in addition to the potential acquisition in 2003 of one or more small properties in and around our existing areas of operation, a full slate of development well drilling and other exploitation activities is planned. This drilling is expected to take place in all four of our core areas of operations and could well exceed 200 net wells. Production in 2003 is estimated to increase approximately 10 percent to 85 Bcfe.

Alagasco is in a good position to earn a return within its allowed range of 13.15 percent to 13.65 percent on an increased level of equity. In addition, Alagasco’s real-time temperature adjustment mechanism can be expected, once again, to neutralize substantially the impact on earnings of temperature variances from normal. The utility in 2003 also will continue to focus on providing quality customer service to its Alabama customers, the type of service that earned it the #1 ranking among the 50 largest natural gas utilities in the country in a recent J. D. Powers & Associates survey.

### Capital Expenditures, Net *Dollars in millions*



Oil and gas commodity prices will continue to have a significant impact on Energen’s ultimate earnings in any given year. Our hedging program, however, remains an effective way to help minimize the negative impact on earnings of commodity price volatility while leaving room for upside potential. Our hedging program underscores our commitment to minimizing risk in both of our core businesses as we seek to enhance shareholder value through consistent earnings growth.

### The Tradition Continues

Over the last seven years, Energen’s successful diversified growth strategy has generated real earnings growth in an

increasingly volatile industry and soft economy. We crafted and implemented a solid business plan to carry out our strategy. We capitalized on the excellent fundamentals that provide the foundation for each of our lines of business. And we established a proven track record as we made our way.

As we look back over 2002 and ahead to 2003 and beyond, Energen's track-record of achievement, dedication to enhancing shareholder value, commitment to disciplined strategic planning and respect for our shareholders, employees and customers should make us all proud that, after 150 years, the "Energen Tradition" continues.

Before closing, I want to take this opportunity to thank Rex J. Lysinger, Energen's retired chairman and chief executive officer, for his years of service to the company. After serving on your Board of Directors since 1979, Rex is not standing for re-election this year. His contribution to Energen has been invaluable, and we look forward to his continued support of and interest in Energen.

Sincerely,



Wm. Michael Warren, Jr.

Chairman, President and Chief Executive Officer

March 5, 2003

## Energen Resources highlights

<b>Financial (in thousands)</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Operating revenues . . . . .	\$252,744	\$218,136	\$197,421
Income from continuing operations before cumulative effect of change in accounting principle . . . . .	\$ 43,189	\$ 32,541	\$ 31,610
Net income . . . . .	\$ 41,242	\$ 33,825	\$ 32,735
Capital expenditures, net . . . . .	\$305,476	\$151,851	\$ 65,583
 <b>Operations (MMcfe)</b>			
Reserves			
Natural gas . . . . .	803,748	714,395	765,944
Oil . . . . .	298,998	114,768	142,614
Natural gas liquids . . . . .	160,182	155,664	153,336
Production from continuing operations			
Natural gas . . . . .	47,776	45,937	47,183
Oil . . . . .	18,835	12,087	12,667
Natural gas liquids . . . . .	10,749	9,191	8,818



Energen Resources is pleased with the success of its coalbed methane downspacing program in the Black Warrior Basin of Alabama. The 64 wells drilled in 2002 have surpassed company production estimates, and another 85 wells are set to be drilled in 2003. Energen Resources established its significant role as a niche player in coalbed methane exploration and production in the mid- to late-1980s and continues today as the largest operator in the Black Warrior Basin.



# Acquisitions & exploitation

At the outset of Energen's 1996 fiscal year in October 1995, the company implemented an aggressive diversified growth strategy that looked to its small oil and gas exploration and production company, Energen Resources, to be the driver of long-term earnings growth. At the same time, management was confident that its natural gas distribution utility, Alagasco, would continue its tradition of providing a solid, stable foundation upon which to build the Energen of the future. With the success of Energen's diversification strategy, that future is now Energen's yesterday, today and tomorrow.

The impetus behind Energen's aggressive strategy was to diversify in the oil and gas area in a way that generated consistent earnings growth. Due to service area constraints for its utility, management knew that the opportunities for significant, sustained growth in that business alone likely would not generate the desired return to shareholders. The company's success in coalbed methane development in the mid- to late-1980s as a fledgling exploration and production company gave Energen confidence that it could build on its early success with a more traditional oil and gas production business that would offer good earnings growth.

Energen's strategy involves a three-pronged business plan for Energen Resources that includes:

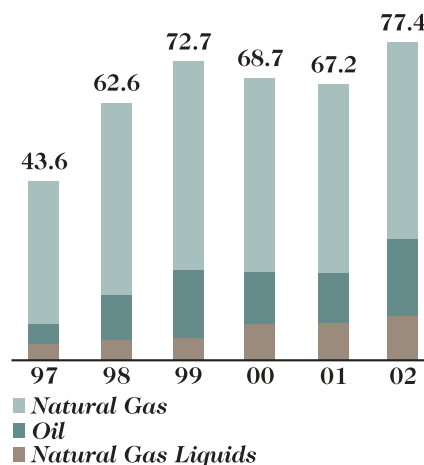
- The acquisition of domestic producing oil and gas properties with development potential;
- Development and exploitation of the behind-pipe and proved undeveloped reserve potential of these acquired properties; and
- Limited exploration and related development in and around core areas of operation.

In the intervening years, the energy industry has experienced much change. Diversification has not been successful for many companies that have sought that route to growth. Energen believes that one of the key reasons its strategy has been successful is that the company chose to focus on two, and only two, lines of business in the energy chain. This has allowed Energen to commit its full resources in a concentrated manner to those areas it knows best, and the company has turned away from other opportunities over the years, such as energy marketing and trading — opportunities that have ultimately hampered the long-term success of numerous others.

## Minimizing Risk

Another major reason for the success of Energen's strategy is the company's concentration on managing and minimizing

**Oil And Gas Production  
From Continuing Operations**  
*Bcfe*



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the risks associated with being an independent oil and gas producer. Energen's risk-minimizing approach remains central to the company's ability to continue generating consistent earnings growth rather than having earnings fluctuate widely with the volatility of oil and gas commodity prices.

Energen's basic acquisition and exploitation orientation is core to this effort. There are many ways to be in the oil and gas business. Energen's chosen path is inherently less risky than exploring untested reservoirs. Energen Resources' acquire-and-exploit business plan offers the immediate benefit of existing, proven production and the potential for higher returns by investing additional capital in development well drilling, recompletions, downspacing, pay-adds and operational enhancements.

Over the last seven-plus years of this strategy, approximately 90 percent of all capital spending at Energen Resources has been to acquire and exploit proved reserves, and Energen Resources' all-in reserve replacement cost over this period is an attractive 78 cents per Mcfe.

