SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

# FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1994

| COMMISSION FILE NUMBER | REGISTRANT | STATE OF INCORPORATION | IRS EMPLOYER IDENTIFICATION NUMBER |
|---|---|---|---|
| 1-7810 | Energen Corporation | Alabama | 63-0757759 |
| 2-38960 | Alabama Gas Corporation | Alabama | 63-0022000 |

2101 Sixth Avenue North
Birmingham, Alabama 35203
(205) 326-2700

Securities Registered Pursuant to Section 12(b) of the Act:

| TITLE OF EACH CLASS | EXCHANGE ON WHICH REGISTERED |
|---|---|
| Energen Corporation Common Stock, $0.01 par value | New York Stock Exchange |
| Energen Corporation Preferred Stock Purchase Rights | New York Stock Exchange |

Securities Registered Pursuant to Section 12(g) of the Act: NONE

Indicate by a check mark whether registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days. YES X NO

Indicate by a check mark if disclosure of delinquent files pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

Aggregate market value of the voting stock held by non-affiliates of the registrants as of November 15, 1994:

| | |
|---|---|
| Energen Corporation | $233,414,500 |

Indicate number of shares outstanding of each of the registrant's classes of common stock as of November 15, 1994:

| | |
|---|---|
| Energen Corporation | 10,919,977 shares |
| Alabama Gas Corporation | 1,972,052 shares |

DOCUMENTS INCORPORATED BY REFERENCE

- Energen Corporation Proxy Statement to be filed on or about December 15, 1994 (Part III, Item 10-13)
- Portions of Energen Corporation 1994 Annual Report to Stockholders are incorporated by reference into Part II, Items 5, 6, 7, and 8 of this report



ENERGEN CORPORATION
1994 FORM 10-K ANNUAL REPORT

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PART IV







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This Form 10-K is filed on behalf of Energen Corporation (Energen or the Company) and Alabama Gas Corporation (Alagasco).

PART I

ITEM 1. BUSINESS

GENERAL

Energen is a diversified energy holding company engaged primarily in the distribution, exploration, and production of natural gas.

Energen was incorporated in Alabama in 1978 in connection with the reorganization of its largest subsidiary, Alagasco. Alagasco was formed in 1948 by the merger of Alabama Gas Company into Birmingham Gas Company, the predecessors of which had been in existence since the late 1800's. Alagasco became a public company in 1953.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The information required by this item is incorporated by reference from Note 13 to the Consolidated Financial Statements of the 1994 Annual Report to Stockholders, and is attached herein as Part 1V, Item 14, Exhibit 13.

NARRATIVE DESCRIPTION OF BUSINESS

- - NATURAL GAS DISTRIBUTION

GENERAL: Alagasco, Energen's principal subsidiary, is the largest natural gas distribution utility in the State of Alabama. Alagasco purchases natural gas through interstate and intrastate suppliers and distributes the purchased gas through its distribution facilities for sale to residential, commercial, industrial and other end-users of natural gas. Alagasco also provides transportation services to industrial and commercial customers located on its distribution system. These transportation customers, acting on their own or using Alagasco as their agent, purchase gas directly from producers or other suppliers and arrange for delivery of the gas into the Alagasco distribution system. Alagasco then charges a fee to transport this customer-owned gas through its distribution system to the customer's facility.

Alagasco's service territory is located primarily in central and north Alabama and includes over 175 communities in 30 counties. Birmingham, the largest city in Alabama, and Montgomery, the state capital, are served by Alagasco. The counties in which Alagasco provides service have an aggregate area of more than 22,000 square miles and include the service territories of various municipal gas distribution systems.

The aggregate population of the counties served by Alagasco is estimated to be 2.4 million. During 1994 Alagasco served an average of 402,531 residential customers, 32,563 small commercial and industrial customers, and 43 large commercial and industrial customers. The Alagasco distribution system includes approximately 8,500 miles of main, more than 9,300 miles of service lines, odorization and regulation facilities, and customer meters. Alagasco also operates two liquefied natural gas facilities which it uses to meet peak demands.

APSC REGULATION: As a public utility in the state of Alabama, Alagasco is subject to regulation by the Alabama Public Service Commission (APSC), which has adopted several innovative approaches to rate regulation, including Alabama's Rate Stabilization and Equalization (RSE) rate-setting process. Implemented in 1983 and modified in 1985, 1987, and 1990, RSE replaces the traditional utility rate case





with APSC-monitored periodic rate adjustments presently designed to give Alagasco the opportunity to earn an average return on equity (ROE) at its fiscal year-end within a specified range. Under Alagasco's current RSE order, which became effective December 1990, Alagasco's allowed ROE range is 13.15 percent to 13.65 percent. The APSC conducts quarterly reviews to determine, based on Alagasco's budget and fiscal year-to-date performance, whether Alagasco's projected ROE for the fiscal year will be within the allowed range. Reductions in rates can be made quarterly to bring the projected ROE within the allowed range. Increases, however, are permitted only once each fiscal year effective on December 1, and cannot exceed 4 percent of prior-year revenues.

RSE limits Alagasco's equity upon which a return is permitted to 60 percent of total capitalization and provides for a cost control measure designed to monitor Alagasco's operations and maintenance (O &

M) expense. If increases in O & M expense per customer fall within 1.25 percent above or below the Consumer Price Index for all Urban Customers (index range), no adjustment is required. If, however, increases in O & M expense per customer exceed the index range, three-fourths of the difference is returned to customers. To the extent increases in O & M expense per customer are less than the index range, Alagasco will benefit by one-half of the difference through future rate adjustments.

Under its terms, Alagasco's current RSE order continues until, after notice to Alagasco, the APSC votes to either modify or discontinue its operation. On October 4, 1993, the APSC unanimously voted to defer review of the current RSE order until such time as certain hearings mandated by the Energy Policy Act of 1992 (Energy Act) in connection with integrated resource planning and demand side management programs are completed. The Energy Act proceedings are expected to conclude during 1995 at which time it is expected that the Commission will begin reviewing Alagasco's RSE. No time table for review has yet been established.

FERC REGULATION: Alagasco's interstate pipeline suppliers, Southern Natural Gas Company (Southern) and Transcontinental Gas Pipeline Corporation (Transco), are subject to regulation by the Federal Energy Regulatory Commission (FERC). Among other things, FERC regulates the character of services that Southern and Transco can offer and the rates and fees they can charge Alagasco and other customers for gas sales and transportation; thus, FERC can directly affect Alagasco's services and operating expenses.

Effective November 1, 1993, Southern substantially restructured its services pursuant to FERC Order 636 which required interstate pipelines to eliminate their role as a merchant of a "bundled" sales service; Transco unbundled its services prior to fiscal 1994. In place of the sales service formerly offered, Southern now provides unbundled contract storage service and various transportation services. As a result of the shift from merchant to transporter, Southern has and will incur transition costs, including the cost of buy-outs or buy-downs of long-term gas supply contracts. These costs, referred to as Gas Supply Realignment, or GSR, costs are recovered primarily by Southern from its firm customers, subject to prudence and eligibility review by FERC, in the form of a surcharge. Alagasco has received approval from the APSC to pass through the GSR surcharge to Alagasco's customers through the Gas Supply Adjustment (GSA) rider to Alagasco's tariff.

In addition, Order 636 required pipelines to change the methodology used to classify costs between the demand and commodity components for purposes of cost allocation and rate design from the Modified Fixed Variable (MFV) to the Straight Fixed Variable (SFV) methodology. The SFV method recovers more of the pipeline's fixed costs through the demand component of rates and causes cost shifts from customers with relatively high load factors to customers with relatively low load factors. Order 636 required that pipeline customers which were negatively affected by the use of SFV, such as Alagasco, must be provided mitigation measures to reduce the rate impact of restructuring. In accordance with Southern's restructuring order, Alagasco has been allowed to reduce its capacity demand during the six-month off-peak period in order to limit the rate impact of the SFV cost shift to less than 10 percent.





Alagasco's GSA filing with the APSC, which became effective November 1, 1993, included all of the cost components for restructuring (GSR costs, mitigation of SFV, lower commodity cost of gas, costs of storage service, etc.). This adjustment to rates resulted in a modest rate reduction.

Although Southern commenced its restructured services on November 1, 1993, there remain proceedings pending before FERC and the courts challenging the Southern restructuring order as well as the Order 636 process generally.

GAS SUPPLY: The Alagasco distribution system is connected to and has firm transportation contracts with two major interstate pipeline systems--Southern and Transco. Effective November 1, 1993, Alagasco's pre-Order 636 contract demand and firm transportation with Southern converted to 250,924 Mcf (thousand cubic feet) per day of No-Notice Firm Transportation service for a period of 15 years, 91,946 Mcf per day of Firm Transportation service for 15 years, and 50,000 Mcf per day of Firm Transportation for five years. Southern also unbundled its existing storage capacity. Alagasco's pro rata share of this storage is 12,426,687 Mcf. Alagasco has a maximum withdrawal rate from storage of 250,924 Mcf per day and a maximum injection rate into storage of 95,590 Mcf per day. The Transco firm transportation contract, which expires in 2001, provides for maximum daily firm transportation of up to 100,000 Mcf. Thus the Company has a peak day firm interstate pipeline transportation capacity of 492,870 Mcf per day.

Alagasco has replaced the sales service formerly provided by Southern with purchases from various gas producers and marketers including affiliates of Southern and Transco and from certain intrastate producers including Basin Pipeline Corp., an Energen subsidiary. Alagasco has contracts in place to purchase up to a total of 286,776 Mcf per day of firm supply, of which 271,946 is supported by firm transportation on the Transco and Southern systems, 14,830 Mcf provides redundant supply on the Southern system, and 30,000 Mcf is purchased at the city gate from intrastate suppliers. This volume along with Alagasco's maximum withdrawal from storage of 250,924 Mcf per day and 200,000 Mcf per day of liquefied natural gas peak shaving capacity gives Alagasco a peak day firm supply of 722,870 Mcf per day. Alagasco also utilizes the Southern and Transco pipeline systems to access spot market gas in order to supplement its firm system supply and serve its industrial transportation customers.

COMPETITION AND PRICING: The price of natural gas is a significant marketing factor in the territory served by Alagasco; propane, coal and fuel oil are readily available, and many major industrial customers have the capability to switch to alternate fuels. In the residential and small industrial and commercial markets, electricity is the principal competitor.

Natural gas service available to Alagasco customers generally falls into two categories -- interruptible and firm. Interruptible service is contractually subject to interruption by Alagasco for various reasons, the most common of which is curtailment of industrial customers during periods of peak residential heating demand on the Alagasco system. Firm service is generally not subject to interruption and, therefore, is more expensive than interruptible service. Firm service is generally provided to residential and small commercial and industrial customers. Interruptible service is generally provided to large commercial and industrial customers which typically have the capacity to reduce consumption by adjusting their production schedules or by switching to alternate fuels during periods of interruption. Deliveries of sales and transportation gas totaled 97,531 MMcf (million cubic feet) in 1994.

Alagasco has a Competitive Fuel Clause as part of its rate tariff which allows Alagasco to adjust large commercial and industrial prices on a case-by-case basis to compete with either alternate fuels or alternate sources of gas. The GSA rider to Alagasco's tariff increases the rates paid by other customers to recover the reduction in rates allowed under the Competitive Fuel Clause because the retention of any customer, particularly large commercial and industrial, benefits all customers by recovering a portion of the system's fixed cost. During 1994 approximately 23.9 percent (12,582 MMcf) of Alagasco's deliveries of gas to large commercial and industrial customers were made under the Competitive Fuel Clause.





Alagasco also has a Transportation Tariff which allows the Company to transport gas for customers rather than buying and reselling gas to them. The Transportation Tariff is based on Alagasco's gas sales profit margin so that Alagasco's net income is not affected whether it transports or sells gas. The Transportation Tariff also may be adjusted under the Competitive Fuel Clause. Of Alagasco's total large commercial and industrial customer deliveries during 1994, 99.7 percent (37,678 MMcf) was from transportation of customer-owned gas.

GROWTH: Alagasco has supplemented traditional service area growth with acquisitions of municipally-owned gas distribution systems. Since 1985 Alagasco has acquired 19 such systems, including the 2,200-customer gas system of Alabaster purchased in early fiscal 1995. More than 42,000 customers have been added through initial system purchases and subsequent customer additions, as Alagasco has increased the relatively low saturation rates in the acquired areas through a variety of marketing efforts including: offering natural gas service to propane customers already situated on the municipal system lines; extending the acquired municipal system into nearby neighborhoods which desire natural gas service; and marketing natural gas appliances to existing and new customers. Approximately 80 municipal systems remain in Alabama, and many are located in or near Alagasco's existing service territory. The Company is optimistic that additional acquisition opportunities will arise in the future.

Power generation is a possible avenue of future growth for Alagasco. During 1994 Alagasco built a nine-mile pipeline to an Alabama Power Company electric peaking plant in order to provide natural gas to nine combustion turbine (CT) units scheduled to begin operation in 1995. The CT units will generate electricity during periods of peak demand, providing Alagasco with a new substantial summertime load.

WEATHER: Alagasco's gas distribution business is highly seasonal since a material portion of Alagasco's total sales and delivery volumes is to customers whose use varies depending upon temperature, principally residential, small commercial and small industrial customers. Alagasco's rate tariff includes a temperature adjustment rider which is designed to mitigate the effect of departures from normal temperature on Alagasco's earnings. The calculation is performed monthly and adjustments are made to customer's bills in the actual month the weather variation occurs.

ENVIRONMENTAL MATTERS: Alagasco is in the chain of title of eight former manufactured gas plant sites, of which it still owns four, and five manufactured gas distribution sites, of which it still owns one. A preliminary investigation of the sites does not indicate the present need for remediation activities. Management expects that, should remediation of any such sites be required in the future, Alagasco's share, if any, of such costs will not materially affect the results of operations or financial condition of Alagasco.

- - OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES

Energen's oil and gas exploration and production activities are conducted by its subsidiary, Taurus Exploration, Inc. (Taurus), and involve the exploration for and the production of natural gas and oil from conventional and nonconventional reservoirs. Taurus's 1994 oil and gas production totaled 10.3 Bcf (with oil expressed in natural gas equivalents), and the average sales price was $1.94 per Mcf equivalent. Conventional oil and gas reserves of 42,261 MMcf equivalents plus nonconventional gas reserves of 26,712 MMcf combine for total oil and gas reserves at fiscal year-end of 68,973 MMcf equivalents.

CONVENTIONAL: Taurus's conventional oil and gas strategy is to build a foundation of low-risk, income- producing properties through acquisitions and supplement its returns with exploration activities. Taurus has agreements with PMC Reserve Acquisition Company and General Atlantic Resources, Inc. which provide avenues for investment in producing properties. Taurus is continuing to independently evaluate other producing property acquisition opportunities. To help ensure a continuing flow of exploratory prospects, during 1994 Taurus entered into a multi-year joint venture with King Ranch and Holley Petroleum Inc.

which will utilize newly available 3-D seismic data. The new 3-D data will provide coverage of more than 200 offshore Texas blocks, representing approximately one million acres of potential leasehold.

Taurus's exploration activities are concentrated in the shallow waters of the Gulf of Mexico. Four successful discoveries during 1994 added reserves of 5.3 Bcf equivalents. Proved property acquisitions added reserves of 1.7 Bcf equivalents.

NONCONVENTIONAL: Taurus's nonconventional gas strategy is to focus on operating the large projects in which it has a small working interest and operate for others; supplementing these activities, Taurus also consults on an international basis. Taurus does not anticipate additional major project development in the Black Warrior Basin, and results of an internally generated, comprehensive evaluation of North America for new coalbed methane exploration opportunities showed that available opportunities do not meet Taurus's current risk profile. Taurus does plan, however, to continue its operating and consulting activities.

At September 30, 1994, Taurus had working interests in 441 coalbed methane wells and royalty interests in an additional 216 wells, all located in Alabama's Black Warrior Basin. Gas produced from these wells through the year 2002 qualifies for the Section 29 tax credit for producing fuel from nonconventional sources. Net decreases to coalbed methane reserves in 1994 totaled 3.7 Bcf, and primarily reflect the effects of lower prices as of September 30, 1994.

Taurus is the operator of more than 950 coalbed methane wells, including wells in an existing project owned by TECO Coalbed Methane, Inc., one of Taurus's coalbed methane associates in other projects. Under the terms of the agreement, Taurus provides technical, administrative and operating services and receives additional compensation based on the project's profitability.

During 1994 Taurus signed a multi-year strategic alliance with Conoco, Inc. designed to enhance both companies' coalbed methane programs. Taurus will provide consulting and associated services relative to the acquisition, exploration and development of coalbed methane properties to complement Conoco's capabilities.

Substantially all of the gas produced from the coalbed methane wells in which Taurus has an interest is being sold under long-term contracts which provide markets for 100 percent of the wells' production capacity and is sold at prices indexed to the monthly Gulf Coast spot market. Contracts representing approximately one-third of this gas are subject to price renegotiation during 1995.