As a result of Energen's low-risk approach to the energy business, Energen Resources has a conservative reserve base. More than 80 percent of its proved reserves at year-end 2002 are developed. Its reserve base also is long-lived, with a reserves-to-production ratio of 16; this reserve life helps mitigate sensitivity to commodity price volatility as the company seeks long-term returns for its investments. In addition, Energen Resources' reserves are concentrated in basins with multiple pay-zone opportunities. This enhances the potential for successful, low-cost exploitation as several producing horizons can be accessed by one well. Energen also is committed to utilizing hedge instruments to minimize risk in the oil and gas business.

## **Energen Resources' long-term growth is dependent on its ability to make good acquisitions.**

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Following an acquisition, Energen typically will hedge flowing production for up to three years to help lock-in its near-term returns at those prices used when modeling an acquisition. On an annual basis, Energen may hedge up to 80 percent of its estimated production to help protect the earnings stream while providing opportunity for upside potential. Energen also utilizes hedges to help protect against volatility in the basis differences that can vary widely among producing regions.

### **Acquisition Discipline**

Energen Resources' long-term growth is dependent on its ability to make good acquisitions that meet established investment criteria, and the company's approach is a disciplined one.

In modeling an acquisition, Energen Resources assumes current near-term prices based on the futures market and applies its own pricing expectations for the longer-term. In this way, the company is confident of its ability to make acquisitions in low-price and high-price environments.

Energen Resources' geographic orientation is onshore North America. The company has no plans to pursue international or offshore properties or, for that matter, higher-risk onshore properties. Energen Resources also



Among the wells included in Energen Resources' purchase of west Texas oil properties from First Permian, LLC, in April 2002, was this one – the first to be drilled in the prolific Permian Basin.

prefers to operate the properties it acquires in order to control the pace of development. Today, approximately 80 percent of Energen Resources' cash flows are generated by properties it operates.

While the company's preference is for natural gas, Energen does not rule out an otherwise attractive oil property acquisition. A prime example is Energen Resources' acquisition in 2002 of oil properties in the Permian Basin. Of the company's proved reserves at December 31, 2002, 64 percent are natural gas, while oil and liquids comprise 23 percent and 13 percent, respectively.

And, finally, Energen Resources particularly likes to acquire properties with multiple pay-zone opportunities and long-lived reserves. Its San Juan, Black Warrior and Permian basin properties, in particular, all feature these characteristics.

## Permian Basin Acquisition

In April 2002, Energen Resources made its most recent and largest property acquisition when it bought some 38 million barrels of proved oil equivalent reserves in the Permian Basin of west Texas for approximately \$184 million dollars in cash and equity.

A great opportunity for Energen and Energen Resources, this acquisition features reserves with a 27-year life. More than 90 percent of the value of the reserves are operated. More than 60 percent of the value of the reserves are proved developed producing, with the remainder representing behind-pipe and proved undeveloped reserves as well as a small percentage of probable and possible reserves. The Permian Basin features multiple pay-zone horizons and is one of Energen Resources' four core areas of operation.

In short, this was an excellent acquisition that met all of Energen Resources' investment criteria. Importantly, the equity component of the transaction also provided an attractive means to finance such a major investment in a way that facilitated Energen's commitment to maintaining its credit quality and balance sheet strength.

## Exploitation Success

While acquisitions are critical to Energen's success, a second major facet of Energen Resources' business plan and strategy is the exploitation of the behind-pipe and proved undeveloped reserve potential of acquired properties.

Since the start of fiscal year 1996, Energen Resources has worked hard not only to prove up existing reserves but also to add reserves not paid for in the acquisition price. As a result, Energen Resources' efforts have resulted in a reserve increase of more than 40 percent over its as-acquired reserves. And reserve additions and reserve revisions have more than replaced its total production of 423 Bcfe over this time period.



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Energen Resources increased its presence in the Permian Basin of west Texas with the addition of approximately 38 million barrels of oil reserves on property acquired in April 2002. Since the inception of Energen's aggressive diversified growth strategy in October 1995, Energen Resources has invested some \$1.1 billion to acquire and develop domestic producing oil and gas properties.



# Outlook for 2003 & 2004

As of February 2002, Energen Corporation's earnings outlook for 2003 is for earnings per diluted share between \$2.40 and \$2.50. The company also estimates that pre-tax cash flows could range from \$7.10 per diluted share to \$7.20 per diluted share in 2003. The company's outlook for 2004 earnings per diluted share is a range of \$2.50 to \$2.60.

It is important to note that Energen's earnings outlooks for 2003 and 2004 reflect a base-case commodity price scenario. The company's pricing assumptions for its unhedged production in 2003 is \$4 per Mcf for gas and \$25 per barrel for oil, increasing by 3 percent in 2004.

In other words, the earnings growth reflected in Energen's earnings outlooks for 2003 and 2004 is not being driven by current prices of \$6 per Mcf for gas and \$35 per barrel for oil. It is being driven by the strength of its two lines of business and by the company's continued adherence to minimizing risk through an aggressive hedging program and to an excellent exploitation program that is maximizing existing producing properties.

To the extent that prices remain above the assumed levels, Energen's earnings stand to benefit significantly.

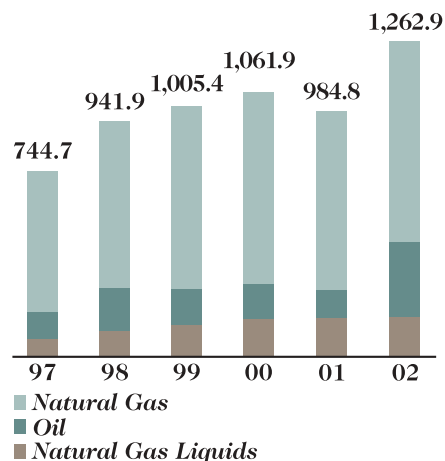
## Key Assumptions for Energen Resources in 2003

Energen Resources has hedges in place for 75 percent of its estimated 2003 natural gas production at an average NYMEX-equivalent price of \$4.13 per Mcf. Approximately 73 percent of Energen Resources' estimated oil production for the year is hedged at an average NYMEX price of \$26.36 per barrel. And more than 50 percent of the company's estimated NGL production has been hedged at an average price of 42 cents per gallon.

The company estimates that Energen Resources' production in 2003 will reach 85 Bcfe as compared with production from continuing operations in 2002 of 77.4 Bcfe. The 2003 estimate includes approximately 2 Bcfe from potential property acquisitions in and around existing core areas.

Exploitation of existing properties will be the major driver of Energen Resources' estimated 10 percent growth in 2003 production. Exploitation activity is expected to receive the lion's share of Energen Resources' capital dollars in 2003. Energen anticipates capital spending at Energen Resources will total

**Proved Reserves At Year End**  
Bcfe



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approximately \$158 million, including \$115 million for development and exploitation activities and \$40 million for property acquisitions. Plans include drilling in all four of the company's major basins of operation, including the drilling of another 85 wells in the Black Warrior Basin downspacing program.

Other factors at Energen Resources that influence Energen's earnings guidance for 2003 include expectations that lease operating expense including production taxes will average \$1.08 per Mcfe as compared with \$1.04 per Mcfe in 2002 and that depreciation, depletion and amortization expense will average 93 cents per Mcfe as compared with 90 cents per Mcfe in 2002.

### **Key Assumptions for Alagasco in 2003**

Alagasco continues to provide Energen with a strong and stable utility foundation that benefits from a progressive regulatory environment. Its unique rate-setting mechanism, Rate Stabilization and Equalization, offers the utility the opportunity to earn a return on average equity at September 30 each year of 13.15 percent to 13.65 percent. The utility's earnings are largely weather neutral due to a real-time temperature adjustment mechanism, and a variety of flexible rate strategies have helped Alagasco minimize load loss among its large commercial and large industrial customers.

In the present environment of high natural gas commodity prices, Alagasco and its customers are benefiting in 2003 from the utility's use of hedges to help secure reliable, cost-effective supplies of natural gas for its core-market customers.

Alagasco's utility operations in 2003 are expected to earn within the allowed range of return on a higher level of equity estimated at \$239 million. In addition, capital spending at Alagasco is estimated to total approximately \$57 million for normal system needs and a new computerized mapping system.

## **Credit quality and balance sheet strength are very important to Energen.**

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### **Balance Sheet Strength**

Also in 2003, Energen plans to issue approximately \$37 million of equity and an estimated \$75 million of long-term debt. Proceeds will be used to refinance existing short-term debt and further strengthen Energen's balance sheet. Twenty-five million dollars of the new equity is expected to be generated through the periodic draw-down of shares in a shelf registration, and \$12 million is estimated to be generated through internal mechanisms such as the Energen Dividend Reinvestment and Direct Stock Purchase Plan.

Credit quality and balance sheet strength are very important to Energen. The company is in the business of acquiring properties and will continue to focus on its balance sheet as it finances its acquisitions. Part of the company's acquisition of Permian Basin oil properties in 2002 was financed with equity, which helped the company end the year with a capital structure comprised of 48 percent equity, 41 percent long-term debt and 11 percent short-term debt.

For 2003, Energen's acquisition spending plans are relatively small. In conjunction with plans to issue additional equity, Energen anticipates that, at the end of 2003, the equity component of its total capitalization will exceed 50 percent.

## Dividend Growth

Energen has a long tradition of paying a cash dividend to its shareholders, having done so each quarter since the utility became a publicly traded company in 1953. In each of the last 20 years, your Board has increased the dividend; and, over the last five years, the cash dividend has grown at an average compound rate of approximately 3 percent a year.

Energen looks to Alagasco to continue funding Energen's cash dividend at a pay-out comparable to other gas utilities, while Energen Resources' cash flows are reinvested into that growing business. Over Energen's five-year planning window, including 2003 and 2004, the company expects to continue increasing the dividend by approximately 2 cents a year.

## A Look Ahead

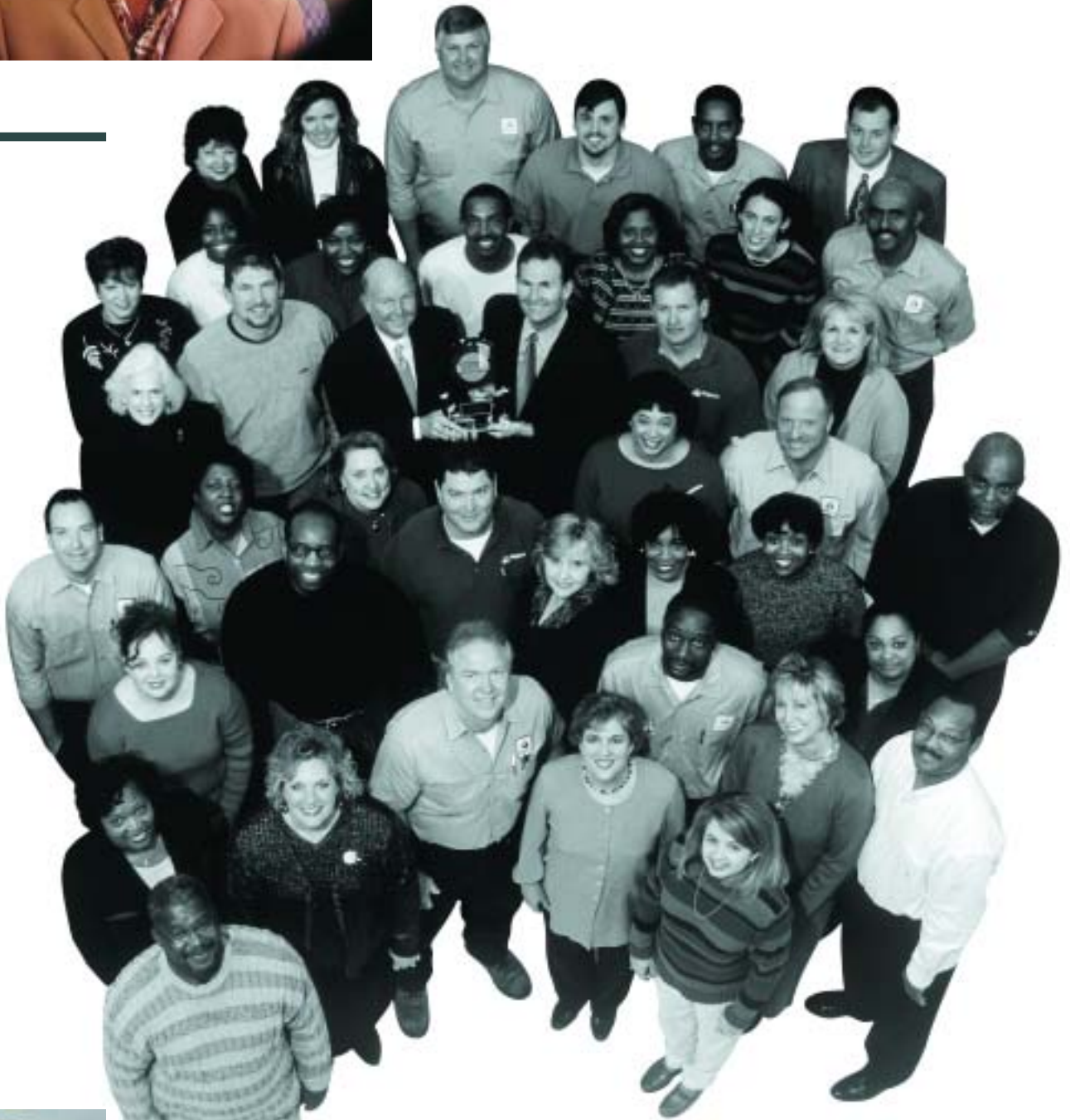
As Energen's management plans for the next five years, Energen Resources will continue to be the dominant driver of corporate earnings growth within a framework of risk management. Meanwhile, a strong and stable Alagasco is expected to provide an excellent foundation that offers consistent but less aggressive growth.