ENVIRONMENTAL MATTERS: Taurus is subject to various environmental regulations. Management believes that Taurus is in compliance with currently applicable standards of the environmental agencies to which it is subject and that potential environmental liabilities, if any, are minimal. Also, to the extent Taurus has operating agreements with various joint venture partners, environmental costs, if any, would be shared proportionately.

- - PROPANE SALES

Prior to June 1994, Energen had been involved in the retail propane distribution business through its subsidiary, W & J Propane Gas, Inc. (W & J). In June 1994, W & J sold substantially all of its assets.

- - INTRASTATE GAS GATHERING AND TRANSMISSION

Energen operates an intrastate gas pipeline and gathering system through its subsidiary, Basin Pipeline Corp. (Basin). Basin's pipeline and gathering facilities primarily serve certain of Taurus's coalbed methane properties.





- - COMBUSTION TECHNOLOGY

Prior to May 1994, through its American Heat Tech, Inc. (Heat Tech) subsidiary, Energen owned a 41 percent equity interest in American Combustion, Inc. During May 1994, a substantial portion of this interest was sold leaving Heat Tech with approximately an 8 percent ownership interest. ACI designs, manufactures and markets high temperature combustion technology products.

EMPLOYEES

The Company has 1,488 employees; Alagasco employs 1,318; Taurus employs 158; and Energen's other subsidiaries employ 12.

ITEM 2. PROPERTIES

The corporate headquarters of Energen, Alagasco and Taurus are located in leased office space in Birmingham, Alabama.

The properties of Alagasco consist primarily of its gas distribution system, which includes more than 8,500 miles of main, more than 9,300 miles of service lines, odorization and regulation facilities, and customer meters. Alagasco also has two liquefied natural gas facilities, 23 commercial offices, nine service centers, and other related property and equipment, some of which are leased by Alagasco. Substantially all of Alagasco's fixed assets are subject to the lien of its first mortgage bonds. The Montgomery, Alabama service center also serves as collateral for a mortgage note, the terms of which are discussed in Note 2 to the Consolidated Financial Statements which is incorporated by reference from the 1994 Annual Report to Stockholders and is included in Part IV, Item 14, Exhibit 13, herein.

For a description of Taurus's oil and gas properties, see the discussion under Item 1--Business. Information concerning Taurus's production, reserves and development is included in Note 15 to the Consolidated Financial Statements which is incorporated by reference from the 1994 Annual Report to Stockholders and is included in Part IV, Item 14, Exhibit 13, herein. The proved reserve estimates are consistent with comparable reserve estimates filed by Taurus with any federal authority or agency.

ITEM 3. LEGAL PROCEEDINGS

There are no material legal proceedings pending, other than routine litigation incidental to the Company's business, in which the Company or any of its subsidiaries is a party. There are no material legal proceedings to which any officer or director of the Company or any of its subsidiaries is a party or has a material interest adverse to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 1994.





EXECUTIVE OFFICERS OF THE REGISTRANTS

ENERGEN CORPORATION

| Name | Age | Position (1) |
|---|---|---|
| Rex J. Lysinger | 57 | Chairman of the Board and Chief Executive Officer (2) |
| Wm. Michael Warren, Jr. | 47 | President and Chief Operating Officer (3) |
| Geoffrey C. Ketcham | 43 | Executive Vice President, Chief Financial Officer and Treasurer (4) |
| Dudley C. Reynolds | 41 | General Counsel and Secretary (5) |
| Gary C. Youngblood | 51 | Executive Vice President of Alagasco (6) |
| John A. Wallace | 50 | Senior Vice President--Methane of Taurus (7) |

| | | |
|---|---|---|
| James T. McManus | 36 | Vice President--Finance and Corporate Development (8) |

NOTES:

(1) All executive officers of Energen have been employed by Energen for the past five years. Officers serve at the pleasure of its Board of Directors.

(2) Served as Vice President of Alagasco from July 1975 to January 1977, when he was elected President. Elected President of Energen upon its formation in 1978. Elected Chairman of the Board of Energen and its subsidiaries September 1982. Currently Chairman of the Board and Chief Executive Officer of Energen and its subsidiaries. Serves as a Director of Energen and each of its subsidiaries.

(3) Served as Senior Vice President and General Counsel of Alagasco from September 1983 to October 1984, when he was elected President and Chief Operating Officer of that corporation. Elected Executive Vice President of Energen June 1987 and elected President and Chief Operating Officer of Energen April 1, 1991. Elected President and Chief Operating Officer of all Energen subsidiaries (except W & J) January 1992. Serves as a Director of Energen and each of its subsidiaries.

(4) Elected Controller of Alagasco November 1981, Vice President and Controller June 1984, Vice President--Finance and Planning of Alagasco June 1985 and Vice President--Planning of Energen August 1986. Elected Vice President--Finance and Treasurer of Energen and each of its subsidiaries June 1987. Elected Senior Vice President--Finance and Treasurer of Energen and each of its subsidiaries April 1989. Elected Executive Vice President, Chief Financial Officer and Treasurer of Energen and each of its subsidiaries April 1, 1991.

(5) Served as Staff Attorney for Energen and its subsidiaries to November 1, 1984, when he was named Senior Attorney. Elected Assistant Secretary in 1985 and Secretary effective September 1986. Elected Vice President--Legal and Secretary of Energen and each of its subsidiaries June 1987. Elected General Counsel and Secretary of Energen and each of its subsidiaries April 1, 1991.





(6) Served as District Manager--Birmingham District until June 1985, when he was elected Vice President--Birmingham Operations; Elected Senior Vice President--Administration April 1, 1991. Elected Executive Vice President October 1993.

(7) Served as Manager, Methane Development of Taurus until August 1988, when he was elected Vice President Methane Operations of Taurus. Elected Vice President Methane Exploration and Production of Taurus November 1990. Elected Senior Vice President--Methane of Taurus February 1992.

(8) Served as Director of Corporate Accounting of Energen until November 1988, when he was elected Controller of Energen; Elected Controller of Alagasco May 1989. Elected Assistant Vice President--Corporate Development of Energen June 1990. Elected Vice President--Finance and Corporate Development of Energen and Vice President--Finance and Planning of Alagasco effective April 1, 1991.





ALABAMA GAS CORPORATION

| Name | Age | Position (1) |
|---|---|---|

| | | |
|---|---|---|
| Rex J. Lysinger | 57 | Chairman of the Board and Chief Executive Officer (2) |
| Wm. Michael Warren, Jr. | 47 | President and Chief Operating Officer (2) |
| Geoffrey C. Ketcham | 43 | Executive Vice President and Chief Financial Officer (2) |
| Dudley C. Reynolds | 41 | General Counsel and Secretary (2) |
| Gary C. Youngblood | 51 | Executive Vice President (2) |
| Roy F. Etheredge | 58 | Senior Vice President--Operations (3) |
| T. Irving Hawkins | 60 | Senior Vice President--Marketing Services (4) |
| James T. McManus | 36 | Vice President--Finance and Planning (2) |
| Gerald G. Turner | 59 | Vice President--Rates (5) |

NOTES: (1) All executive officers of Alagasco have been employed by Energen for the past five years. Officers serve at the pleasure of the Board of Directors.

(2) See discussion of Energen officers above.

(3) Elected Assistant Vice President in 1983, Vice President--Northern Division in 1984. Elected Vice President--State Operations in 1985. Elected Senior Vice President--Operations April 1, 1991.

(4) Served as General Manager--Marketing of Alagasco until August 1, 1982, when he was elected Vice President--Marketing Services. Elected Senior Vice President--Marketing Services April 1, 1991.

(5) Served as Director of Rates and Regulations until he was elected Assistant Vice President--Rates in June 1987. Elected Vice President--Rates May 1989.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information regarding Energen's common stock and the frequency and amount of dividends paid during the past two years with respect to such stock is incorporated by reference from the 1994 Annual Report to Stockholders, page 52, and is included in Part IV, Item 14, Exhibit 13, herein. At October 29, 1994, there were approximately 6,000 holders of record of Energen's common stock. For restrictions on Energen's present and future ability to pay dividends, see Note 2 to the Consolidated Financial Statements which is incorporated by reference from the 1994 Annual Report to Stockholders and is included in Part IV, Item 14, Exhibit 13, herein.





At the date of this filing, Energen Corporation owns all the issued and outstanding common stock of Alabama Gas Corporation.

ITEM 6. SELECTED FINANCIAL DATA

Energen Corporation

The information regarding selected financial data is incorporated by reference from the 1994 Annual Report to Stockholders, pages 54-55, and is included in Part IV, Item 14, Exhibit 13, herein.

Alabama Gas Corporation
(unaudited)

| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---|---|---|---|---|
| Operating revenues | $344,637 | $330,560 | $310,726 | $309,128 | $310,959 |
| Net income | $ 14,896 | $ 13,024 | $ 12,420 | $ 11,970 | $ 9,390 |
| Cash dividends on common stock | $ 8,695 | $ 7,975 | $ 7,630 | $ 6,994 | $ 4,301 |
| Cash dividends on preferred stock | $ -- | $ 70 | $ 85 | $ 85 | $ 97 |
| Total assets | $308,905 | $264,548 | $258,902 | $246,573 | $242,814 |
| Long-term debt | $ 84,391 | $ 43,912 | $ 60,979 | $ 66,307 | $ 69,865 |
| Preferred stock | $ -- | $ -- | $ 1,800 | $ 1,800 | $ 1,800 |

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This information is incorporated by reference from the 1994 Annual Report to Stockholders and is included in Part IV, Item 14, Exhibit 13, herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item for Energen Corporation and subsidiaries is incorporated by reference from the 1994 Annual Report to Stockholders and is included in Part IV, Item 14, Exhibit 13, herein. The information required by this item for Alabama Gas Corporation is contained in Part IV, Item 14, herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding the executive officers of both Energen and Alagasco is included in Part I. The other information required by Item 10 is incorporated herein by reference from Energen's definitive proxy statement for the Annual Meeting of Stockholders to be held January 25, 1995. The proxy statement will be filed within 120 days after the end of the fiscal year covered by this Form 10-K. The directors and nominees for director





of Alagasco are the same as those of Energen except the Alagasco directors do not have staggered terms, thus the entire Alagasco Board has been nominated for re-election to an annual term at the Annual Meeting.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding executive compensation is incorporated herein by reference from Energen's definitive proxy statement for the Annual Meeting of Stockholders to be held January 25, 1995.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The information regarding the security ownership of the beneficial owners of more than five percent of Energen's common stock is incorporated herein by reference from Energen's definitive proxy statement for the Annual Meeting of Stockholders to be held January 25, 1995.

B. SECURITY OWNERSHIP OF MANAGEMENT

The information regarding the security ownership of management is incorporated herein by reference from Energen's definitive proxy statement for the Annual Meeting of Stockholders to be held January 25, 1995.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information regarding certain relationships and related transactions is incorporated herein by reference from Energen's definitive proxy statement for the Annual Meeting of Stockholders to be held January 25, 1995.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

A. DOCUMENTS FILED AS PART OF THIS REPORT

(1) FINANCIAL STATEMENTS The financial statements listed in the accompanying Index to Financial Statements and Financial Statement Schedules are filed as part of this report and are included in Part IV, Item 14, Exhibit 13, herein.

(2) FINANCIAL STATEMENT SCHEDULES The financial statement schedules listed in the accompanying Index to Financial Statements and Financial Statement Schedules are filed as part of this report.

(3) EXHIBITS The exhibits listed on the accompanying Index to Exhibits are filed as part of this report.

B. REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the fourth quarter of 1994.





SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

ENERGEN CORPORATION
(Registrant)

ALABAMA GAS CORPORATION
(Registrant)

| | |
|---|---|
| December 21, 1994 | /s/Rex J. Lysinger |
| DATE | Rex J. Lysinger<br>Chairman of the Board, Chief Executive Officer and Director |





SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrants and in the capacities and on the dates indicated:

| | |
|---|---|
| December 21, 1994 | /s/Rex J. Lysinger |
| DATE | Rex J. Lysinger<br>Chairman of the Board, Chief Executive Officer and Director |

| | |
|---|---|
| December 21, 1994 | /s/Wm. Michael Warren, Jr. |
| DATE | Wm. Michael Warren, Jr.<br>President, Chief Operating<br>Officer and Director |
| December 21, 1994 | /s/Geoffrey C. Ketcham |
| DATE | Geoffrey C. Ketcham<br>Executive Vice President, Chief<br>Financial Officer and Treasurer |
| December 21, 1994 | /s/James T. McManus |
| DATE | James T. McManus<br>Vice President--Finance and<br>Corporate Development of Energen<br>and Vice President--Finance and<br>Planning of Alagasco |
| December 21, 1994 | /s/Dr. Stephen D. Ban |
| DATE | Dr. Stephen D. Ban<br>Director |
| December 21, 1994 | /s/James S. M. French |
| DATE | James S. M. French<br>Director |
| December 21, 1994 | /s/Harris Saunders, Jr. |
| DATE | Harris Saunders, Jr.<br>Director |
| December 21, 1994 | /s/Dr. Judy M. Merritt |
| DATE | Dr. Judy M. Merritt<br>Director |





ENERGEN CORPORATION
ALABAMA GAS CORPORATION
INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

ITEM 14(A)

1. Energen Corporation

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.





ENERGEN CORPORATION
ALABAMA GAS CORPORATION
INDEX TO EXHIBITS
ITEM 14(A)(3)

| Exhibit Number | Description |
|---|---|
| *3(a) | Restated Certificate of Incorporation of Energen Corporation (formerly Alagasco, Inc.) which was filed as Exhibit 4(a) to Energen's Registration Statement on Form S-8 (Registration No. 33-14855). |
| *3(b) | Amendment to the Restated Certificate of Incorporation of Energen |

Corporation (formerly Alagasco, Inc.) adopted on July 18, 1985, which was filed as Exhibit 4(b) to Energen's Registration Statement on Form S-8 (Registration No. 33-14855).

*3(c) Amendment to the Restated Certificate of Incorporation of Energen Corporation adopted on January 15, 1987, which was filed as Exhibit 4(c) to Energen's Registration Statement on Form S-8 (Registration No. 33-14855).

*3(d) Amendment to the Restated Certificate of Incorporation of Energen Corporation adopted on January 25, 1989, which was filed as Exhibit 4(d) to Energen's Registration Statement on Form S-3 (Registration No. 33-70464).

*3(e) Composite Restated Certificate of Incorporation of Energen Corporation, as amended through February 12, 1989, which was filed as Exhibit 4(e) to Energen's Registration Statement on Form S-3 (Registration No. 33-70464).

*3(f) Certificate of Adoption of Resolutions designating Series A Junior Participating Preferred Stock (June 27, 1988) which was filed as Exhibit 4(e) to Energen's Registration Statement on Form S-2 (Registration No. 33-25435).

*3(g) Bylaws of Energen Corporation, which were filed as Exhibit 4(e) to Energen's Registration Statement on Form S-8 (Registration No. 33-14855).

*3(h) Joint Agreement of Merger, under the name Alabama Gas Corporation (November 19, 1948), which was filed as Exhibit 4(a) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).

*3(i) Alabama Gas Corporation, Certificate of Amendment to Joint Agreement of Merger which constitutes the Certificate of Incorporation of said Corporation (March 13, 1953), which was filed as Exhibit 4(b) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).

*3(j) Alabama Gas Corporation, Certificate of Amendment to the Certificate of Incorporation (April 22, 1954), which was filed as Exhibit 4(c) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).

*3(k) Alabama Gas Corporation, Certificate of Amendment to the Joint Agreement of Merger, as heretofore amended, which constitutes the Certificate of Incorporation of Alabama Gas Corporation (January 20, 1959), which was filed as Exhibit 4(d) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).





*3(l) Alabama Gas Corporation, Certificate of Amendment to the Joint Agreement of Merger, as heretofore amended, which constitutes the Certificate of Incorporation of Alabama Gas Corporation (January 26, 1968), which was filed as Exhibit 4(e) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).

*3(m) Alabama Gas Corporation, Certificate of Amendment to the Joint Agreement of Merger, as heretofore amended, which constitutes the Certificate of Incorporation of Alabama Gas Corporation (October 16, 1980), which was filed as Exhibit 4(f) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).

*3(n) Articles of Amendment to the Certificate of Incorporation of Alabama Gas Corporation (October 26, 1984), which was filed as Exhibit 4(g) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).

*3(o) Articles of Amendment to the Certificate of Incorporation of Alabama Gas Corporation (December 18, 1986), which was filed as Exhibit 4(h) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).

*3(p) Composite Joint Agreement of Merger under the name Alabama Gas Corporation, as Amended March 20, 1986, which was filed as Exhibit 4(i) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).

*3(q) Alabama Gas Corporation, Certificate filed pursuant to Section 33 of Act Number 414 of the Regular Session of the Legislature of the State of Alabama (August 26, 1965, reclassifying and authorizing $4.70 Series Cumulative Preferred Stock), which was filed as Exhibit 4(j) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).