Energen is backed by a solid business plan and excellent fundamentals. Management is confident that Energen is on the right track with a proven track record and believes that Energen offers investors an exciting opportunity for a long-term, total value investment.

## Alagasco highlights

Financial (in thousands)	2002	2001	2000
Operating revenues . . . . .	\$424,431	\$531,414	\$399,861
Net revenues* . . . . .	\$211,361	\$196,418	\$192,040
Net income . . . . .	\$ 27,564	\$ 24,662	\$ 25,742
Capital expenditures . . . . .	\$ 65,815	\$ 58,837	\$ 67,582
<b>Operations</b>			
Throughput (MMcf) . . . . .	97,840	94,982	107,164
Number of customers (average) . . . . .	461,231	463,362	465,655
Number of customers (year-end) . . . . .	464,728	460,897	467,199

\*Revenues less cost of gas and taxes on revenues



Providing consistent, superior customer service is a long-standing tradition at Alagasco. The utility's success in this critical area was highlighted in the results of a recent nationwide ranking of the 50 largest local gas utilities on the basis of customer satisfaction performance. Alagasco ranked #1 in the nation in the J.D. Powers & Associates 2002 Gas Utility Residential Customer Satisfaction Survey.

# Beyond 2004 - A Macro View

Energen and its two lines of business operate within the context of a larger energy industry. The energy industry has weathered significant change over the years, and change will, undoubtedly, continue to reshape the energy landscape in the future. Perhaps the most pressing issue facing the natural gas sector of the energy industry – an issue capable of generating significant change – revolves around the projected increase in demand for natural gas in the United States.

The American Gas Association (AGA) estimates that the demand for natural gas in the United States will rise from current levels of some 22 Tcf a year to approximately 33 Tcf a year by 2020. The obvious question this view generates is: How does our nation go about securing the natural gas supplies needed to meet a 30 Tcf demand at a reasonable price?

In a recent presentation to a symposium sponsored by the Cambridge Energy Research Associates, Energen's Warren, who served as chair of the AGA in 2002, had these comments:

*The answer to America's natural gas supply challenge is complex and multi-faceted. The American Gas Association and its members believe that part of the gas supply solution comes from sustaining and increasing domestic energy supplies. In a new study, the AGA contends that the likely answer to meeting increased demand for natural gas is much more global in nature. The answer includes continued production from Canada, new sources of gas from Mexico, increased liquefied natural gas (LNG) imports and, after 2010, pipeline supply from Alaska to the lower-48 states.*

*Having made the major assumption that the natural gas demand challenge will be met in 2020 by using non-traditional sources that have a global aspect, there are two more related issues to discuss: higher gas prices and, perhaps more importantly, the current volatility of natural gas prices.*

*As a local gas distribution company and as a North American independent producer, my company is caught on the horns of a dilemma. It is a dilemma that has speared the industry and national policy makers as well.*

*On the one hand, the utility wants to provide great service to its customers at the most reasonable price possible. The utility must have adequate supplies of gas and the economic incentive to go after those supplies. That is the only way it can maintain its long history of providing safe, reliable service while responding to its public service obligation to ensure that natural gas is there when it is needed. In other words, \$2 gas feels very good to a utility customer.*

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*On the other hand, as an independent oil and gas producer, I can say honestly that stable gas prices must be in a range that encourages and sustains the numerous risks inherently associated with this segment of the energy business. A look at the gas rig count over the past several years clearly suggests that \$2 gas does not encourage and support the risk-taking associated with meeting the demand of the future.*

*Speaking as the CEO of Energen, what feels good to us is natural gas prices in the United States between \$3.50 and \$4 at the wellhead. Prices at this level should support LNG projects, deep water Gulf drilling and a renewal of exploration activities in the continental United States—and perhaps, the bringing of Alaskan reserves to the market. From the utility’s standpoint, \$3.50 to \$4 gas (and assuming oil prices of \$22 to \$28) will be acceptable to residential gas customers and sufficiently low to prevent dramatic fuel switching or demand destruction/load loss among industrial and large commercial customers.*

*The more difficult question for domestic gas utilities (and, perhaps, producers) is the volatility of gas prices. A prediction of future volatility is premised, in part, on the recent price volatility that we have experienced ...In 2001, natural gas prices in the United States ranged from a monthly low of \$2.35 to a monthly high of \$6.01. In 2001, the range was even more dramatic: \$9.89 in January and \$1.76 in October. The trend continued in 2002 with a February price of \$1.99 and a December price of \$4.10.*

*The answers to mitigating price volatility must be found not in price re-regulation but in providing the necessary tools to combat the volatility. First of all, natural gas utilities, their residential, commercial and industrial customers, and natural gas suppliers and producers need to use more aggressive tools such as the futures markets, long-term fixed price contracts, strategic buying, natural gas storage and the like.*

*On a macro level, legislators, regulators, consumer groups and environmental groups must understand that the most effective tool to combat price volatility is access to new supply. The gas is out there; we can produce it in an environmentally safe manner; and, with the proper incentives, we are willing to take the risks inherent in exploration and production. But we need the opportunity.*

*In other words, gas utilities, gas producers, and those who regulate and legislate our industry need to employ new ways of thinking about old ways of doing.*

Energen is proud to be part of an industry that is vital to this nation’s well-being and that provides an environmentally preferred, efficient energy option to its customers. The company is excited about meeting the challenges that lie ahead. In planning for the future at Energen, management believes that the fundamental strengths of its two lines of business, its rigorous strategic planning process and its outstanding track record of performance position Energen well for an exciting future – a future that will see a continuance of the Energen tradition.

# Forward-looking Statement

Certain statements in the Energen Corporation 2002 Summary Annual Report express expectations of future plans, objectives and performance of the Company and its subsidiaries. These statements constitute forward-looking statements made pursuant to the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995. Except as otherwise disclosed, the Company's forward-looking statements do not reflect the impact of possible or pending acquisitions, divestitures or restructurings. We undertake no obligation to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise.

All statements based on future expectations rather than on historical facts are forward-looking statements that are dependent on certain events, risks and uncertainties that could cause actual results to differ materially from those anticipated. Some of these include, but are not limited to, economic and competitive conditions, inflation rates, legislative and regulatory changes, financial market conditions, future business decisions, and other uncertainties, all of which are difficult to predict.

There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and in projecting future rates of production and timing of development expenditures. The total amount or timing of actual future production may vary significantly from reserves and production estimates. In the event Energen Resources is unable to fully invest its planned acquisition, development and exploratory expenditures, future operating revenues, production, and proved reserves could be negatively affected. The drilling of development and exploratory wells can involve significant risks, including those related to timing, success rates and cost overruns; these risks can be affected by lease and rig availability, complex geology, and other factors. Although Energen Resources utilizes futures, swaps and fixed-price contracts to mitigate risk, fluctuations in future oil and gas prices could affect materially the Company's financial position and results of operation; furthermore, such risk-mitigation activities may cause the Company's financial position and results of operations to be materially different from results that would have been obtained had such risk mitigation activities not occurred. The effectiveness of such risk-mitigation assumes that counterparties maintain satisfactory credit quality.