*3(r) By-Laws of Alabama Gas Corporation, which was filed as Exhibit 4(k) to Alabama Gas' Registration Statement on Form S-3 (Registration No. 33-12841).

*4(a) Rights Agreement, dated as of July 27, 1988, between Energen Corporation and AmSouth Bank, N.A., Rights Agent, which was filed as Exhibit 1 to Energen's Registration Statement on Form 8-A (File No. 1-7810).

*4(b) Amendment of Rights Agreement, dated as of February 28, 1990, between Energen Corporation and AmSouth Bank, N.A., Rights Agent, which was filed as Exhibit 2 to Energen's Form 8 Amendment No. 2 to its Registration Statement on Form 8-A (File No. 1-7810).

*4(c) Indenture, dated as of January 1, 1992, between Energen Corporation and Boatmen's Trust Company, Trustee, which was filed as Exhibit 4 to Energen's Amendment No. 1 to Registration Statement on Form S-3 (Registration No. 33-44936).

*4(d) Indenture, dated as of March 1, 1993, between Energen Corporation and Boatmen's Trust Company, Trustee, which was filed as Exhibit 4 to Energen's to Registration Statement on Form S-3 (Registration No. 33-25435).

*4(e) Ninth Supplemental Indenture, dated as of April 1, 1949, between Alabama Gas Corporation and Chemical Bank and Trust Company, Trustee, supplementing, amending, and restating the First Mortgage and Deed of Trust between Birmingham Gas Company and Chemical Bank and Trust Company, Trustee, dated April 1, 1941 (filed as Exhibit 7(a)(J) to Alabama Gas' Form S-1, Registration Statement 2-7910, effective March 26, 1949).





*4(f) Nineteenth Supplemental Indenture dated as of December 1, 1985, between Alabama Gas Corporation and Chemical Bank and Trust Company, Trustee, which was filed as Exhibit 4(o) to Energen's Registration Statement on Form S-3 (Registration No. 33-70464).

*4(g) Indenture dated as of October 1, 1989, between Alabama Gas Corporation and Boatmen's Trust Company, Trustee, which was filed as Exhibit 4(l) to Alabama Gas' Amendment No. 1 to Registration Statement on Form S-3 (Registration No. 33-31400).

*4(h) Indenture dated as of November 1, 1993, between Alabama Gas Corporation and NationsBank of Georgia, National Association, Trustee, which was filed as Exhibit 4(k) to Alabama Gas's Registration Statement on Form S-3 (Registration No. 33-70466).

*10(a) Form of Service Agreement Under Rate Schedule CSS (No. S10710), between Southern Natural Gas Company and Alabama Gas Corporation as filed as Exhibit 10(a) to Energen's Annual Report on Form 10-K for the year ended September 30, 1993.

*10(b) Form of Service Agreement Under Rate Schedule IT (No. 790420), between Southern Natural Gas Company and Alabama Gas Corporation as filed as Exhibit 10(b) to Energen's Annual Report on Form 10-K for the year ended September 30, 1993.

*10(c) Form of Service Agreement Under Rate Schedule FT-NN (No. 866941), between Southern Natural Gas Company and Alabama Gas Corporation as filed as Exhibit 10(c) to Energen's Annual Report on Form 10-K for the year ended September 30, 1993.

| | |
|---|---|
| *10(d) | Form of Service Agreement Under Rate Schedule FT (No. 866940) between Southern Natural Gas Company and Alabama Gas Corporation as filed as Exhibit 10(d) to Energen's Annual Report on Form 10-K for the year ended September 30, 1993. |
| *10(e) | Form of Executive Retirement Supplement Agreement between Energen Corporation and certain executive officers as filed as Exhibit 10(f) to Energen's Annual Report on Form 10-K for the year ended September 30, 1993. |
| 10(f) | Amendment to Executive Retirement Supplement Agreement effective as of June 22, 1994, between Energen Corporation and certain executive officers. |
| *10(g) | Restricted Stock Incentive Plan of Energen Corporation, which was filed as Exhibit 4 to Post Effective Amendment No. 2 to Energen Corporation's Registration Statement on Forms S-8 and S-3 (Registration No. 2-89855). |
| *10(h) | Severance Compensation Agreement between Energen Corporation and certain executive officers, which was filed as Exhibit 10(e) to Energen's Annual Report on Form 10-K for the year ended September 30, 1992. |
| *10(i) | Energen Corporation 1988 Stock Option Plan as filed as Exhibit 10(i) to Energen's Annual Report on Form 10-K for the year ended September 30, 1993. |
| *10(j) | Energen Corporation 1992 Long-Range Performance Share Plan, dated as of October 1, 1991, which was filed as Exhibit A to the Registrant's Proxy Statement for its January 22, 1992 Annual Meeting (File No. 1-7810). |





| | |
|---|---|
| *10(k) | Energen Corporation 1992 Directors Stock Plan, effective as of January 22, 1992, which was filed as Exhibit B to Energen's Proxy Statement for its January 22, 1992 Annual Meeting (File No. 1-7810). |
| *10(l) | Energen Corporation Director Fees Deferral Plan as filed as Exhibit 10(l) to Energen's Annual Report on Form 10-K for the year ended September 30, 1993. |
| 10(m) | Energen Corporation Annual Incentive Compensation Plan, Revised 5/90, as amended effective October 1, 1993. |
| 13 | Information incorporated by reference from the Energen Corporation 1994 Annual Report to Stockholders |
| 21 | Subsidiaries of Energen Corporation |
| 23(a) | Consent of Independent Certified Public Accountants (Energen). |
| 23(b) | Consent of Independent Certified Public Accountants (Alagasco). |
| 27.1 | Financial Data Schedule of Alabama Gas Corporation (for SEC purposes only) |
| 27.2 | Financial Data Schedule of Energen Corporation (for SEC purposes only) |

*Incorporated by reference





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF ALABAMA GAS CORPORATION:

We have audited the financial statements and the financial statement schedules of Alabama Gas Corporation listed in the index on pages 16 and 17 of this Form 10-K. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alabama Gas Corporation as of September 30, 1994 and 1993, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 1994, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Note 12 to the financial statements, the Company changed its method of accounting for certain other postretirement benefits, effective October 1, 1993, and income taxes effective October 1, 1991.

Coopers & Lybrand L.L.P.
Birmingham, Alabama
October 26, 1994





STATEMENTS OF INCOME
ALABAMA GAS CORPORATION

| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| OPERATING REVENUES | $344,637 | $330,560 | $310,726 |
| OPERATING EXPENSES | | | |
| Cost of gas | 188,592 | 187,800 | 176,411 |
| Operations | 72,639 | 66,196 | 61,470 |
| Maintenance | 9,147 | 8,781 | 8,611 |
| Depreciation | 17,941 | 17,206 | 17,154 |
| Income taxes | | | |
| Current | 10,623 | 5,407 | 4,777 |
| Deferred, net | (2,418) | 1,530 | 1,945 |
| Deferred investment tax credits, net | (487) | (528) | (535) |
| Taxes, other than income taxes | 26,301 | 24,196 | 21,165 |
| Total operating expenses | 322,338 | 310,588 | 290,998 |
| OPERATING INCOME | 22,299 | 19,972 | 19,728 |
| OTHER INCOME | | | |
| Allowance for funds used during construction | 465 | 163 | 50 |
| Other, net | 452 | 376 | 238 |
| Total other income | 917 | 539 | 288 |

| | | | |
|---|---|---|---|
| INTEREST CHARGES | | | |
| Interest on long-term debt | 6,475 | 5,532 | 6,243 |
| Other interest expense | 1,845 | 1,955 | 1,353 |
| Total interest charges | 8,320 | 7,487 | 7,596 |
| NET INCOME | 14,896 | 13,024 | 12,420 |
| Less cash dividends on cumulative preferred stock | -- | 70 | 85 |
| NET INCOME AVAILABLE FOR COMMON | $ 14,896 | $ 12,954 | $ 12,335 |

The accompanying Notes to Financial Statements are an integral part of these statements.





BALANCE SHEETS
ALABAMA GAS CORPORATION

| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 |
|---|---|---|
| ASSETS | | |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Utility plant | $464,593 | $429,115 |
| Less accumulated depreciation | 231,327 | 215,892 |
| Utility plant, net | 233,266 | 213,223 |
| Other property, net | 183 | 83 |
| CURRENT ASSETS | | |
| Cash | 156 | 480 |
| Accounts receivable | | |
| Gas | 22,209 | 23,563 |
| Merchandise | 1,326 | 1,256 |
| Other | 1,512 | 1,011 |
| Allowance for doubtful accounts | (2,000) | (1,800) |
| Inventories, at average cost | | |
| Storage gas inventory | 24,363 | -- |
| Materials and supplies | 5,688 | 5,851 |
| Liquified natural gas in storage | 3,349 | 3,636 |
| Deferred gas costs | 1,460 | 2,966 |
| Deferred income taxes | 5,724 | 2,587 |
| Prepayments and other | 2,595 | 2,520 |
| Total current assets | 66,382 | 42,070 |
| DEFERRED CHARGES AND OTHER ASSETS | 9,074 | 9,172 |
| TOTAL ASSETS | $308,905 | $264,548 |

The accompanying Notes to Financial Statements are an integral part of these statements.





BALANCE SHEETS
ALABAMA GAS CORPORATION

| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 |
|---|---|---|
| CAPITAL AND LIABILITIES | | |
| CAPITALIZATION | | |
| Common shareholder's equity | | |
| Common stock, $0.01 par value; 3,000,000 shares authorized, 1,972,052 shares outstanding in 1994 and 1993 | $ 20 | $ 20 |
| Premium on capital stock | 31,682 | 21,682 |
| Capital Surplus | 2,802 | 2,802 |
| Retained Earnings | 81,087 | 74,886 |
| Total common shareholder's equity | 115,591 | 99,390 |
| Cumulative preferred stock, $0.01 par value, 120,000 shares authorized | -- | -- |
| Long-term debt | 84,391 | 43,912 |
| Total capitalization | 199,982 | 143,302 |
| CURRENT LIABILITIES | | |
| Long-term debt due within one year | 2,823 | 3,193 |
| Notes payable to banks | 4,000 | 29,000 |
| Accounts payable | | |
| Other | 19,002 | 18,772 |
| Affiliated companies | 132 | 1,252 |
| Accrued taxes | 14,241 | 8,960 |
| Customers' deposits | 17,462 | 16,717 |
| Supplier refunds due customers | 832 | 740 |
| Other amounts due customers | 10,902 | 4,365 |
| Accrued wages and benefits | 5,659 | 5,261 |
| Other | 7,605 | 4,821 |
| Total current liabilities | 82,658 | 93,081 |
| DEFERRED CREDITS AND OTHER LIABILITIES | | |
| Deferred income taxes | 13,704 | 12,416 |
| Accumulated deferred investment tax credits | 4,590 | 5,077 |
| Regulatory liability | 6,960 | 7,717 |
| Customer advances for construction and other | 1,011 | 751 |
| Other | -- | 2,204 |
| Total deferred credits and other liabilities | 26,265 | 28,165 |
| TOTAL CAPITAL AND LIABILITIES | $308,905 | $264,548 |

The accompanying Notes to Financial Statements are an integral part of these statements.

STATEMENTS OF RETAINED EARNINGS
ALABAMA GAS CORPORATION

| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| RETAINED EARNINGS AT BEGINNING OF YEAR | $74,886 | $69,907 | $65,202 |
| Add net income | 14,896 | 13,024 | 12,420 |
| Less cash dividends on common stock | 8,695 | 7,975 | 7,630 |
| Less cash dividends on preferred stock | -- | 70 | 85 |
| RETAINED EARNINGS AT END OF YEAR | $81,087 | $74,886 | $69,907 |

The accompanying Notes to Financial Statements are an integral part of these statements.





STATEMENTS OF CASH FLOW
ALABAMA GAS CORPORATION

| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Net Income | $ 14,896 | $ 13,024 | $ 12,420 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 17,941 | 17,206 | 17,154 |
| Deferred income taxes, net | (2,418) | 1,530 | 1,945 |
| Deferred investment tax credits | (487) | (528) | (535) |
| Net change in: | | | |
| Accounts receivable | 896 | (3,787) | (1,888) |
| Inventories | (23,913) | (94) | (306) |
| Accounts payable | (890) | 3,398 | 2,017 |
| Other current assets and liabilities | 17,268 | 968 | (6,828) |
| Other, net | (2,116) | (1,536) | (2,986) |
| Net cash provided by operating activities | 21,177 | 30,181 | 20,993 |
| INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment | (37,853) | (21,743) | (20,003) |
| Net advances (to) from holding company | 87 | (87) | -- |
| Other, net | 181 | (320) | 522 |
| Net cash used in investing activities | (37,585) | (22,150) | (19,481) |
| FINANCING ACTIVITIES | | | |
| Payment of dividends on common stock | (8,695) | (7,975) | (7,630) |
| Payment of dividends on preferred stock | -- | (70) | (85) |
| Reduction of long-term debt and preferred stock | (9,891) | (19,500) | (4,822) |
| Proceeds from medium term notes | 49,670 | -- | -- |
| Proceeds from capital contribution | 10,000 | -- | -- |
| Net advances (to) from holding company | -- | (6,299) | 6,050 |
| Net change in short-term debt | (25,000) | 24,000 | 5,000 |
| Other, net | -- | (101) | -- |

| | | | |
|---|---|---|---|
| Net cash used in (provided by) financing activities | 16,084 | (9,945) | 1,487 |
| Net change in cash | (324) | (1,914) | 25 |
| Cash at beginning of period | 480 | 2,394 | 2,369 |
| Cash at end of period | $ 156 | $ 480 | $ 2,394 |

The accompanying Notes to Financial Statements are an integral part of these statements.





NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Alabama Gas Corporation (Alagasco), a wholly-owned subsidiary of Energen Corporation, is the largest natural gas distribution utility in the State of Alabama, serving customers primarily in central and north Alabama. The following is a description of its significant accounting policies and practices.

A. UTILITY PLANT AND DEPRECIATION

Utility plant is stated at original cost which includes an allowance for funds used during construction. Maintenance is charged for the cost of normal repairs and the renewal or replacement of an item of property which is less than a retirement unit. When property which represents a retirement unit is replaced or removed, the cost of such property is credited to utility plant and, together with the cost of removal less salvage, is charged to the accumulated reserve for depreciation.

Depreciation is provided on the straight-line method over the estimated useful lives of utility property at rates established by the Alabama Public Service Commission (APSC). Approved depreciation rates averaged approximately 4.3 percent in 1994 and 1993 and 4.4 percent in 1992.

B. OPERATING REVENUE AND GAS COSTS

In accordance with industry practice, Alagasco records revenue on a monthly and cycle billing basis. The Company extends credit to its residential and industrial utility customers which are located primarily in central and north Alabama. The commodity cost of purchased gas applicable to gas delivered to customers but not yet billed under the cycle billing method is deferred as a current asset.

C. INCOME TAXES

Alagasco files a consolidated income tax return with its parent. The consolidated income taxes are allocated to the appropriate subsidiaries using the separate return method. Deferred income taxes reflect the impact of temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, and are measured in compliance with enacted tax laws. Investment tax credits have been deferred and are being amortized over the lives of the related assets.

D. CASH EQUIVALENTS

Alagasco includes highly liquid marketable securities and debt instruments purchased with an original maturity of three months or less in cash equivalents.

## 2. LONG-TERM DEBT AND NOTES PAYABLE

Long-term debt consists of the following:

| AS OF SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 |
|---|---|---|
| First Mortgage Bonds, 11% Series H, due $1,500,000 annually to January 15, 1999 | $ 7,500 | $ 9,000 |
| Medium term notes, interest ranging from 5.4% to 7.2%, for notes redeemable December 1, 1998 to December 15, 2023 | 50,000 | -- |
| 9% debentures, due up to $1,200,000 annually to November 1, 2014 | 28,758 | 28,758 |
| 8.75% debentures, redeemed during fiscal year 1994 | -- | 8,299 |
| Mortgage note payable, due $30,800 quarterly to April 1, 2002; interest is variable | 956 | 1,048 |
| Total | 87,214 | 47,105 |
| Less amounts due within one year | 2,823 | 3,193 |
| Total | $84,391 | $43,912 |

Substantially all utility plant serves as collateral for the First Mortgage Bonds. In addition, utility plant having a net book value of $1,703,000 serves as collateral for the mortgage note payable which has a variable interest rate of 1.47 percent above the 91-day U.S. Treasury Bill rate, adjusted quarterly. The applicable year-end interest rate was 5.66 percent and 4.54 percent for 1994 and 1993, respectively.

The aggregate maturities of long-term debt for the next five years are as follows:

| YEARS ENDING SEPTEMBER 30, (IN THOUSANDS) | | | | |
|---|---|---|---|---|
| 1995 | 1996 | 1997 | 1998 | 1999 |
| $2,823 | $2,823 | $2,823 | $2,823 | $8,173 |

Alagasco is subject to various restrictions on the payment of dividends. The most restrictive provision is, under the 9 percent debentures, utility dividends or other distributions with respect to utility common stock may not be made unless the utility maintains a consolidated tangible net worth, as defined, of at least $50 million. At September 30, 1994, Alagasco had a tangible net worth of $115,364,000.

Energen and Alagasco have short-term credit lines and other credit facilities of $110 million available to either entity for working capital needs. The following is a summary of information relating to notes payable to banks:





| AS OF SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Amount outstanding | $ 4,000 | $ 29,000 | $ 5,000 |
| Other Energen outstanding | 2,000 | 11,000 | -- |
| Available for borrowings | 104,000 | 70,000 | 70,000 |

| | | | |
|---|---|---|---|
| Total | $110,000 | $110,000 | $75,000 |
| Maximum amount outstanding at any month-end | $ 60,000 | $ 29,000 | $25,000 |
| Average daily amount outstanding | $ 13,460 | $ 23,071 | $ 9,087 |
| Weighted average interest rates based on: | | | |
| Average daily amount outstanding | 3.32% | 3.41% | 4.62% |
| Amount outstanding at year-end | 5.17% | 3.35% | 3.63% |

Total interest expense in 1994, 1993 and 1992 was $8,320,000, $7,487,000, and $7,596,000, respectively.

3. REGULATORY

As an Alabama utility, Alagasco is subject to regulation by the APSC which, in 1983, established the Rate Stabilization and Equalization (RSE) rate-setting process. RSE was extended for the third time on December 3, 1990, for a three-year period. Under the terms of that extension, RSE shall continue after November 30, 1993, unless, after notice to the Company, the Commission votes to either modify or discontinue its operation. On October 4, 1993, the Commission unanimously voted to extend RSE until such time as certain hearings mandated by the Energy Policy Act of 1992 (Energy Act) in connection with integrated resource planning and demand side management programs are completed. The Energy Act proceedings are expected to conclude during fiscal 1995 at which time it is expected that the Commission will begin reviewing Alagasco's RSE. No time table for review has yet been established.

Under RSE as extended, the APSC conducts quarterly reviews to determine, based on Alagasco's projections and fiscal year-to-date performance, whether Alagasco's return on equity for the fiscal year will be within the allowed range of 13.15 percent to 13.65 percent. Reductions in rates can be made quarterly to bring the projected return within the allowed range; increases, however, are allowed only once each fiscal year, effective December 1, and cannot exceed 4 percent of prior-year revenues. RSE limits the utility's equity upon which a return is permitted to 60 percent of total capitalization and provides for certain cost control measures designed to monitor the Company's operations and maintenance (O&M) expense. If O&M expense per customer falls within 1.25 percentage points above or below the Consumer Price Index For All Urban Customers (index range), no adjustment is required. If, however, O&M expense per customer exceeds the index range, three-quarters of the difference will be returned to the customers. To the extent O&M expense per customer is less than the index range, the utility will benefit by one-half of the difference through future rate adjustments. Effective December 15, 1990, the APSC approved a temperature adjustment to customers' monthly bills to mitigate the effect of departures from normal temperature on Alagasco's earnings. The calculation is performed monthly, and the adjustment to customer's bills is made in the same month the weather variation occurs.

The Company's rate schedules for natural gas distribution charges contained a Purchased Gas Adjustment (PGA) rider in 1993 which permitted the pass-through of changes in gas costs to customers. The APSC approved, effective October 4, 1993, the replacement of the PGA rider with the new Gas Supply Adjustment rider in order to accommodate changes in gas supply purchases resulting from implementation of FERC Order 636, including gas supply realignment surcharges imposed by the Company's suppliers.





In accordance with APSC-directed regulatory accounting procedures, Alagasco in 1989 began returning excess utility deferred taxes which resulted from a reduction in the federal statutory tax rate from 46 percent to 34 percent using the average rate assumption method. This method provides for the return to ratepayers of excess deferred taxes over the lives of the related assets. In 1993 those excess taxes were reduced as a result of a federal tax rate increase from 34 percent to 35 percent. Approximately $3.1 million of remaining excess utility deferred taxes is being returned to ratepayers over approximately 16 years.

4. CAPITAL STOCK

Alagasco's authorized common stock consists of 3 million, $0.01 par value common shares. At September 30, 1994 and 1993, 1,972,052 shares were issued and outstanding. Alagasco is authorized to issue 120,000 shares of preferred stock, par value $0.01 per share, in one or more series. On July 30, 1993, all outstanding shares of Alagasco's $4.70 Series cumulative preferred stock were redeemed.

5. INCOME TAXES

The components of income taxes consist of the following:

| FOR THE YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Taxes estimated to be payable currently: | | | |
| Federal | $ 9,664 | $4,911 | $4,337 |
| State | 959 | 496 | 440 |
| Total current | 10,623 | 5,407 | 4,777 |
| Taxes deferred: | | | |
| Federal | (2,689) | 867 | 1,230 |
| State | (216) | 135 | 180 |
| Total deferred | (2,905) | 1,002 | 1,410 |
| Total income tax expense | $ 7,718 | $6,409 | $6,187 |

As discussed in Note 12, Alagasco adopted Statement of Financial Accounting Standard (SFAS) No. 109 as of October 1, 1991.

Temporary differences which give rise to a significant portion of deferred tax assets and liabilities for 1994 and 1993 are as follows:





| AS OF SEPTEMBER 30, 1994 (IN THOUSANDS) | 1994 | 1993 |
|---|---|---|
| Deferred tax assets: | | |
| Deferred investment tax credits | $ 1,567 | $ 1,748 |
| Regulatory liabilities | 2,585 | 2,866 |
| Deferred revenue | 403 | 516 |
| Self-insurance reserve | 1,339 | 842 |
| Unbilled revenue | 1,454 | 1,426 |
| Allowance for uncollectible accounts | 878 | 669 |
| Accrued vacation | 981 | 903 |
| Gas supply realignment costs | 1,123 | -- |
| Other, net | 1,170 | 430 |
| Subtotal | 11,500 | 9,400 |
| Valuation allowance | -- | -- |
| Total deferred tax assets | $11,500 | $ 9,400 |
| Deferred tax liabilities: | | |
| Depreciation and basis differences | $17,704 | $16,893 |
| Pension and other benefit costs | 1,457 | 1,181 |
| Purchased gas adjustment | -- | 988 |
| Other, net | 319 | 167 |

| | | |
|---|---|---|
| Total deferred tax liabilities | $19,480 | $19,229 |

No valuation allowance with respect to deferred taxes is deemed necessary, as the Company anticipates generating adequate future taxable income to realize the benefits of all deferred tax assets on the balance sheet.

Total income tax expense differs from the amount which would be provided by applying the statutory federal income tax rate to pretax earnings as illustrated below:

| FOR THE YEAR ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Income tax expense at statutory federal income tax rate | $7,915 | $6,729 | $6,298 |
| Increase (decrease) resulting from: | | | |
| Investment tax credits -- deferred | (487) | (528) | (535) |
| Return of utility excess deferred taxes | (76) | (172) | -- |
| State income taxes, net of federal income tax benefit | 486 | 412 | 408 |
| Other, net | (120) | (32) | 16 |
| Total income tax expense | $7,718 | $6,409 | $6,187 |

There were no tax-related balances due from Alagasco to affiliates at September 30, 1994; the tax-related balance due to affiliates from Alagasco as of September 30, 1993, was $1,239,000, and is included in the amounts payable to affiliates in Note 13.





6. RETIREMENT INCOME PLANS AND OTHER BENEFITS

All information presented concerning retirement income and other benefit plans includes other affiliates of Energen Corporation as well as Alagasco.

Energen has two defined benefit non-contributory pension plans which cover substantially all employees. Benefits are based on years of service and final earnings. The Company's policy is to use the "projected unit credit" actuarial method for funding and financial reporting purposes. The expense (income) for the plan covering the majority of employees for the years ended September 30, 1994, 1993 and 1992 was $15,000, $(118,000), and $(278,000), respectively. The expense for the second plan covering employees under labor union agreements for 1994, 1993 and 1992 was $555,000, $557,000 and $503,000, respectively.

The funded status of the plans is as follows:

| AS OF JUNE 30, (IN THOUSANDS) | ASSETS EXCEED ACCUMULATED BENEFITS | | ACCUMULATED BENEFITS EXCEED ASSETS | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| Vested benefits | $(48,354) | $(46,513) | $(12,860) | $(12,258) |
| Nonvested benefits | (5,530) | (5,403) | (2,253) | (2,121) |
| Accumulated benefit obligation | (53,884) | (51,916) | (15,113) | (14,379) |
| Effects of salary progression | (10,332) | (9,803) | -- | -- |
| Projected benefit obligation | (64,216) | (61,719) | (15,113) | (14,379) |
| Fair value of plan assets, primarily equity and fixed income securities | 72,004 | 73,576 | 11,863 | 11,815 |

| | | | | |
|---|---|---|---|---|
| Unrecognized net gain | 2,646 | (434) | 1,034 | 124 |
| Unrecognized prior service cost | 46 | 51 | 1,554 | 1,696 |
| Unrecognized net transition obligation (asset) | (6,524) | (7,332) | 452 | 509 |
| Additional minimum liability | -- | -- | (3,040) | (2,329) |
| Accrued pension asset (liability) | $ 3,956 | $ 4,142 | $ (3,250) | $ (2,564) |

At September 30, 1994 and 1993, the discount rate used to measure the projected benefit obligation was 7.5 percent for both plans, and the annual rate of salary increase for the salaried plan was 5.5 percent. The expected long-term rate of return on plan assets was 8.25 percent for both plans in 1994 and 8 percent in 1993.





The components of net pension costs for 1994, 1993 and 1992 were:

| FOR THE YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | ASSETS EXCEED ACCUMULATED BENEFITS | | | ACCUMULATED BENEFITS EXCEED ASSETS | | |
|---|---|---|---|---|---|---|
| | 1994 | 1993 | 1992 | 1994 | 1993 | 1992 |
| Service cost | $ 1,873 | $ 1,678 | $ 1,560 | $ 224 | $ 187 | $ 176 |
| Interest cost on projected benefit obligation | 4,550 | 4,097 | 3,807 | 1,042 | 1,018 | 970 |
| Actual return on plan assets | (504) | (6,858) | (6,123) | (372) | (1,048) | (1,116) |
| Net amortization and deferral | (5,904) | 965 | 478 | (339) | 400 | 473 |
| Net pension (income) expense | $ 15 | $ (118) | $ (278) | $ 555 | $ 557 | $ 503 |

Energen has deferred compensation plan agreements for certain key executives providing for payments upon retirement, death or disability. The deferred compensation expense under these agreements for 1994, 1993 and 1992 was $461,000, $650,000, and $528,000, respectively.

In addition to providing pension benefits, Energen provides certain post-retirement health care and life insurance benefits. Substantially all of Energen's employees may become eligible for such benefits if they reach normal retirement age while working for the Company. In a prior year, the company adopted SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, with respect to the accrual of such costs for salaried employees. During fiscal year 1994, the Company adopted SFAS 106 with respect to such costs for employees under collective bargaining agreements. There is no cumulative effect on the income statement resulting from the adoption of SFAS 106 as the Company elected to amortize transition costs over a 20-year period. On December 6, 1993, the APSC adopted Order 4-3454 which allows the Company to recover all costs accrued under SFAS 106 through rates.

While the Company has not adopted a formal funding policy, all of its accrued post-retirement liability was funded at year-end. The expense for salaried employees for the years ended September 30, 1994, 1993 and 1992 was $2,319,000, $2,677,000, and $2,439,000, respectively. Prior to 1994, the Company recognized the cost of providing post-retirement benefits for union employees on a "pay-as-you-go" basis. These benefits were provided through a self-insurance arrangement and through insurance companies whose premiums were based on the benefits paid during the year. In 1994 the expense for union employees was $3,685,000, an increase of $2,246,000 over what would have been recognized under the "pay-as-you-go" method. Expense of $982,000 and $882,000 was incurred during 1993 and 1992, respectively. The "projected unit credit" actuarial method was used to determine the normal cost and actuarial liability.

A reconciliation of the estimated status of the obligation is as follows:

| AS OF JUNE 30, (IN THOUSANDS) | SALARIED EMPLOYEES | | UNION EMPLOYEES | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| Accumulated post-retirement benefit obligation | $(21,296) | $(23,067) | $(24,564) | $ -- |
| Plan assets | 9,408 | 6,488 | 1,248 | -- |
| Unamortized amounts | 11,751 | 14,567 | 21,357 | -- |
| Accrued post-retirement benefit liability | $ (137) | $ (2,123) | $ (1,959) | $ -- |





Net periodic post-retirement benefit cost for the years ended September 30, 1994, 1993 and 1992, included the following:

| FOR THE YEAR ENDED SEPTEMBER 30, (IN THOUSANDS) | SALARIED EMPLOYEES | | | UNION EMPLOYEES | | |
|---|---|---|---|---|---|---|
| | 1994 | 1993 | 1992 | 1994 | 1993 | 1992 |
| Service cost | $ 450 | $ 464 | $ 321 | $ 481 | $ -- | $ -- |
| Interest cost on accumulated post-retirement benefit obligation | 1,726 | 1,457 | 1,276 | 1,920 | -- | -- |
| Amortization of transition obligation | 723 | 842 | 842 | 1,285 | -- | -- |
| Amortization of actuarial gains and losses | -- | 49 | -- | -- | -- | -- |
| Deferred asset (gain) loss | (453) | -- | -- | -- | -- | -- |
| Actual return on plan assets | (127) | (135) | -- | (1) | -- | -- |
| Net periodic post-retirement benefit expense | $2,319 | $2,677 | $2,439 | $3,685 | $ -- | $ -- |

The weighted average health care cost trend rate used in determining the accumulated post-retirement benefit obligation was 8 percent in 1994 and in 1993 and 8.5 percent in 1992. That assumption has a significant effect on the amounts reported. For example, with respect to salaried employees, increasing the weighted average health care cost trend rate by 1 percent would increase the accumulated post-retirement benefit obligation by 3.8 percent and the net periodic post-retirement benefit cost by 4.7 percent. For union employees increasing the weighted average health care cost trend rate by 1 percent with respect to union employees would increase the accumulated post-retirement benefit obligation by 5.8 percent and the net periodic post-retirement benefit cost by 5.4 percent. The weighted average discount rate used in determining the accumulated post-retirement benefit obligation was 7.5 percent in 1994 and 1993 and 8 percent in 1992.

Energen has a long-term disability plan covering most salaried employees. Expense for the years ended September 30, 1994, 1993 and 1992 was $150,000, $129,000, and $129,000, respectively.

7. COMMITMENTS

Alagasco has various firm gas supply and firm gas transportation contracts, which expire at various dates through the year 2008. These contracts typically contain minimum demand charge obligations on the part of Alagasco.

In January 1989, Alagasco entered into an agreement with a financial institution whereby it can sell on an ongoing basis, with recourse, certain installment receivables related to its merchandising program up to a maximum of $15 million. During 1994 and 1993, Alagasco sold $6,784,000 and $5,608,000, respectively, of installment receivables. At September 30, 1994 and 1993, the balance of these installment receivables was $13,027,000 and $11,699,000, respectively. Receivables sold under this agreement are considered financial instruments with off-balance-sheet risk. Alagasco's exposure to credit loss in the event of non-performance by customers is represented by the balance of installment receivables.

8. LEASES

Total payments related to leases included as operating expense in the accompanying statements of income amounted to $2,147,000, $2,332,000, and $2,447,000 in 1994, 1993 and 1992, respectively. Minimum future rental payments (in thousands) required after 1994 under leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

| 1995 | 1996 | 1997 | 1998 | 1999 | 2000 and thereafter |
|---|---|---|---|---|---|
| $1,758 | $1,694 | $475 | $75 | $76 | $173 |

9. ENVIRONMENTAL MATTERS

Alagasco is in the chain of title of eight former manufactured gas plant sites, of which it still owns four, and five manufactured gas distribution sites, of which it still owns one. A preliminary investigation of the sites does not indicate the present need for remediation activities. Management expects that, should remediation of any such sites be required in the future, Alagasco's share, if any, of such costs will not materially affect the results of operations or financial condition of Alagasco.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information concerning cash flow activities is as follows:

| FOR THE YEAR ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Interest paid, net of amount capitalized | $7,762 | $8,726 | $8,829 |
| Income taxes paid | $9,097 | $5,844 | $6,823 |
| Noncash investing activities: | | | |
| Capitalized depreciation | $ 155 | $ 187 | $ 175 |
| Allowance for funds used during construction | $ 465 | $ 163 | $ 50 |
| Noncash financing activities (debt issuance costs) | $ 330 | $ -- | $ -- |





11. SUMMARIZED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following data summarize operating results for the four quarters of 1994 and 1993. Alagasco's business is seasonal in character and strongly influenced by weather conditions.

| | 1994 FISCAL QUARTERS | | | |
|---|---|---|---|---|
| (IN THOUSANDS) | FIRST | SECOND | Third | Fourth |
| Operating revenues | $78,993 | $158,268 | $66,070 | $41,306 |
| Operating income (loss) | $ 2,945 | $ 18,485 | $ 3,580 | $(2,711) |
| Net income (loss) available for common | $ 696 | $ 16,688 | $ 1,799 | $(4,287) |

| (IN THOUSANDS) | 1993 FISCAL QUARTERS FIRST | SECOND | Third | Fourth |
|---|---|---|---|---|
| Operating revenues | $76,866 | $142,314 | $69,452 | $41,928 |
| Operating income (loss) | $ 2,553 | $ 17,207 | $ 2,693 | $(2,481) |
| Net income (loss) available for common | $ 864 | $ 15,299 | $ 1,016 | $(4,225) |

12. ACCOUNTING CHANGE

As discussed more fully in Note 6, the Company adopted SFAS 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, with respect to the accrual of such costs for all employees under labor union agreements effective October 1, 1993. The Company adopted SFAS 106 with respect to salaried employees in a prior year.