In addition, the Company cannot guarantee the absence of errors in input data, calculations and formulas used in its estimates, assumptions and forecasts. A discussion of risks and uncertainties, which could affect future results of Energen and its subsidiaries, also is included in the Company's periodic reports filed with the Securities and Exchange Commission.

# Company Leadership

## **Energien Corporation**

Wm. Michael Warren, Jr. (55)  
*Chairman and Chief Executive Officer,  
Energien and all subsidiaries, and  
President, Energien, 1983\**

Grace B. Carr (47)  
*Vice President and Controller, 1985*

Geoffrey C. Ketcham (52)  
*Executive Vice President, Chief Financial Officer  
and Treasurer, Energien and all subsidiaries, 1981*

Julie S. Ryland (44)  
*Vice President— Investor Relations, 1985*

W. David Self (56)  
*Vice President—Human Resources and Administration,  
1983*

L. Brunson White (46)  
*Vice President and Chief Information Officer, 1980*

J. David Woodruff (46)  
*General Counsel and Secretary, and Vice President—  
Corporate Development, 1986*

## **Energien Resources Corporation**

James T. McManus, II (44)  
*President and Chief Operating Officer, 1986*

Joe E. Cook (48)  
*Vice President—Legal and Land, 1980*

Holley S. LaGrone (47)  
*Vice President—Marketing and Administration, 1981*

Charles W. Porter, Jr. (38)  
*Vice President—Finance , 1989*

John S. Richardson (45)  
*Vice President—Acquisitions and Engineering, 1985*

Charles E. Saltzer (55)  
*Vice President—Exploration, 1998*

D. Paul Sparks, Jr. (40)  
*Vice President—Operations and Exploitation, 1989*

## **Alabama Gas Corporation**

Dudley C. Reynolds (50)  
*President and Chief Operating Officer, 1980*

William K. Bibb (49)  
*Vice President—Marketing Services, 1976*

Steven R. Chapman (46)  
*Vice President—Government Relations and Montgomery  
Operations, 1982*

Darrell J. Hand (45)  
*Vice President—Birmingham Operations, 1980*

Roger A. Putnam (54)  
*Vice President—Technical Services, 1984*

Sidney W. Quick (54)  
*Vice President—Gas Supply, 1977*

Paula H. Rushing (49)  
*Vice President—Finance, 1986*

Kenneth A. Smith (44)  
*Vice President—State Operations, 1981*

Amy W. Stewart (46)  
*Vice President—Rates and Regulations, 1985*

André J. Taylor (56)  
*Vice President—Communications, 1984*

## Board of Directors

Stephen D. Ban  
*Retired President and Chief Executive Officer,  
Gas Research Institute,  
Chicago, Illinois, 1992\* (62) 3,4*

Julian W. Banton  
*Chairman and Chief Executive Officer,  
SouthTrust Bank,  
Birmingham, Alabama, 1997 (62) 1,2*

J. Mason Davis, Jr.  
*Senior Partner,  
Sirote & Permutt, Attorneys at Law,  
Birmingham, Alabama, 1992 (67) 3,4*

James S. M. French  
*Chairman, Dunn Investment Company,  
Birmingham, Alabama, 1978 (62) 1,2*

T. Michael Goodrich  
*President and Chief Executive Officer, BE&K, Inc.,  
Birmingham, Alabama, 2000 (57) 2,4*

Wallace L. Luthy  
*Retired President and General Manager,  
Mobil Natural Gas, Inc.,  
Houston, Texas, 1995 (69) 1,3*

Rex J. Lysinger  
*Retired Chairman of the Board, Energen  
Birmingham, Alabama, 1977 (65) 3*

Judy M. Merritt  
*President, Jefferson State Community College,  
Birmingham, Alabama, 1993 (59) 2,4*

Stephen A. Snider  
*President and Chief Executive Officer,  
Universal Compression, Inc.,  
Houston, Texas, 2000 (55) 1,3*

Wm. Michael Warren, Jr.  
*Chairman and Chief Executive Officer,  
Energen and all subsidiaries, and President,  
Energen, 1986 (55)*

1 Officers' Review Committee  
2 Audit Committee  
3 Finance Committee

4 Governance & Nominations Committee  
\* Year first elected to Board

## Key Management Changes

Drayton Nabers, Jr., former chairman and chief executive officer of Protective Life Corporation, resigned from the Energen Board of Directors effective January 15, 2003. Nabers, who served on Energen's Board since 1984, is the new Finance Director for the State of Alabama.

Gary C. Youngblood retired at the end of 2002 as President and Chief Operating Officer of Alagasco. Youngblood served in this capacity for almost six years, and has a total of some 34 years of service to Energen and its natural gas distribution company.

Dudley C. Reynolds has succeeded Youngblood at the helm of Alagasco. Formerly Energen's General Counsel and Corporate Secretary, Reynolds joined the company in 1980 as a staff attorney and has served as an officer of the company for more than 17 years.



Alagasco's earliest ancestor company was the first to fuel the street lamps of Montgomery, Alabama, in 1852. Today, Alagasco is the largest natural gas utility in Alabama, and Energen Resources is among the top 20 independent oil and gas operators in the country. The Energen family celebrated their 150-year-old heritage with a special day of music, food and games at Old Alabama Town in Montgomery.



# Consolidated statements of income

## Energen Corporation

(Unaudited)

Years ended December 31, (in thousands, except share data)	2002	2001	2000
<b>OPERATING REVENUES</b>			
Oil and gas operations	\$ 252,744	\$ 218,136	\$ 197,421
Natural gas distribution	424,431	531,414	399,861
Total operating revenues	677,175	749,550	597,282
<b>OPERATING EXPENSES</b>			
Cost of gas	189,810	305,639	184,736
Operations and maintenance	195,954	191,747	174,843
Depreciation, depletion and amortization	105,087	89,859	83,910
Taxes, other than income taxes	50,238	57,135	51,513
Total operating expenses	541,089	644,380	495,002
OPERATING INCOME	136,086	105,170	102,280
<b>OTHER INCOME (EXPENSE)</b>			
Interest expense	(43,713)	(42,464)	(38,571)
Accretion expense	(1,819)	—	—
Other, net	541	1,239	1,986
Total other expense	(44,991)	(41,225)	(36,585)
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	91,095	63,945	65,695
Income tax expense	20,509	7,394	9,219
Income from continuing operations before cumulative effect of change in accounting principle	70,586	56,551	56,476
<b>DISCONTINUED OPERATIONS, NET OF TAXES</b>			
Income (loss) from operations	(267)	1,284	1,125
Gain on disposal	540	—	—
Income from discontinued operations	273	1,284	1,125
Cumulative effect of change in accounting principle, net of taxes	(2,220)	—	—
NET INCOME	\$ 68,639	\$ 57,835	\$ 57,601
<b>DILUTED EARNINGS PER AVERAGE COMMON SHARE</b>			
Continuing operations	\$ 2.09	\$ 1.81	\$ 1.86
Discontinued operations	0.01	0.04	0.04
Cumulative effect of change in accounting principle	(0.07)	—	—
Net Income	\$ 2.03	\$ 1.85	\$ 1.90
<b>BASIC EARNINGS PER AVERAGE COMMON SHARE</b>			
Continuing operations	\$ 2.10	\$ 1.83	\$ 1.87
Discontinued operations	0.01	0.04	0.04
Cumulative effect of change in accounting principle	(0.07)	—	—
Net Income	\$ 2.04	\$ 1.87	\$ 1.91
DILUTED AVERAGE COMMON SHARES OUTSTANDING	33,838,299	31,198,383	30,342,084
BASIC AVERAGE COMMON SHARES OUTSTANDING	33,604,601	30,877,436	30,162,156

# Consolidated balance sheets

## Energen Corporation

(Unaudited)

<i>As of December 31, (in thousands)</i>	<b>2002</b>	2001
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents . . . . .	<b>\$ 4,804</b>	\$ 6,482
Accounts receivable, net of allowance for doubtful accounts of \$8,874 in 2002 and \$11,783 in 2001 . . . . .	<b>100,946</b>	77,106
Inventories, at average cost		
Storage gas inventory . . . . .	<b>23,668</b>	50,978
Materials and supplies . . . . .	<b>8,335</b>	8,894
Liquified natural gas in storage . . . . .	<b>3,671</b>	3,146
Deferred gas costs . . . . .	<b>21,040</b>	17,776
Deferred income taxes . . . . .	<b>33,941</b>	29,636
Prepayments and other . . . . .	<b>20,367</b>	6,948
<b>Total current assets . . . . .</b>	<b>216,772</b>	200,966
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Oil and gas properties, successful efforts method . . . . .	<b>1,103,472</b>	844,962
Less accumulated depreciation, depletion and amortization . . . . .	<b>269,617</b>	228,867
Oil and gas properties, net . . . . .	<b>833,855</b>	616,095
Utility plant . . . . .	<b>825,421</b>	769,259
Less accumulated depreciation . . . . .	<b>408,165</b>	384,430
Utility plant, net . . . . .	<b>417,256</b>	384,829
Other property, net . . . . .	<b>5,691</b>	4,755
<b>Total property, plant and equipment, net . . . . .</b>	<b>1,256,803</b>	1,005,679
<b>OTHER ASSETS</b>		
Deferred income taxes . . . . .	<b>16,333</b>	8,406
Regulatory asset . . . . .	<b>14,744</b>	—
Deferred charges and other . . . . .	<b>26,239</b>	25,305
<b>Total other assets . . . . .</b>	<b>57,316</b>	33,711
<b>TOTAL ASSETS . . . . .</b>	<b>\$1,530,891</b>	\$1,240,356

*Energen Corporation*

<i>As of December 31, (in thousands, except share data)</i>	<b>2002</b>	2001
<b>CAPITAL AND LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Long-term debt due within one year	\$ 23,000	\$ 16,072
Notes payable to banks	113,000	24,000
Accounts payable	103,964	58,783
Accrued taxes	27,936	32,183
Customers' deposits	17,404	16,399
Amounts due customers	8,458	6,434
Accrued wages and benefits	23,652	22,711
Regulatory liability	23,814	8,462
Other	34,710	29,564
Total current liabilities	<b>375,938</b>	214,608
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>		
Asset retirement obligation	27,235	—
Minimum pension liability	25,825	—
Regulatory liability	1,468	137
Other	4,661	7,273
Total deferred credits and other liabilities	<b>59,189</b>	7,410
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>CAPITALIZATION</b>		
Preferred stock, cumulative, \$0.01 par value, 5,000,000 shares authorized	—	—
Common shareholders' equity		
Common stock, \$0.01 par value; 75,000,000 shares authorized, 34,745,477 shares outstanding at December 31, 2002, and 31,248,547 shares outstanding at December 31, 2001	347	312
Premium on capital stock	320,060	235,976
Capital surplus	2,802	2,802
Retained earnings	275,266	230,554
Accumulated other comprehensive income (loss) net of tax	(14,811)	7,168
Deferred compensation on restricted stock	(770)	(1,513)
Deferred compensation plan	10,348	7,222
Treasury stock, at cost; 358,228 shares and 341,465 shares at December 31, 2002 and 2001, respectively	(10,432)	(8,316)
Total common shareholders' equity	<b>582,810</b>	474,205
Long-term debt	<b>512,954</b>	544,133
Total capitalization	<b>1,095,764</b>	1,018,338
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>\$1,530,891</b>	\$1,240,356

# Consolidated statements of cash flow

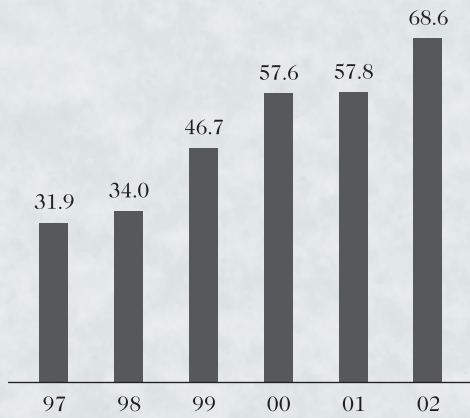
## Energen Corporation

(Unaudited)