Effective October 1, 1991, Alagasco elected early adoption of SFAS No. 109, Accounting for Income Taxes, which was required to be adopted no later than its fiscal year ending September 30, 1994. Changes in Alagasco's deferred income taxes arising from the adoption have no effect on income, since the changes represent income taxes returnable through future rates over the life of the related assets and have been recorded as a regulatory liability on the balance sheets.

13. TRANSACTIONS WITH RELATED PARTIES

Alagasco purchased natural gas from affiliates amounting to $4,134,000, $4,874,000, and $6,332,000, in 1994, 1993, and 1992, respectively. These amounts are included in gas purchased for resale. Alagasco had payables to affiliates of $132,000 at September 30, 1994, and $1,252,000 at September 30, 1993.





14. FINANCIAL INSTRUMENTS

In accordance with the requirements of SFAS No. 107 (Disclosures about Fair Value of Financial Instruments), the estimated fair values of Alagasco's financial instruments at September 30, 1994, were as follows:

| AS OF SEPTEMBER 30, 1994 (IN THOUSANDS) | Carrying Amount | Fair Value |
|---|---|---|
| Cash and cash equivalents | $ 156 | $ 156 |
| Receivables, net of allowance account | $23,047 | $23,047 |
| Short-term debt | $ 4,000 | $ 4,000 |
| Long-term debt (including current maturities) | $87,214 | $81,021 |

The following methods and assumptions were used to estimate the fair value of financial instruments:

- - CASH AND CASH EQUIVALENTS: Fair value was considered to be the same as the carrying amount.

- - RECEIVABLES: The Company believes that, in the aggregate, current and non-current net receivables were not materially different from the fair value of those receivables.

- - SHORT-TERM DEBT: The fair value was determined to be the same as the carrying amount.

- - LONG-TERM DEBT: The fair value of fixed-rate long-term debt was based on the market value of debt with similar maturities and with interest rates currently trading in the marketplace; the carrying amount of variable rate long-term debt was assumed to approximate fair value.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF ENERGEN CORPORATION:

Our report on the consolidated financial statements of Energen Corporation and subsidiaries has been incorporated by reference in this Form 10-K from page 53 of the 1994 Annual Report to Stockholders of Energen Corporation and subsidiaries. In connection with our audits of such financial statements, we have also audited the related financial statement schedules listed in the index on page 16 and 17 of this Form 10-K.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects the information required to be included therein.

Coopers & Lybrand L.L.P.
Birmingham, Alabama
October 26, 1994





SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT
ENERGEN CORPORATION AND SUBSIDIARIES

(In thousands)

| CLASSIFICATION | BALANCE OCT. 1, 1993 | ADDITIONS AT COST | RETIREMENTS OR SALES | OTHER CHANGES | BALANCE SEPT. 30, 1994 |
|---|---|---|---|---|---|
| UTILITY PLANT: | | | | | |
| Organization and other intangible plant | $ 319 | $ -- | $ -- | $ -- | $ 319 |
| Manufactured gas production plant | 98 | -- | -- | -- | 98 |
| Storage plant | 14,072 | 1,094 | 19 | -- | 15,147 |
| Transmission plant | 21,556 | 5,401 | 12 | -- | 26,945 |
| Distribution plant | 318,485 | 18,566 | 1,121 | 527 | 336,457 |
| General plant | 53,478 | 8,596 | 2,191 | 53 | 59,936 |
| Construction in process | 2,589 | 4,638 | -- | -- | 7,227 |
| Utility plant purchased | 1,086 | 178 | -- | (1,264) | -- |
| Acquisition adjustment | 17,432 | -- | -- | 1,032 | 18,464 |
| Total utility plant | 429,115 | 38,473 | 3,343 | 348 | 464,593 |
| OIL AND GAS PROPERTIES | 86,077 | 6,456 | 178 | -- | 92,355 |
| OTHER | 21,172 | 1,234 | 8,346 | -- | 14,060 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $536,364 | $46,163 | $11,867 | $ 348 | $571,008 |





SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT
ENERGEN CORPORATION AND SUBSIDIARIES

(In thousands)

| CLASSIFICATION | BALANCE OCT. 1, 1992 | ADDITIONS AT COST | RETIREMENTS OR SALES | OTHER CHANGES | BALANCE SEPT. 30, 1993 |
|---|---|---|---|---|---|
| UTILITY PLANT: | | | | | |
| Organization and other intangible plant | $ 319 | $ -- | $ -- | $ -- | $ 319 |
| Manufactured gas production plant | 1,194 | -- | 1,096 | -- | 98 |
| Storage plant | 14,020 | 83 | 31 | -- | 14,072 |
| Transmission plant | 21,425 | 16 | -- | 115 | 21,556 |
| Distribution plant | 305,054 | 14,818 | 1,272 | (115) | 318,485 |
| General plant | 50,818 | 4,156 | 1,496 | -- | 53,478 |
| Construction in process | 655 | 1,934 | -- | -- | 2,589 |
| Utility plant purchased | -- | 1,086 | -- | -- | 1,086 |
| Acquisition adjustment | 17,432 | -- | -- | -- | 17,432 |
| Total utility plant | 410,917 | 22,093 | 3,895 | -- | 429,115 |
| OIL AND GAS PROPERTIES | 65,622 | 21,052 | 597 | -- | 86,077 |
| OTHER | 21,020 | 891 | 739 | -- | 21,172 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $497,559 | $44,036 | $5,231 | $ -- | $536,364 |





SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT
ENERGEN CORPORATION AND SUBSIDIARIES

(In thousands)

| CLASSIFICATION | BALANCE OCT. 1, 1991 | ADDITIONS AT COST | RETIREMENTS OR SALES | OTHER CHANGES | BALANCE SEPT. 30, 1992 |
|---|---|---|---|---|---|
| UTILITY PLANT: | | | | | |
| Organization and other intangible plant | $ 319 | $ -- | $ -- | $ -- | $ 319 |
| Manufactured gas production plant | 1,211 | -- | 17 | -- | 1,194 |
| Storage plant | 12,777 | 1,243 | -- | -- | 14,020 |
| Transmission plant | 20,863 | -- | 7 | 569 | 21,425 |
| Distribution plant | 291,967 | 13,659 | 930 | 358 | 305,054 |
| General plant | 48,659 | 4,045 | 2,111 | 225 | 50,818 |
| Construction in process | 381 | 274 | -- | -- | 655 |
| Utility plant purchased | -- | 1,007 | -- | (1,007) | -- |
| Acquisition adjustment | 17,187 | -- | -- | 245 | 17,432 |
| Total utility plant | 393,364 | 20,228 | 3,065 | 390 | 410,917 |
| OIL AND GAS PROPERTIES | 82,678 | 1,397 | 18,453 | -- | 65,622 |
| OTHER | 21,000 | 1,133 | 1,113 | -- | 21,020 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $497,042 | $22,758 | $22,631 | $ 390 | $497,559 |

SCHEDULE VI -- ACCUMULATED DEPRECIATION
ENERGEN CORPORATION AND SUBSIDIARIES

| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| UTILITY PLANT | | | |
| Balance at beginning of year | $215,892 | $202,684 | $187,490 |
| Additions: | | | |
| Charged to expense: | | | |
| Operation | 309 | 500 | 508 |
| Depreciation | 16,781 | 15,876 | 15,826 |
| Charged to clearing accounts | 221 | 208 | 200 |
| Contribution received | 521 | 136 | 717 |
| Plant acquisition | 348 | -- | 389 |
| Acquisition adjustment | -- | -- | -- |
| Acquisition adjustment amortization | 851 | 830 | 820 |
| | 19,031 | 17,550 | 18,460 |
| Retirements or sales, including removal costs, less salvage | (3,596) | (4,342) | (3,266) |
| BALANCE AT END OF YEAR | $231,327 | $215,892 | $202,684 |
| OIL AND GAS PROPERTIES | | | |
| Balance at beginning of year | $ 35,150 | $ 29,485 | $ 27,023 |
| Additions charged to expense | 8,080 | 5,852 | 6,157 |
| Retirements | (178) | (187) | (3,695) |
| Other changes | -- | -- | -- |
| BALANCE AT END OF YEAR | $ 43,052 | $ 35,150 | $ 29,485 |
| OTHER | | | |
| Balance at beginning of year | $ 12,225 | $ 10,760 | $ 8,990 |
| Additions charged to expense | 1,907 | 2,072 | 2,813 |
| Retirements | (4,685) | (607) | (1,043) |
| Other changes | -- | -- | -- |
| BALANCE AT END OF YEAR | $ 9,447 | $ 12,225 | $ 10,760 |





SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS
ENERGEN CORPORATION AND SUBSIDIARIES

| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| ALLOWANCE FOR DOUBTFUL ACCOUNTS | | | |
| Balance at beginning of year | $1,927 | $1,927 | $1,943 |
| Additions: | | | |
| Charged to income: | 1,825 | 1,656 | 1,419 |
| Recoveries and adjustments | 153 | 81 | 120 |

| | 1994 | 1993 | 1992 |
|---|---|---|---|
| | 1,978 | 1,737 | 1,539 |
| Less uncollectible accounts written off | 1,868 | 1,737 | 1,555 |
| BALANCE AT END OF YEAR | $2,037 | $1,927 | $1,927 |





SCHEDULE X -- SUPPLEMENTARY INCOME STATEMENT INFORMATION
ENERGEN CORPORATION AND SUBSIDIARIES

| | CHARGED TO COSTS AND EXPENSES | | |
|---|---|---|---|
| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
| TAXES, OTHER THAN PAYROLL AND INCOME TAXES | | | |
| Utility: | | | |
| City privilege | $12,479 | $11,350 | $ 8,903 |
| Gross receipts | 7,539 | 7,190 | 6,770 |
| Other | 3,066 | 2,500 | 2,457 |
| Oil and gas | 991 | 955 | 719 |
| Other | 159 | 199 | 178 |
| TOTAL | $24,234 | $22,194 | $19,027 |

Other items related to Schedule X are omitted, as the required information is included in the financial statements or notes thereto or are not present in amounts sufficient to require inclusion.





SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT
ALABAMA GAS CORPORATION

(In thousands)

| CLASSIFICATION | BALANCE OCT. 1, 1993 | ADDITIONS AT COST | RETIREMENTS OR SALES | OTHER CHANGES | BALANCE SEPT. 30, 1994 |
|---|---|---|---|---|---|
| Utility Plant: | | | | | |
| Organization and other intangible plant | $ 319 | $ -- | $ -- | $ -- | $ 319 |
| Manufactured gas production plant | 98 | -- | -- | -- | 98 |
| Storage plant | 14,072 | 1,094 | 19 | -- | 15,147 |
| Transmission plant | 21,556 | 5,401 | 12 | -- | 26,945 |
| Distribution plant | 318,485 | 18,566 | 1,121 | 527 | 336,457 |
| General plant | 53,478 | 8,596 | 2,191 | 53 | 59,936 |
| Construction in process | 2,589 | 4,638 | -- | -- | 7,227 |
| Utility plant purchased | 1,086 | 178 | -- | (1,264) | -- |
| Acquisition adjustment | 17,432 | -- | -- | 1,032 | 18,464 |
| Total utility plant | 429,115 | 38,473 | 3,343 | 348 | 464,593 |
| Other property | 83 | 101 | -- | (1) | 183 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $429,198 | $38,574 | $3,343 | $ 347 | $464,776 |

SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT
ALABAMA GAS CORPORATION

(In thousands)

| CLASSIFICATION | BALANCE OCT. 1, 1992 | ADDITIONS AT COST | RETIREMENTS OR SALES | OTHER CHANGES | BALANCE SEPT. 30, 1993 |
|---|---|---|---|---|---|
| Utility Plant: | | | | | |
| Organization and other intangible plant | $ 319 | $ -- | $ -- | $ -- | $ 319 |
| Manufactured gas production plant | 1,194 | -- | 1,096 | -- | 98 |
| Storage plant | 14,020 | 83 | 31 | -- | 14,072 |
| Transmission plant | 21,425 | 16 | -- | 115 | 21,556 |
| Distribution plant | 305,054 | 14,818 | 1,272 | (115) | 318,485 |
| General plant | 50,818 | 4,156 | 1,496 | -- | 53,478 |
| Construction in process | 655 | 1,934 | -- | -- | 2,589 |
| Utility plant purchased | -- | 1,086 | -- | -- | 1,086 |
| Acquisition adjustment | 17,432 | -- | -- | -- | 17,432 |
| Total utility plant | 410,917 | 22,093 | 3,895 | -- | 429,115 |
| Other property | 69 | 14 | -- | -- | 83 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $410,986 | $22,107 | $3,895 | $ -- | $429,198 |





SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT
ALABAMA GAS CORPORATION

(In thousands)

| CLASSIFICATION | BALANCE OCT. 1, 1991 | ADDITIONS AT COST | RETIREMENTS OR SALES | OTHER CHANGES | BALANCE SEPT. 30, 1992 |
|---|---|---|---|---|---|
| Utility Plant: | | | | | |
| Organization and other intangible plant | $ 319 | $ -- | $ -- | $ -- | $ 319 |
| Manufactured gas production plant | 1,211 | -- | 17 | -- | 1,194 |
| Storage plant | 12,777 | 1,243 | -- | -- | 14,020 |
| Transmission plant | 20,863 | -- | 7 | 569 | 21,425 |
| Distribution plant | 291,967 | 13,659 | 930 | 358 | 305,054 |
| General plant | 48,659 | 4,045 | 2,111 | 225 | 50,818 |
| Construction in process | 381 | 274 | -- | -- | 655 |
| Utility plant purchased | -- | 1,007 | -- | (1,007) | -- |
| Acquisition adjustment | 17,187 | -- | -- | 245 | 17,432 |
| Total utility plant | 393,364 | 20,228 | 3,065 | 390 | 410,917 |
| Other property | 70 | -- | -- | (1) | 69 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $393,434 | $20,228 | $3,065 | $ 389 | $410,986 |

SCHEDULE VI -- ACCUMULATED DEPRECIATION
ALABAMA GAS CORPORATION

| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| UTILITY PLANT | | | |
| Balance at beginning of year | $215,892 | $202,684 | $187,490 |
| Additions: | | | |
| Charged to expense: | | | |
| Operation | 309 | 500 | 508 |
| Depreciation | 16,781 | 15,876 | 15,826 |
| Charged to clearing accounts | 221 | 208 | 200 |
| Contribution received | 521 | 136 | 717 |
| Plant acquisition | 348 | -- | 389 |
| Acquisition adjustment | -- | -- | -- |
| Acquisition adjustment amortization | 851 | 830 | 820 |
| | 19,031 | 17,550 | 18,460 |
| Retirements or sales, including removal costs, less salvage | (3,596) | (4,342) | (3,266) |
| BALANCE AT END OF YEAR | $231,327 | $215,892 | $202,684 |





SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS
ALABAMA GAS CORPORATION

| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
|---|---|---|---|
| ALLOWANCE FOR DOUBTFUL ACCOUNTS | | | |
| Balance at beginning of year | $1,800 | $1,800 | $1,800 |
| Additions: | | | |
| Charged to income: | 1,805 | 1,613 | 1,370 |
| Recoveries and adjustments | 263 | 78 | 113 |
| | 2,068 | 1,691 | 1,483 |
| Less uncollectible accounts written off | 1,868 | 1,691 | 1,483 |
| BALANCE AT END OF YEAR | $2,000 | $1,800 | $1,800 |





SCHEDULE X -- SUPPLEMENTARY INCOME STATEMENT INFORMATION
ALABAMA GAS CORPORATION

| CHARGED TO COSTS AND EXPENSES | | | |
|---|---|---|---|
| YEARS ENDED SEPTEMBER 30, (IN THOUSANDS) | 1994 | 1993 | 1992 |
| TAXES, OTHER THAN PAYROLL AND INCOME TAXES | | | |
| Utility: | | | |
| City privilege | $12,479 | $11,350 | $ 8,903 |
| Gross receipts | 7,539 | 7,190 | 6,770 |
| Other | 3,066 | 2,500 | 2,457 |
| TOTAL | $23,084 | $21,040 | $18,130 |

Other items related to Schedule X are omitted, as the required information is included in the financial statements or notes thereto or are not present in amounts sufficient to require inclusion.