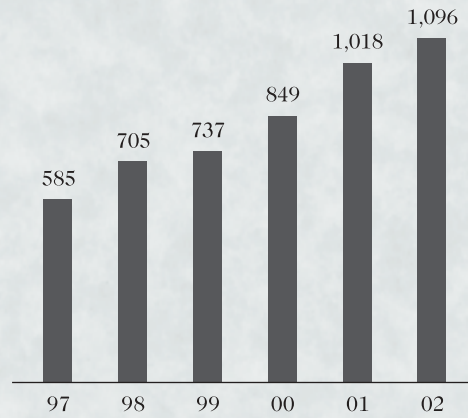
Years ended December 31, (in thousands)	2002	2001	2000
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 68,639	\$ 57,835	\$ 57,601
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation, depletion and amortization	110,767	92,220	85,968
Deferred income taxes, net	10,915	(6,685)	(3,995)
Deferred investment tax credits, net	(448)	(449)	(448)
Change in derivative fair value	(9,205)	(174)	2,269
(Gain) loss on sale of assets	(3,738)	3,089	(1,930)
Cumulative effect of change in accounting principle, net of taxes	(2,220)	—	—
Net change in:			
Accounts receivable	(23,840)	63,834	(63,000)
Inventories	27,344	(29,521)	1,137
Deferred gas cost	(3,264)	20,842	(27,122)
Accounts payable	28,600	(33,054)	60,682
Amounts due customers	626	832	(1,782)
Other current assets and liabilities	1,712	(2,972)	16,348
Other, net	7,619	(8,637)	(1,074)
Net cash provided by operating activities	213,507	157,160	124,654
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	(166,075)	(208,821)	(131,549)
Acquisition, net of cash acquired	(117,043)	—	—
Proceeds from sale of assets	17,094	13,670	8,626
Other, net	(2,198)	(967)	(1,375)
Net cash used in investing activities	(268,222)	(196,118)	(124,298)
<b>FINANCING ACTIVITIES</b>			
Payment of dividends on common stock	(23,927)	(21,358)	(20,270)
Issuance of common stock	12,373	17,349	16,114
Purchase of treasury stock	(133)	(3,761)	(4,885)
Reduction of long-term debt	(21,204)	(31,583)	(5,889)
Proceeds from issuance of long-term debt	—	75,000	148,799
Debt issuance costs	—	(3,801)	(975)
Net change in short-term debt	85,928	2,000	(125,018)
Net cash provided by financing activities	53,037	33,846	7,876
Net change in cash and cash equivalents	(1,678)	(5,112)	8,232
Cash and cash equivalents at beginning of period	6,482	11,594	3,362
Cash and cash equivalents at end of period	\$ 4,804	\$ 6,482	\$ 11,594

# Selected financial data

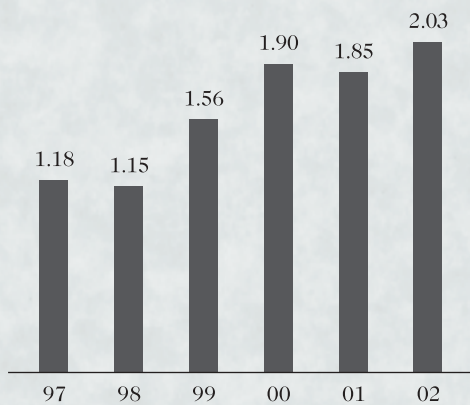
**Net Income**  
*Dollars in millions*



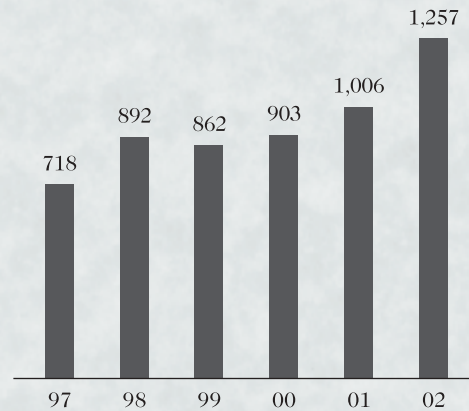
**Capitalization**  
*Dollars in millions*



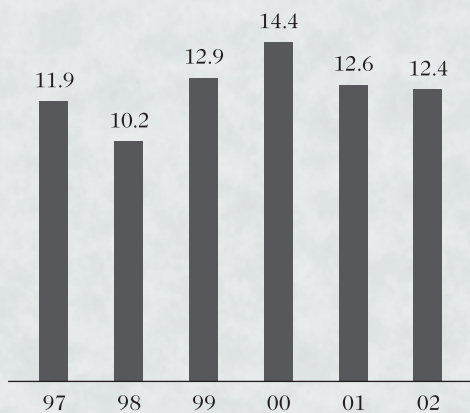
**Earnings Per Share – Diluted**  
*Dollars*



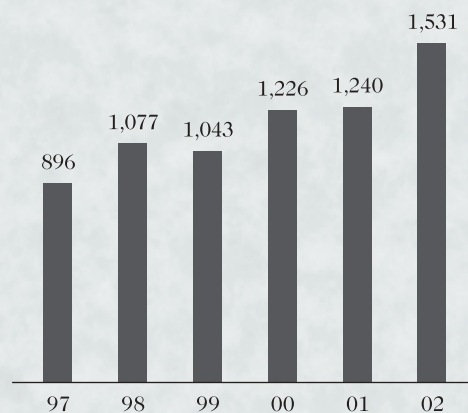
**Property, Plant And Equipment, Net**  
*Dollars in millions*



**Return On Average Equity**  
*Percent*



**Total Assets**  
*Dollars in millions*



# Selected financial and common stock data

## Energen Corporation

(Unaudited)

Years ended December 31,

(dollars in thousands, except per share amounts)

	2002	2001
<b>INCOME STATEMENT</b>		
Operating revenues . . . . .	\$ 677,175	\$ 749,550
Income from continuing operations before cumulative effect of change in accounting principle . . . . .	\$ 70,586	\$ 56,551
Net income . . . . .	\$ 68,639	\$ 57,835
Diluted earnings per average common share from continuing operations before cumulative effect of change in accounting . . . . .	\$ 2.09	\$ 1.81
Diluted earnings per average common share . . . . .	\$ 2.03	\$ 1.85
<b>BALANCE SHEET</b>		
Capitalization at year-end:		
Common shareholders' equity . . . . .	\$ 582,810	\$ 474,205
Long-term debt . . . . .	512,954	544,133
Total capitalization . . . . .	\$1,095,764	\$1,018,338
Total assets . . . . .	\$1,530,891	\$1,240,356
Property, plant and equipment, net . . . . .	\$1,256,803	\$1,005,679
<b>COMMON STOCK DATA</b>		
Annual dividend rate at year-end . . . . .	\$ 0.72	\$ 0.70
Cash dividends paid per common share . . . . .	\$ 0.71	\$ 0.69
Book value per common share . . . . .	\$ 16.77	\$ 15.18
Market-to-book ratio at year-end (%) . . . . .	174	162
Yield at year-end (%) . . . . .	2.5	2.8
Return on average common equity (%) . . . . .	12.4	12.6
Price-to-earnings (diluted) ratio at year-end . . . . .	14.3	13.3
Shares outstanding at year-end (000) . . . . .	34,745	31,249
Price Range:		
High . . . . .	\$ 29.99	\$ 40.25
Low . . . . .	\$ 21.65	\$ 21.50
Close . . . . .	\$ 29.10	\$ 24.65

Note: All information has been adjusted to reflect the 2-for-1 stock split effective March 2, 1998.