EXHIBIT 10(f)

AMENDMENT TO EXECUTIVE RETIREMENT SUPPLEMENT AGREEMENT
(EXECUTIVE: )

THIS AMENDMENT, made and entered into effective as of June 22, 1994 by ENERGEN CORPORATION, an Alabama corporation (the "Company");

WHEREAS, the Company and the above-referenced Executive are parties to that certain Executive Retirement Supplement Agreement dated ________________________ (the "Agreement"); and

WHEREAS, pursuant to Article III of the Agreement, the Company desires to amend the Agreement as set forth below;

NOW, THEREFORE, Section 1.5 of the Agreement is hereby amended and restated in its entirety to read as follows:

> Compensation: The sum of A plus B. For purposes of this definition, A shall equal the average aggregate monthly basic pay from all Employers for the 36 consecutive calendar months during which the Executive had the highest average monthly basic pay out of the 60 calendar months immediately preceding the Severance Date. For purposes of this definition, B shall equal C divided by 12, where C equals the average of the Executive's three highest annual cash incentive awards under the Energen Annual Incentive Compensation Plan (or successor annual cash incentive plan) for the five Company fiscal years immediately preceding the earlier of (i) the fiscal year during which the Severance Date occurs or (ii) the fiscal year during which the Executive's 61st birthday occurs.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer, all as of the day and year first above written.

ENERGEN CORPORATION

By __________________________
Its Chairman and CEO

Acknowledged and Agreed

__________________________
Executive

EXHIBIT 10(M)
ENERGEN CORPORATION
ANNUAL INCENTIVE COMPENSATION PLAN



Revised 5/90
As amended effective October 1, 1993.



ENERGEN CORPORATION
ANNUAL INCENTIVE COMPENSATION PLAN

I. PURPOSE: Attract, retain and motivate key management personnel while promoting a team spirit and the pay for performance concept.

II. POLICY: It is the policy of Energen Corporation and its subsidiary companies to provide an incentive compensation plan which rewards superior performance that benefits:

- o Stockholders (earnings plus capital appreciation)
- o Customers (quality service and products)
- o Management (income)

III. SCOPE: This Incentive Compensation Plan is applicable to key executive management personnel as recommended by the Chief Executive Officer and approved by the Officer Review Committee of the Energen Board of Directors.

IV. TERMS AND DEFINITIONS

4.01 The Plan - The Annual Incentive Compensation Plan approved by the

Energen Board of Directors in April 1986.

4.02 Board of Directors - The Board of Directors of Energen Corporation.

4.03 ORC - The Officer Review Committee of the Board of Directors.

4.04 Energen Performance - The Energen financial performance objectives approved by the ORC.

4.05 Subsidiary Performance - Selected performance objectives (earnings and other) for each subsidiary company or group of executives.

4.06 Individual Performance - Individual participant performance against previously established individual short-term objectives.



4.07 Participant - An executive employee recommended by the CEO and approved by the ORC to participate in the Plan.

4.08 Plan Year - Fiscal year October 1 through September 30.

4.09 Salary - The actual salary earned by the participant during the plan year.

4.10 Weather Adjusted - The actual financial performance attributable to the gas distribution line of business will be adjusted to reflect performance in a normal weather year.

4.11 Base Bonus Factor - A number expressed in terms of "percent of salary" that each participant is potentially eligible to receive based on Energen performance (see Attachment).

4.12 Floor - The Energen financial performance objective below which no incentive awards will be made regardless of subsidiary or individual performance. The "floor" is not weather adjusted.

4.13 Target - The Energen financial performance "stretch" objective. The target is weather adjusted.

4.14 Maximum - The maximum is controlled by the individual maximum caps (see Section 6.05 and Attachment) and Energen net income (see Bonus Pool footnote on Attachment).

4.15 Potential Bonus Pool - The potential amount of money available for distribution for different levels of Energen performance results (see Attachment).

4.16 Incentive Award - The annual cash incentive (or bonus) payment based on Energen, subsidiary and individual performance.

4.17 Election - A voluntary election to defer payment of an award in accordance with Article VII.



V. CONTROL RESPONSIBILITY

5.01 The Board of Directors will approve Energen Performance objectives on recommendation of the ORC on an annual basis.

5.02 The ORC will administer the Plan which will include approval of:

a. Subsidiary performance measures for the Energen CEO and other Energen staff participants as a group.

b. Individual performance measures and the individual incentive awards for the CEO and all participants reporting directly to the CEO.

c. Evaluation of subsidiary performance recommended by the CEO.

5.03 The Energen CEO will approve:

a. The establishment of subsidiary performance measures in conjunction with the subsidiary presidents.

b. The individual performance measures and the individual incentive awards for all other participants.

## VI. PLAN DESIGN

6.01 Potential Bonus Pool - The Potential Bonus Pool is expressed as a pool of dollars available for distribution based on Energen Performance as covered in Section 6.02 (see Attachment).

6.02 Energen Performance - Base Bonus Factor - Energen Performance includes financial objectives for floor, target, and maximum award levels. Energen Performance therefore dictates the Base Bonus Factor (see Attachment) which is used in the following formula to determine the individual incentive award:



Incentive Award = Salary X Base Bonus Factor X Subsidiary Performance Factor X Individual Performance Factor

6.03 Subsidiary Performance - The CEO in consultation with the subsidiary presidents will establish objective criteria for evaluating subsidiary performance. In determining the individual incentive award for each participant, the Base Bonus Factor can therefore be adjusted for subsidiary performance based on the following:

| Subsidiary | Examples Of Performance Measures | Performance Factor Range of Adjustment |
|---|---|---|
| Energen Executive Group | Consolidated Net Income and Market/Book Ratio | .50 - 1.50 |
| Alagasco | AGC Net Income | .75 - 1.25 |
| | All Other Financial and Operating Objectives (Customer Satisfaction, Marketing, Gas Supply, Growth, etc.) | .50 - 1.50 |
| Taurus | Net Income, Finding Cost and Reserve Additions | .50 - 1.50 |
| Others | As Appropriate | .50 - 1.50 |

The subsidiary performance factor is determined by objectively measuring results against established performance objectives and used in the formula to determine the individual incentive award:

Incentive Award = Salary X Base Bonus Factor X Subsidiary Performance Factor X
----------------------------
Individual Performance Factor

6.04 Individual Performance - Participants must meet or exceed certain individual performance criteria prior to earning an incentive award. Participants will establish with their supervisor key objectives, both strategic and operational, for the fiscal year. The individual participant's incentive award will be adjusted based on the achievement of these objectives.

Each objective will be assigned a weight. The sum will be equal to 100. At the end of the plan year the participant's overall performance on such objectives will be rated as follows:

| | | | |
|---|---|---|---|
| a. | Unacceptable | - | 0 |
| b. | Effective | - | 1.0 |
| c. | Highly Effective | - | 1.5 |
| d. | Outstanding | - | 2.0 |

The Individual Performance Factor is found by:

$$\text{Sum Total of} = \frac{\text{Objective Weight} \times \text{Rating}}{100}$$

The performance factor is prorated for levels of performance between the measures identified and is used in the formula to determine individual incentive awards:

Incentive award = Salary X Base Bonus Factor X
Subsidiary Performance Factor X
Individual Performance Factor

6.05 Control Measure - Individual Maximum Bonus Potential - Maximum individual awards have been established for each group of participants (see Attachment).

VII. DEFERRAL ARRANGEMENTS:

7.01 A participant may elect to defer an award payment by filing an election with the Company no later than March 31 of the plan year.

7.02 A participant will be allowed to defer all or part of the incentive award in 25% increments to be paid out over a four-year period.



7.03 The election shall be made in writing in a form letter prescribed by the Company and shall state:

a. that the participant wishes to make an election to defer payment of any award that shall be earned in the plan year;

b. the percentage of the award to be deferred; and

c. the method of payment desired not to exceed four years.

7.04 Once made this election may not be revoked at any time during the plan year. Any payout of the deferred award prior to the time specified in the participant's original election will be solely at the discretion of the Company.

7.05 The deferred award will accumulate interest at a rate equal to the 90-day Treasury Bill rate. Interest will be computed as if credited from the date of award and will be compounded monthly. The rate in effect on the first business day of the month shall be the rate used.

7.06 When a participant terminates employment with the Company, the participant shall be entitled to receive the entire amount reflected in the participant's deferred account. In the event of the death of a participant the entire amount reflected in the participant's deferred account will be paid to the deceased's beneficiary as designated on the deceased's group life insurance benefit with the Company.

VIII. PARTICIPANT ELIGIBILITY AND PARTIAL YEAR AWARDS

8.01 A participant in this Plan will be a key executive of the Company recommended by the Chief Executive Officer and approved by the Officer Review Committee.

8.02 A participant must be approved and eligible for the Plan at the beginning of the plan year. Prospective participants hired or promoted during the plan year will be handled on an individual basis.



8.03 A participant who vacates an eligible position during the plan year due to retirement, disability or death will be included in the Plan on a prorata basis (number of months worked during the year divided by 12).

8.04 Payments for partial year participants will be made at the end of the plan year in conjunction with all other awards.

IX. TAXES AND EFFECT ON OTHER BENEFITS

9.01 Any award shall be considered as compensation for tax purposes and there shall be deducted from the payment the amount of any tax required by any governmental authority.

9.02 Award payments will not be considered as wages, salaries or compensation under any of the employee fringe benefit plans of the Company.

X. TERMINATION AND/OR AMENDMENTS

10.1 The Board of Directors may terminate the Plan at any time and may from time to time amend the Plan. Such amendments will not impair any rights to payments which have been deferred prior to termination or amendment.

XI. ASSIGNMENTS OR TRANSFER

11.1 Neither the participant, participant's beneficiary, nor the participant's personal representative shall have any rights to commute, sell, assign, transfer or otherwise convey the right to receive any payments or awards under this Plan. Such payments or awards are non-assignable and non-transferable and any attempt to assign or transfer payments or awards shall be void and have no effect.

XII. PAYMENT OF AWARDS

12.1 At the end of the plan year the annual incentive awards and payments will be made by payroll check as soon as practicable after all evaluations and approvals are complete.



The foregoing notwithstanding, upon written election of a Group I participant delivered prior to the time that the amount of an award under this Plan becomes ascertainable and due, and approval of such election by the ORC, such participant may elect to receive payment of a specified portion or all of an award under the Plan in the form of stock options issued under the Company's 1988 Stock Option Plan (subject to availability of options under the 1988 Stock Option Plan). For purposes of calculating the appropriate number of options for issuance pursuant to such an election, the options shall be valued using the binomial option pricing model or such other comparable method approved by the ORC.

EXHIBIT 13

Financial Review

Management's Discussion and Analysis of Results of Operations and Financial Condition

RESULTS OF OPERATIONS
CONSOLIDATED NET INCOME

Energen achieved record net income for the fourth year in a row with earnings totaling $23.8 million ($2.19 per share) compared to fiscal 1993 net income of $18.1 million ($1.77 per share). Included in the Company's current-year earnings are one-time gains of $2 million from the sale of its propane assets and the reduction of its investment in high-temperature combustion technology. Excluding these gains, Energen would have achieved record net income of $21.8 million ($2.01 per share). Energen reported earnings of $16.6 million ($1.64 per share) in 1992. In that year, Energen adopted Statement of Financial Accounting Standard (SFAS) 109, Accounting for Income Taxes, and the cumulative effect of that change (10 cents per share) was reflected.

1994 VS. 1993:  Alagasco, Energen's natural gas distribution company, earned record net income of $14.9 million compared with $13 million in fiscal 1993. The utility's investment in underground storage working gas in November 1993 increased the equity upon which Alagasco was able to earn its allowed return. The utility's return on average equity was 13.2 percent. Customer bills were not increased by the storage working gas investment as it represented a transfer of costs from the pipeline supplier to Alagasco.

Taurus Exploration Inc. (Taurus), Energen's oil and gas exploration and production company, reported net income of $6.5 million compared with fiscal 1993 earnings of $5.1 million. The 27 percent increase largely was associated with increased conventional gas activities as production more than doubled to 5.5 Bcf. Taurus also benefited from increased coalbed methane operating fees.

1993 VS. 1992:  Taurus was the primary contributor to Energen's improved earnings. Taurus's net income of $5.1 million more than doubled its 1992 income from current operations of $2.3 million, largely due to increased coalbed methane operating fees and consulting revenues, decreased exploration expenses, and higher natural gas prices.

Alagasco reported record net income of $13 million, an increase of $0.6 million over the prior year. The utility earned near its allowed range of return on an increased level of equity which represented investment needed to meet the demands of a growing service area. Contributions from the Company's group of other activities decreased from the previous year primarily due to reduced income from gathering services and propane activities.

OPERATING INCOME

CONSOLIDATED:  Consolidated operating income in 1994, 1993, and 1992 totaled $35.9 million, $30.3 million, and $22.8 million, respectively. The notable increase over the prior year primarily is associated with the utility, as Alagasco's operating income has tended to increase in a manner consistent with its opportunity for earning within its allowed range of return on equity. The more pronounced improvement in 1994 operating income is a direct result of its investment in underground working storage gas which was financed, in part, through the issuance of equity. Taurus again had a strong positive influence on Energen's operating income as it focused on expanding its conventional oil and gas operations and capitalizing on its coalbed methane expertise.

ALABAMA GAS CORPORATION:  Alagasco generates revenues through the sale and transportation of natural gas. Shifts between transportation and sales gas can cause large variations in natural gas revenues since the transportation rate does not contain an amount representing the cost of gas. Alagasco's rate structure, however, allows similar margins on transported and sales gas; therefore, operating income is not adversely affected. Alagasco's gross natural gas sales revenues totaled $315.3 million, $303.2 million, and $285.6 million in 1994, 1993, and 1992, respectively. Rate relief created the majority of the increase in 1994. The increase for 1993 primarily was due to higher gas costs, increased sales to core customers, and rate relief, partially offset by decreased sales to large commercial and industrial customers who shifted to transportation.



| Years ended September 30, (dollars in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Gross natural gas sales revenues | $ 315,317 | $ 303,178 | $ 285,637 |
| Cost of natural gas | (188,592) | (187,800) | (176,411) |
| Revenue taxes | (20,018) | (18,540) | (15,674) |
| Net natural gas sales margin | 106,707 | 96,838 | 93,552 |
| Net natural gas transportation margin | 29,320 | 27,382 | 25,089 |
| Net natural gas sales and transportation margin | $ 136,027 | $124,220 | $ 118,641 |
| Natural gas sales volumes (MMcf) | | | |
| Residential | 31,254 | 30,957 | 29,119 |
| Commercial and industrial--small | 13,536 | 13,853 | 13,860 |
| Commercial and industrial--large | 106 | 282 | 2,654 |
| Total natural gas sales volumes | 44,896 | 45,092 | 45,633 |
| Natural gas transportation volumes (MMcf) | 52,635 | 49,346 | 46,235 |
| Total deliveries (MMcf) | 97,531 | 94,438 | 91,868 |

Residential sales volumes, which tend to fluctuate as a function of weather, remained relatively stable in the current year following a 6 percent increase in 1993. Weather in Alagasco's service area was 2 percent colder than normal in 1994, 1 percent colder than normal in 1993, and 6 percent warmer than normal in 1992. While weather typically affects customers' usage of natural gas, Alagasco's operating margins remain unaffected due to a real-time temperature adjustment provision which lets Alagasco adjust customer bills monthly to reflect changes in usage due to variances from normal temperatures.

Sales and transportation volumes to commercial, industrial and municipal customers totaled 66.3 Bcf in 1994, 63.5 Bcf in 1993, and 62.7 Bcf in 1992. The 4 percent increase in 1994 represents the addition of several industrial customers. Volumes were relatively stable in 1993.

The utility's 1994 unit cost of gas virtually was unchanged from 1993. Firm and spot market prices were lower on stable sales volumes; however, the resulting decrease largely was offset by the inclusion in the current year of gas supply realignment costs incurred in connection with the implementation of FERC Order 636. In 1993 the increased cost of firm and spot market gas supplies resulted in a 7 percent increase in the unit cost of gas.

Operations and maintenance (O&M) expenses increased 9 percent and 7 percent in 1994 and 1993, respectively, primarily due to increases in labor and related expenses. Of the 9 percent increase in 1994, 3 percent related to the adoption of SFAS 106, Employers' Accounting For Postretirement Benefits Other Than Pensions, for employees under labor union agreements. On a per customer basis, the remainder of the O&M expense increase fell within the index range established by the Alabama Public Service Commission (APSC). In 1993 the increase in O&M expense per customer exceeded the APSC index range and necessitated the return to customers of a portion of the excess.

Depreciation expense rose 4 percent in 1994 consistent with growth in the utility's depreciable base. In 1993 depreciation expense remained stable as the increases in depreciable base were offset by lower average depreciation rates resulting from a change in both APSC-established rates and the composition of depreciable assets. Alagasco's expense for taxes other than income primarily reflects various state and local business taxes as well as payroll-related taxes; state and local business taxes are generally based on gross receipts and fluctuate accordingly.

As discussed more fully in Note 3, Alagasco is subject to regulation by the APSC, which is expected to consider renewal of the utility's rate-setting mechanism following the completion of its review of certain mandates under the

Energy Policy Act of 1992. Changes, if any, to the utility's present rate-setting assumptions or provisions could have an impact on its net income for 1995 and beyond.

TAURUS: Taurus continued to focus on its conventional oil and gas strategy in 1994 as evidenced by its mix of conventional and coalbed methane production. Conventional oil and gas constituted 64 percent of total 1994 production compared to 49 percent and 25 percent in 1993 and 1992, respectively. Accordingly, the $5.8 million increase in natural gas production revenues



in the current year almost exclusively was due to higher conventional production which more than doubled the prior year's levels. Oil revenues declined slightly primarily as a result of a 17 percent decrease in oil prices. In 1993 natural gas revenues increased $1.1 million largely due to a 13 percent increase in average natural gas sales prices. The $0.9 million increase in oil revenue primarily was due to a 41 percent increase in volumes.

| Years ended September 30, (dollars in thousands, except unit price) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Revenues | | | |
| Natural gas production | $ 17,292 | $ 11,449 | $ 10,364 |
| Oil production | 2,725 | 3,484 | 2,559 |
| Operating and consulting fees | 5,194 | 4,954 | 2,795 |
| Total Revenues | $ 25,211 | $ 19,887 | $ 15,718 |
| Production volumes | | | |
| Natural gas (MMcf) | 9,169 | 6,245 | 6,415 |
| Oil (MBbl) | 191 | 204 | 145 |
| Average unit sales price | | | |
| Natural gas (per Mcf) | $ 1.89 | $ 1.83 | $ 1.62 |
| Oil (per Bbl) | $ 14.25 | $ 17.09 | $ 17.65 |

Increased operating fees virtually were offset by decreased consulting fees in the current year. Operating fees represent a percentage of net proceeds on certain coalbed methane properties, as defined by the related operating agreements, and vary with changes in natural gas prices, production volumes and operating expenses. The $1 million increase in operating fees resulted from increased production and the addition of TECO Coalbed Methane's CDM Project in late 1993. Consulting fees decreased $0.8 million due to the completion of several projects partially offset by revenue from the new strategic alliance with Conoco Inc. For 1993 operating fees and consulting revenues increased $2.2 million. The $1.4 increase in operating fees primarily resulted from increased natural gas prices and a new 47-well program. Consulting fees were $0.8 million higher due to the addition of new projects.

The $2 million increase in operations expense over the prior year primarily was due to increased exploration and lease operating expenses. Exploration expense exceeded the prior year by $1.3 million due to the expansion of Taurus's exploratory efforts. Operating expenses for several offshore properties brought on-line in late 1993 and early 1994 caused the increased lease operating expenses. A $3.8 million decrease in 1993 primarily resulted from lower exploration expense and lower labor and related expenses.

Depreciation, depletion, and amortization increased 30 percent in 1994 due to a significant increase in production volumes. The depletion rate (78 cents) was unchanged from the previous year. A 13 percent decrease in 1993 over the prior year primarily was the result of decreased depletion rates (84 cents).

OTHER ACTIVITIES AND INTERCOMPANY ELIMINATIONS: Operating income from Energen's group of other activities increased in 1994 due to increased contribution from propane activities prior to the asset sale and increased contribution from its merchandising operations. The 1993 decrease primarily reflects reduced contribution from its gathering services and propane activities.

Intercompany revenue eliminations for 1994, 1993, and 1992 totaled $8.1 million, $8.3 million, and $9.6 million, respectively, and vary primarily based on intercompany natural gas and merchandising sales.

NON-OPERATING ITEMS

CONSOLIDATED: Interest expense in 1994 increased 7 percent over 1993. Increases resulting from the issuance of $50 million in medium-term notes in 1994 and the inclusion for a full year of the Series 1993 Notes were offset in part by decreased average short-term borrowings. Interest expense increased only slightly in 1993 as the effects of increased average short-term borrowings virtually were offset by a slight decrease in average long-term debt and declining interest rates.

Total other expense decreased $3.2 million in the current year primarily due to the inclusion of one-time pre-tax gains associated



with the sale of the Company's propane assets ($2.1 million) and the sale of the Company's investment in equity securities ($1.5 million). An increase of $2.1 million in 1993 reflects the inclusion in 1992 of a one-time gain from the sale of a portion of Taurus's coalbed methane properties.

The Company's effective tax rates in 1994, 1993, and 1992 were lower than statutory federal tax rates in each of those years primarily due to the recognition of nonconventional fuel tax credits and the amortization of investment tax credits. Income tax expense increases in both years primarily resulted from increased consolidated pre-tax income. In 1993 a 25 percent decrease in the recognition of nonconventional fuel tax credits over the previous year also contributed to the increase. The Company's effective tax rates are expected to remain lower than statutory federal rates in the near future as all tax credits generated are expected to be recognized.

FINANCIAL POSITION AND LIQUIDITY

The Company's net cash from operating activities totaled $34.3 million, $40.4 million, and 30.3 million in 1994, 1993, and 1992, respectively. Operating cash flows in 1994 were strongly influenced by the implementation of Order 636 and the resulting purchase of storage gas by Alagasco. The initial investment in November 1993 was approximately $28 million and averaged $21 million over the full year; by year-end, the total capital employed related to storage gas was $24 million. Offsetting this investment was the timing of the recovery of gas supply adjustment costs. In addition, cash flow was affected by fluctuations in other receivables and payables which are generally the result of timing.

Cash used in investing activities decreased $13.5 million in 1994 to $28 million. The proceeds received for both the sale of assets and equity securities totaled $13.4 million and effectively offset the cash used for capital additions, which was comparable in both years. Net cash used in 1993 increased to $41.5 million primarily as a result of significantly increased oil and gas expenditures associated with Taurus's investment in conventional producing properties.

Cash provided by financing activities in 1994 was $6.2 million. Proceeds from the issuance of 550,000 shares of Energen common stock in November totaled $13.5 million and were used to help fund the purchase of underground storage working gas. Additionally, Alagasco issued $50 million of medium-term notes to fund the balance of the storage investment, redeem its 8.75 percent debentures, reduce its short-term debt, and fund additional capital needs. The notes offered investors a combination of interest rates and investment periods: from 5.4 percent to 7.2 percent for notes redeemable December 1, 1998, to December 15, 2023. In 1993 cash provided by financing activities was $5.7 million as compared to a use of $14.9 million in 1992. The Series 1993 Notes provided $14.6 million which was used to repay short-term indebtedness incurred in the acquisition of conventional oil and gas reserves and for coalbed methane development activities. The utility used $15.6 million in short-term borrowings to redeem the remainder of its Series F and Series G First Mortgage Bonds and its preferred stock in addition to its scheduled payments.

CAPITAL EXPENDITURES

NATURAL GAS DISTRIBUTION: During the last three fiscal years, Alagasco has invested $80.8 million for capital projects; $68.4 million was spent on normal expansion replacements and support of its distribution system; $6.4 million was used in connection with the development of a new customer information system; $3.8 million was used to improve gas availability; and $2.2 million was used to purchase two municipal gas distribution systems.

| Years ended September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Capital expenditures for: | | | |
| Renewals, replacements, system expansion and other | $ 30,264 | $ 19,438 | $ 18,658 |
| Additions to improve gas availability | 1,644 | 1,569 | 563 |
| Municipal gas system acquisitions | 178 | 1,086 | 1,007 |
| Customer information system | 6,387 | - | - |
| Total | $ 38,473 | $ 22,093 | $ 20,228 |



EXPLORATION AND PRODUCTION: Taurus spent $35.5 million for capital projects over the last three years. Of that total, $4.9 million was charged to income as exploration expense. Expenditures for conventional oil and gas activities over the last three years totaled $29.8 million and primarily reflect Taurus's investment in proved property acquisitions and exploration and development of offshore natural gas properties. Expenditures for nonconventional oil and gas activities for the last three years totaled $4 million.

| Years ended September 30, (dollars in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Capital and exploration expenditures for: | | | |
| Conventional oil and gas | $ 7,853 | $ 20,777 | $ 1,203 |
| Nonconventional gas | 217 | 1,007 | 2,742 |
| Other | 900 | 397 | 441 |
| Total | $ 8,970 | $ 22,181 | $ 4,386 |
| Exploration expenditures charged to income (included above) for: | | | |
| Conventional oil and gas | $ 1,577 | $ 731 | $ 504 |
| Nonconventional gas | 37 | 1 | 2,044 |
| Total | $ 1,614 | $ 732 | $ 2,548 |

OTHER ACTIVITIES: Capital expenditures by Energen's other activities totaled $1.5 million during the last three fiscal years and included two propane acquisitions in 1992.

FUTURE CAPITAL EXPENDITURES AND LIQUIDITY

Capital and exploration expenditures could approximate $66 million in 1995, excluding municipal gas system acquisitions, and primarily represent additions for normal distribution system expansion, the development of a new customer information system at Alagasco, and oil and gas development activities. In addition, the Company will maintain an investment in storage working gas which is anticipated to average $19 million in 1995. The Company anticipates funding these capital requirements through internally generated capital and the utilization of short-term credit facilities. Energen has short-term credit facilities totaling $110 million available for working capital needs, with $6 million and $40 million employed at September 30, 1994 and 1993, respectively.

The Company's oil and gas subsidiary periodically enters into futures contracts to hedge its exposure to price fluctuations on oil and gas production. Under this program, Taurus has entered into futures contracts for the sale of 5 Bcf of its fiscal 1995 gas production at an average contract price of $2.17 and for the sale of 160,000 barrels of its oil production at an average contract price of $18.61.

As previously discussed, the Company anticipates its effective income tax rates to remain lower than statutory federal tax rates due to the recognition of nonconventional fuel tax credits; the Company will receive cash benefit for a portion of those tax credits in the future due to alternative minimum tax provisions.



Consolidated Statements Of Income
Energen Corporation and Subsidiaries

| Years ended September 30, (in thousands, except share data) | 1994 | 1993 | 1992 |
|---|---|---|---|
| OPERATING REVENUES | | | |
| Natural gas distribution | $ 344,637 | $ 330,560 | $ 310,726 |
| Oil and gas production | 25,211 | 19,887 | 15,718 |
| Other | 15,401 | 14,926 | 15,099 |
| Intercompany eliminations | (8,176) | (8,257) | (9,561) |
| Total operating revenues | 377,073 | 357,116 | 331,982 |
| OPERATING EXPENSES | | | |
| Cost of gas | 184,458 | 182,925 | 170,079 |
| Operations | 91,787 | 84,050 | 81,707 |
| Maintenance | 9,469 | 9,235 | 9,067 |
| Depreciation, depletion and amortization | 28,000 | 25,289 | 26,274 |
| Taxes, other than income taxes | 27,451 | 25,350 | 22,062 |
| Total operating expenses | 341,165 | 326,849 | 309,189 |
| OPERATING INCOME | 35,908 | 30,267 | 22,793 |
| OTHER INCOME (EXPENSE) | | | |
| Interest expense, net of amounts capitalized | (11,345) | (10,605) | (10,415) |
| Dividends on preferred stock of subsidiary | - | (70) | (85) |
| Gain on sale of assets | 2,142 | - | 2,763 |
| Other, net | 3,657 | 1,897 | 1,013 |
| Total other income (expense) | (5,546) | (8,778) | (6,724) |
| INCOME BEFORE INCOME TAXES | 30,362 | 21,489 | 16,069 |
| Income taxes | 6,611 | 3,408 | 382 |
| INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 23,751 | 18,081 | 15,687 |
| Cumulative effect of change in accounting principle | - | - | 941 |
| NET INCOME | $ 23,751 | $ 18,081 | $ 16,628 |
| EARNINGS PER AVERAGE COMMON SHARE | | | |
| Income before cumulative effect | $ 2.19 | $ 1.77 | $ 1.54 |
| Cumulative effect of change in accounting principle | - | - | .10 |
| Net income | $ 2.19 | $ 1.77 | $ 1.64 |
| AVERAGE COMMON SHARES OUTSTANDING | 10,833,619 | 10,236,926 | 10,168,111 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



Consolidated Balance Sheets
Energen Corporation and Subsidiaries

| As of September 30, (in thousands) | 1994 | 1993 |
|---|---|---|

| | | |
|---|---|---|
| ASSETS | | |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Utility plant | $ 464,593 | $ 429,115 |
| Less accumulated depreciation | 231,327 | 215,892 |
| Utility plant, net | 233,266 | 213,223 |
| Oil and gas properties, successful efforts method | 92,355 | 86,077 |
| Less accumulated depreciation, depletion and amortization | 43,052 | 35,150 |
| Oil and gas properties, net | 49,303 | 50,927 |
| Other property, net | 4,613 | 8,947 |
| Total property, plant and equipment, net | 287,182 | 273,097 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 27,526 | 15,008 |
| Accounts receivable, net of allowance for doubtful accounts of $2,037 in 1994 and $1,927 in 1993 | 34,145 | 36,181 |
| Inventories, at average cost | | |
| Storage gas inventory | 24,363 | - |
| Materials and supplies | 7,589 | 8,957 |
| Liquified natural gas in storage | 3,349 | 3,636 |
| Deferred gas costs | 1,460 | 2,966 |
| Deferred income taxes | 7,542 | 4,090 |
| Prepayments and other | 3,117 | 4,034 |
| Total current assets | 109,091 | 74,872 |
| OTHER ASSETS | | |
| Notes receivable | 3,911 | 6,798 |
| Deferred charges and other | 11,130 | 15,918 |
| Total other assets | 15,041 | 22,716 |
| TOTAL ASSETS | $ 411,314 | $ 370,685 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



| As of September 30, (in thousands) | 1994 | 1993 |
|---|---|---|
| CAPITAL AND LIABILITIES | | |
| CAPITALIZATION | | |
| Preferred stock, cumulative, $0.01 par value, 5,000,000 shares authorized | $ - | $ - |
| Common shareholders' equity | | |
| Common stock, $0.01 par value; 30,000,000 shares authorized, 10,917,904 shares outstanding in 1994 and 10,320,317 shares outstanding in 1993 | 109 | 103 |
| Premium on capital stock | 81,073 | 66,368 |
| Capital surplus | 2,802 | 2,802 |
| Retained earnings | 83,042 | 71,040 |
| Total common shareholders' equity | 167,026 | 140,313 |
| Long-term debt | 118,302 | 85,852 |
| Total capitalization | 285,328 | 226,165 |
| CURRENT LIABILITIES | | |
| Long-term debt due within one year | 10,123 | 5,043 |
| Notes payable to banks | 6,000 | 40,000 |
| Accounts payable | 27,480 | 27,609 |
| Accrued taxes | 13,083 | 9,656 |
| Customers' deposits | 17,462 | 16,719 |
| Amounts due customers | 11,734 | 5,105 |
| Accrued wages and benefits | 9,662 | 8,054 |
| Other | 15,129 | 13,232 |
| Total current liabilities | 110,673 | 125,418 |
| DEFERRED CREDITS AND OTHER LIABILITIES | | |
| Deferred income taxes | 1,706 | 480 |
| Accumulated deferred investment tax credits | 4,590 | 5,077 |
| Other | 9,017 | 13,545 |
| Total deferred credits and other liabilities | 15,313 | 19,102 |
| COMMITMENTS AND CONTINGENCIES | - | - |
| TOTAL CAPITAL AND LIABILITIES | $ 411,314 | $ 370,685 |

9

Consolidated Statements Of Shareholders Equity

Energen Corporation and Subsidiaries

(In thousands, except share amounts)

| | Common Stock | | | | |
|---|---|---|---|---|---|
| | Number of Shares | Par Value | Premium on Capital Stock | Capital Surplus | Retained Earnings |
| BALANCE AT SEPTEMBER 30, 1991 | 10,104,482 | $ 101 | $ 61,745 | $ 2,802 | $ 57,347 |
| Net income | | | | | 16,628 |
| Shares issued for: | | | | | |
| Dividend reinvestment plan | 8,483 | | 153 | | |
| Employee benefit plans | 69,633 | 1 | 1,347 | | |
| Cash dividends--$1.01 per share | | | | | (10,266) |
| BALANCE AT SEPTEMBER 30, 1992 | 10,182,598 | 102 | 63,245 | 2,802 | 63,709 |
| Net income | | | | | 18,081 |
| Shares issued for: | | | | | |
| Dividend reinvestment plan | 20,862 | | 474 | | |
| Employee benefit plans | 116,857 | 1 | 2,649 | | |
| Cash dividends--$1.05 per share | | | | | (10,750) |
| BALANCE AT SEPTEMBER 30, 1993 | 10,320,317 | 103 | 66,368 | 2,802 | 71,040 |
| Net income | | | | | 23,751 |
| Shares issued for: | | | | | |
| Stock offering | 550,000 | 6 | 13,531 | | |
| Dividend reinvestment plan | 7,717 | | 181 | | |
| Employee benefit plans | 39,870 | | 993 | | |
| Cash dividends -- $1.09 per share | | | | | (11,749) |
| BALANCE AT SEPTEMBER 30, 1994 | 10,917,904 | $ 109 | $ 81,073 | $ 2,802 | $ 83,042 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