2000	1999	1998	1997
\$ 597,282	\$ 508,285	\$ 486,065	\$ 474,875
\$ 56,476	\$ 46,762	\$ 33,633	\$ 31,648
\$ 57,601	\$ 46,704	\$ 33,964	\$ 31,947
\$ 1.86	\$ 1.56	\$ 1.14	\$ 1.17
\$ 1.90	\$ 1.56	\$ 1.15	\$ 1.18
\$ 345,909	\$ 369,928	\$ 331,803	\$ 305,772
502,698	367,175	372,784	279,602
\$ 848,607	\$ 737,103	\$ 704,587	\$ 585,374
\$1,226,174	\$1,043,055	\$1,076,805	\$ 895,901
\$ 903,183	\$ 861,859	\$ 891,644	\$ 717,791
\$ 0.68	\$ 0.66	\$ 0.64	\$ 0.62
\$ 0.67	\$ 0.65	\$ 0.63	\$ 0.61
\$ 11.28	\$ 12.27	\$ 11.24	\$ 10.56
285	147	173	188
2.1	3.7	3.3	3.1
14.4	12.9	10.2	11.9
16.9	11.6	17.0	16.8
30,658	30,138	29,513	28,960
\$ 33.56	\$ 21.25	\$ 22.50	\$ 20.63
\$ 14.69	\$ 13.13	\$ 15.13	\$ 14.50
\$ 32.19	\$ 18.06	\$ 19.50	\$ 19.88

# Selected business segment data

## *Energen Corporation*

*(Unaudited)*

*Years ended December 31,*

*(dollars in thousands)*

	<b>2002</b>	2001
<b>OIL AND GAS OPERATIONS</b>		
Operating revenues		
Natural gas . . . . .	\$ 150,899	\$ 144,513
Oil . . . . .	75,426	48,805
Natural gas liquids . . . . .	22,849	22,364
Other . . . . .	3,570	2,454
<b>Total . . . . .</b>	<b>\$ 252,744</b>	<b>\$ 218,136</b>
Production volumes from continuing operations		
Natural gas (MMcf) . . . . .	47,776	45,937
Oil (MBbl) . . . . .	3,139	2,015
Natural gas liquids (MBbl) . . . . .	1,792	1,532
Proved reserves		
Natural gas (MMcf) . . . . .	803,748	714,395
Oil (MBbl) . . . . .	49,833	19,128
Natural gas liquids (MBbl) . . . . .	26,697	25,944
Other data		
Depreciation, depletion & amortization . . . . .	\$ 71,405	\$ 58,329
Capital expenditures . . . . .	\$ 305,476	\$ 151,851
Operating income . . . . .	\$ 78,416	\$ 57,087
<b>NATURAL GAS DISTRIBUTION</b>		
Operating revenues		
Residential . . . . .	\$ 277,088	\$ 353,358
Commercial and industrial—small . . . . .	104,247	139,046
Transportation . . . . .	38,395	34,222
Other . . . . .	4,701	4,788
<b>Total . . . . .</b>	<b>\$ 424,431</b>	<b>\$ 531,414</b>
Gas delivery volumes (MMcf)		
Residential . . . . .	26,358	28,962
Commercial and industrial—small . . . . .	11,838	12,909
Transportation . . . . .	59,644	53,111
<b>Total . . . . .</b>	<b>97,840</b>	<b>94,982</b>
Average number of customers		
Residential . . . . .	425,630	427,584
Commercial, industrial and transportation . . . . .	35,601	35,778
<b>Total . . . . .</b>	<b>461,231</b>	<b>463,362</b>
Other data		
Depreciation & amortization . . . . .	\$ 33,682	\$ 31,530
Capital expenditures . . . . .	\$ 65,815	\$ 58,837
Operating income . . . . .	\$ 59,370	\$ 49,730

2000	1999	1998	1997
\$ 124,706	\$ 114,123	\$ 102,337	\$ 72,438
42,000	35,093	25,126	14,621
26,208	10,720	6,467	7,393
4,507	8,926	6,393	4,989
\$ 197,421	\$ 168,862	\$ 140,323	\$ 99,441
47,183	50,610	46,533	34,554
2,111	2,742	1,877	822
1,470	936	799	680
765,944	730,316	665,565	561,848
23,769	24,257	28,927	18,275
25,556	21,595	17,134	12,202
\$ 54,665	\$ 56,754	\$ 58,832	\$ 42,453
\$ 65,583	\$ 62,181	\$ 208,622	\$ 291,688
\$ 55,755	\$ 35,246	\$ 19,105	\$ 17,950
\$ 256,591	\$ 218,638	\$ 224,934	\$ 243,876
99,356	80,802	82,520	91,517
35,553	35,263	34,443	33,884
8,361	4,720	3,845	6,157
\$ 399,861	\$ 339,423	\$ 345,742	\$ 375,434
27,369	26,001	27,925	29,008
12,629	12,049	12,664	12,976
67,166	68,695	69,069	65,661
107,164	106,745	109,658	107,645
430,069	427,159	423,758	423,130
35,586	35,137	34,719	34,432
465,655	462,296	458,477	457,562
\$ 29,245	\$ 27,159	\$ 25,544	\$ 23,925
\$ 67,582	\$ 45,339	\$ 56,160	\$ 45,006
\$ 48,305	\$ 48,833	\$ 42,843	\$ 39,773

## **Basis Differential**

The difference between the futures price for a commodity and the corresponding cash spot price. The differential commonly is related to factors such as product quality, location and contract pricing.

## **Behind-pipe Reserves**

Oil or gas reserves located above or below currently producing zone(s) that cannot be extracted until a recompletion or pay-add occurs.

## **Development Well**

A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

## **Exploratory Well**

A well drilled to a previously untested geologic structure to determine the presence of oil or gas.

## **Hedging**

The use of derivative commodity instruments such as futures, swaps and collars to help reduce financial exposure to commodity price volatility.

## **Natural Gas Liquids (NGL)**

Liquid hydrocarbons that are separated and extracted from the natural gas stream. NGL products include ethane, propane, butane, natural gasoline and other hydrocarbons.

## **Operator (of Oil and Gas Properties)**

The company responsible for exploration, development and production activities for a specific project.

## **Pay-Add**

An operation within a currently producing wellbore that attempts to access and complete an additional pay zone(s) while maintaining production from the existing completed zone(s).

## **Pay Zone**

The formation from which oil and gas is produced.

## **Proved Developed Reserves**

The portion of proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

## **Proved Reserves**

Estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

## **Proved Undeveloped Reserves (PUD)**

The portion of proved reserves that can be expected to be recovered from new wells on undrilled proved acreage or from existing wells where a relatively major expenditure is required for completion.

## **Recompletions**

An operation within an existing wellbore whereby a completion in one zone is abandoned in order to attempt a completion in a different zone.

## **Reserves, Oil and Gas**

The amount of commercially recoverable oil or gas estimated to exist within a given reservoir.

## **Throughput**

Total volumes of natural gas sold and transported by the gas utility.

## **Units of Measure**

Mcf . . . . .Thousand cubic feet

MMcf . . . . .Million cubic feet

Bcf . . . . .Billion cubic feet

Tcf . . . . .Trillion cubic feet

Bbl . . . . .Barrels

MBbl . . . . .Thousand barrels

MMBbl . . . .Million barrels

MGal . . . . .Thousand gallons

**-e** following the above denotes that oil and NGL components have been converted to their cubic feet equivalents at a rate of 6 Mcf per barrel.