10

Consolidated Statements Of Cash Flows

Energen Corporation and Subsidiaries

| Years ended September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Net income | $ 23,751 | $ 18,081 | $ 16,628 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | 28,000 | 25,289 | 26,274 |
| Deferred income taxes, net | (2,802) | (785) | (4,441) |
| Deferred investment tax credits, net | (487) | (528) | (535) |
| Gain on sale of assets | (2,142) | - | (2,763) |
| Gain on sale of equity securities | (2,878) | - | - |
| Net change in: | | | |
| Accounts receivable | 1,523 | (6,360) | (3,615) |
| Inventories | (23,467) | 466 | 438 |
| Accounts payable | (129) | 4,990 | 4,405 |
| Other current assets and liabilities | 15,798 | (1,808) | (3,394) |
| Other, net | (2,824) | 1,096 | (2,695) |
| Net cash provided by operating activities | 34,343 | 40,441 | 30,302 |
| INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment | (45,543) | (43,672) | (22,533) |
| Proceeds from sale of assets | 8,624 | - | 10,750 |
| Proceeds from sale of equity securities | 4,808 | - | - |
| Payments on notes receivable | 1,639 | 1,388 | - |
| Other, net | 2,485 | 819 | 383 |
| Net cash used in investing activities | (27,987) | (41,465) | (11,400) |
| FINANCING ACTIVITIES | | | |
| Payment of dividends on common stock | (11,749) | (10,750) | (10,266) |

| | | | |
|---|---|---|---|
| Issuance of common stock | 14,711 | 3,124 | 1,501 |
| Reduction of long-term debt and preferred stock of subsidiary | (12,470) | (21,200) | (7,302) |
| Proceeds from issuance of medium-term notes | 49,670 | 14,555 | 19,200 |
| Net change in short-term debt | (34,000) | 20,000 | (18,000) |
| Net cash provided by (used in) financing activities | 6,162 | 5,729 | (14,867) |
| Net change in cash and cash equivalents | 12,518 | 4,705 | 4,035 |
| Cash and cash equivalents at beginning of period | 15,008 | 10,303 | 6,268 |
| Cash and cash equivalents at end of period | $ 27,526 | $ 15,008 | $ 10,303 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



Notes To Consolidated Financial Statements

Energen Corporation and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Energen Corporation (the Company) is a diversified energy holding company engaged primarily in the distribution, exploration and production of natural gas, principally in central and north Alabama. The following is a description of the Company's significant accounting policies and practices.

A. Principles of Consolidation
The accompanying financial statements include the accounts of Energen Corporation and its subsidiaries, principally Alabama Gas Corporation (Alagasco), after elimination of all significant intercompany transactions in consolidation. Until May 1994, the Company owned a 41 percent interest in American Combustion Inc. and accounted for that investment under the equity method. Following the sale of a majority of that interest in the current year, the Company accounts for its remaining 8 percent investment under the cost method.

B. Property, Plant and Equipment and Related Depreciation
Property, plant and equipment (principally utility plant) is stated at cost. The cost of utility plant includes an allowance for funds used during construction. Maintenance is charged for the cost of normal repairs and the renewal or replacement of an item of property which is less than a retirement unit. When property which represents a retirement unit is replaced or removed, the cost of such property is credited to utility plant and, together with the cost of removal less salvage, is charged to the accumulated reserve for depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of utility property at rates established by the Alabama Public Service Commission (APSC). Approved depreciation rates averaged approximately 4.3 percent in 1994 and 1993 and 4.4 percent in 1992.

C. Operating Revenue and Gas Costs
In accordance with industry practice, the Company records natural gas distribution revenue on a monthly and cycle billing basis. The Company extends credit to its residential and industrial utility customers which are located primarily in central and north Alabama. The commodity cost of purchased gas applicable to gas delivered to customers but not yet billed under the cycle billing method is deferred as a current asset.

D. Income Taxes
The Company's deferred income taxes reflect the impact of temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes and are measured in compliance with enacted tax laws. Investment tax credits have been deferred and are being amortized over the lives of the related assets.

E. Oil and Gas Producing Activities
The Company follows the successful efforts method of accounting for costs incurred in the exploration and development of oil and gas reserves. Lease acquisition costs are capitalized initially, and unproved properties are reviewed periodically to determine if there has been impairment of the carrying

value, with any such impairment charged to exploration expense currently. Exploratory drilling costs are capitalized pending determination of proved reserves. If proved reserves are not discovered, the exploratory drilling costs are expensed. Other exploration costs, including geological and geophysical costs, are expensed as incurred. All development costs are capitalized. Depreciation, depletion and amortization is determined on a field-by-field basis using the unit-of-production method based on proved reserves. A provision for anticipated abandonment and restoration costs at the end of a property's useful life is made through depreciation expense. The Company's oil and gas subsidiary periodically enters into futures contracts to hedge its exposure to price fluctuations on oil and gas production. Gains and losses on futures contracts are recognized in the income statement as the hedged volumes are produced.

F. Cash Equivalents
The Company includes highly liquid marketable securities and debt instruments purchased with a maturity of three months or less in cash equivalents.



2. LONG-TERM DEBT AND NOTES PAYABLE   Long-term debt consists of the following:

| As of September 30, (in thousands) | 1994 | 1993 |
|---|---|---|
| Energen Corporation: | | |
| 8% debentures, due up to $1,000,000 annually to February 1, 2007 | $ 19,935 | $ 19,960 |
| Series 1993 notes, interest ranging from 4.65% to 7.25%, due annually beginning March 1, 1996, in payments ranging from $775,000 to $1,675,000 to March 1, 2008 | 14,976 | 15,000 |
| Notes payable, interest ranging from 9.3% to 10.05%, scheduled to be repaid in 1995 | 6,300 | 7,100 |
| Alabama Gas Corporation: | | |
| First Mortgage Bonds, 11% Series H, due $1,500,000 annually to January 15, 1999 | 7,500 | 9,000 |
| Medium-term notes, interest ranging from 5.4% to 7.2%, for notes redeemable December 1, 1998, to December 15, 2023 | 50,000 | - |
| 9% debentures, due up to $1,200,000 annually to November 1, 2014 | 28,758 | 28,758 |
| 8.75% debentures, redeemed during fiscal year 1994 | - | 8,299 |
| Mortgage note payable, due $30,800 quarterly to April 1, 2002; interest is variable | 956 | 1,048 |
| Other Entities: | | |
| First Mortgage Note, repaid during fiscal year 1994 | - | 1,680 |
| Other | - | 50 |
| Total | 128,425 | 90,895 |
| Less amounts due within one year | 10,123 | 5,043 |
| Total | $118,302 | $ 85,852 |

Substantially all utility plant serves as collateral for the Alabama Gas Corporation First Mortgage Bonds. Utility plant having a net book value of $1,703,000 serves as collateral for the mortgage note payable which has a variable interest rate of 1.47 percent above the 91-day U.S. Treasury Bill rate, adjusted quarterly. The applicable year-end interest rates were 5.66 percent and 4.54 percent for 1994 and 1993, respectively.

The aggregate maturities of long-term debt for the next five years are as follows:

| Years ending September 30, (in thousands) | | | | |
|---|---|---|---|---|
| 1995 | 1996 | 1997 | 1998 | 1999 |
| $10,123 | $4,598 | $4,648 | $4,698 | $10,073 |

The Company and Alagasco are subject to various restrictions on the payment of dividends. The most restrictive provisions are:  (1) Under Energen's 8 percent debentures, dividends or other distributions with respect to common stock may not be made unless the Company maintains a minimum consolidated tangible net worth of $80 million; at September 30, 1994, Energen had a tangible net worth of $166,799,000; and, (2) Under Alagasco's 9 percent debentures, utility dividends or other distributions with respect to utility common stock may not be made unless the utility maintains a consolidated tangible net worth, as defined, of at least $50 million. At September 30, 1994, Alagasco had a tangible net worth of $115,364,000.

The Company and Alagasco have short-term credit lines and other credit facilities of $110 million available to either entity for working capital needs.



The following is a summary of information relating to notes payable to banks:

| As of September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Amount outstanding | $ 6,000 | $ 40,000 | $ 20,000 |
| Available for borrowings | 104,000 | 70,000 | 90,000 |
| Total | $ 110,000 | $ 110,000 | $ 110,000 |
| Maximum amount outstanding at any month-end | $ 60,000 | $ 43,000 | $ 43,000 |
| Average daily amount outstanding | $ 13,836 | $ 31,318 | $ 28,642 |
| Weighted average interest rates based on: | | | |
| Average daily amount outstanding | 3.32% | 3.42% | 4.74% |
| Amount outstanding at year-end | 5.17% | 3.33% | 3.42% |

Total interest expense for Energen in 1994, 1993 and 1992 was $11,345,000, $10,605,000, and $10,476,000 (of which $61,000 was capitalized), respectively.

3. REGULATORY   As an Alabama utility, Alagasco is subject to regulation by the APSC which, in 1983, established the Rate Stabilization and Equalization (RSE) rate-setting process. RSE was extended for the third time on December 3, 1990, for a three-year period. Under the terms of that extension, RSE shall continue after November 30, 1993, unless, after notice to the Company, the Commission votes to either modify or discontinue its operation. On October 4, 1993, the Commission unanimously voted to extend RSE until such time as certain hearings mandated by the Energy Policy Act of 1992 (Energy Act) in connection with integrated resource planning and demand-side management programs are completed. The Energy Act proceedings are expected to conclude during fiscal 1995 at which time it is expected that the Commission will consider renewal of RSE.

Under RSE as extended, the APSC conducts quarterly reviews to determine, based on Alagasco's projections and fiscal year-to-date performance, whether Alagasco's return on equity for the fiscal year will be within the allowed range of 13.15 percent to 13.65 percent. Reductions in rates can be made quarterly to bring the projected return within the allowed range. Increases, however, are allowed only once each fiscal year, effective December 1, and cannot exceed 4 percent of prior-year revenues. RSE limits the utility's equity upon which a return is permitted to 60 percent of total capitalization and provides for certain cost control measures designed to monitor the Company's operations and maintenance (O&M) expense. If O&M expense per customer falls within 1.25 percentage points above or below the Consumer Price Index For All Urban Customers (index range), no adjustment is required. If, however, O&M expense per customer exceeds the index range, three-quarters of the difference will be returned to the customers. To the extent O&M expense per customer is less than the index range, the utility will benefit by one-half of the difference through future rate adjustments. Effective December 15, 1990, the APSC approved a temperature adjustment to customers' monthly bills to mitigate the effect of departures from normal temperature on Alagasco's earnings. The calculation is performed monthly, and adjustments to customer's bills are made in the same month the weather variation occurs.

The Company's rate schedules for natural gas distribution charges contained a Purchased Gas Adjustment (PGA) rider in 1993 which permitted the pass-through of changes in gas costs to customers. The APSC approved, effective October 4, 1993, the replacement of the PGA rider with the new Gas Supply Adjustment rider in order to accommodate changes in gas supply purchases resulting from implementation of FERC Order 636, including gas supply realignment surcharges imposed by the Company's suppliers.

In accordance with APSC-directed regulatory accounting procedures, Alagasco in 1989 began returning excess utility deferred taxes which resulted from a reduction in the federal statutory tax rate from 46 percent to 34 percent using the average rate assumption method. This method provides for the return to ratepayers of excess deferred taxes over the lives of the related assets. In 1993 those excess taxes were reduced as a result of a federal tax rate increase from 34 percent to 35 percent. Approximately $3.1 million of remaining excess utility deferred taxes are being returned to ratepayers over approximately 16 years.



4. INCOME TAXES   The components of income taxes consist of the following:

| For the years ended September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Taxes estimated to be payable currently: | | | |
| Federal | $ 8,550 | $ 3,905 | $ 4,836 |
| State | 1,369 | 611 | 522 |
| Total current | 9,919 | 4,516 | 5,358 |
| Taxes deferred: | | | |
| Federal | (2,976) | (1,280) | (5,214) |
| State | (332) | 172 | 238 |
| Total deferred | (3,308) | (1,108) | (4,976) |
| Total income tax expense | $ 6,611 | $ 3,408 | $ 382 |

As discussed in Note 14, the Company adopted SFAS 109 as of October 1, 1991, and the cumulative effect of this change is reported in the 1992 consolidated statements of income.

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities for 1994 and 1993 are as follows:

| As of September 30, (in thousands) | 1994 | 1993 |
|---|---|---|
| Deferred tax assets: | | |
| Deferred investment tax credits | $ 1,567 | $ 1,748 |
| Regulatory liabilities | 2,585 | 2,866 |
| Minimum tax credit | 12,469 | 12,043 |
| Insurance and accruals | 1,568 | 1,010 |
| Unbilled revenue | 1,454 | 1,426 |
| Other, net | 6,448 | 4,797 |
| Subtotal | 26,091 | 23,890 |
| Valuation allowance | - | - |
| Total deferred tax assets | $ 26,091 | $ 23,890 |
| Deferred tax liabilities: | | |
| Depreciation and basis differences | $ 16,905 | $ 16,635 |
| Basis differences on oil and gas producing properties | 1,564 | 1,221 |
| Pension and other benefit costs | 1,306 | 1,222 |
| Other, net | 480 | 1,202 |
| Total deferred tax liabilities | $ 20,255 | $ 20,280 |

No valuation allowance with respect to deferred taxes is deemed necessary, as the Company anticipates generating adequate future taxable income to realize the benefits of all deferred tax assets on the balance sheet. As of September 30, 1994, the amount of minimum tax credit which can be carried forward indefinitely to reduce future regular tax liability is $12,469,000.

Total income tax expense differs from the amount which would be provided by applying the statutory federal income tax rate to pretax earnings as illustrated below:

| For the years ended September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Income tax expense at statutory federal income tax rate | $ 10,627 | $ 7,467 | $ 5,464 |
| Increase (decrease) resulting from: | | | |
| Nonconventional fuel credits--current | (4,259) | (1,374) | (1,302) |
| Nonconventional fuel credits--deferred | 127 | (2,446) | (3,775) |
| Investment tax credits--deferred | (487) | (528) | (535) |
| Return of utility excess deferred taxes | (76) | (172) | - |
| State income taxes, net of federal income tax benefit | 700 | 639 | 609 |
| Other, net | (21) | (178) | (79) |
| Total income tax expense | $ 6,611 | $ 3,408 | $ 382 |



5. RETIREMENT INCOME PLANS AND OTHER BENEFITS   The Company has two defined benefit non-contributory pension plans which cover a majority of employees. Benefits are based on years of service and final earnings. The Company's policy is to use the "projected unit credit" actuarial method for funding and financial reporting purposes. The expense (income) for the plan covering the majority of employees for the years ended September 30, 1994, 1993 and 1992, was $15,000, $(118,000), and $(278,000), respectively. The expense for the second plan covering employees under labor union agreements for 1994, 1993 and 1992 was $555,000, $557,000, and $503,000, respectively.

The funded status of the plans is as follows:

| As of June 30, (in thousands) | Assets Exceed Accumulated Benefits | | Accumulated Benefits Exceed Assets | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| Vested benefits | $(48,354) | $ (46,513) | $(12,860) | $(12,258) |
| Nonvested benefits | (5,530) | (5,403) | (2,253) | (2,121) |
| Accumulated benefit obligation | (53,884) | (51,916) | (15,113) | (14,379) |
| Effects of salary progression | (10,332) | (9,803) | - | - |
| Projected benefit obligation | (64,216) | (61,719) | (15,113) | (14,379) |
| Fair value of plan assets, primarily equity and fixed income securities | 72,004 | 73,576 | 11,863 | 11,815 |
| Unrecognized net gain | 2,646 | (434) | 1,034 | 124 |
| Unrecognized prior service cost | 46 | 51 | 1,554 | 1,696 |
| Unrecognized net transition obligation (asset) | (6,524) | (7,332) | 452 | 509 |
| Additional minimum liability | - | - | (3,040) | (2,329) |
| Accrued pension asset (liability) | $ 3,956 | $ 4,142 | $ (3,250) | $ (2,564) |

At September 30, 1994 and 1993, the discount rate used to measure the projected benefit obligation was 7.5 percent for both plans, and the annual rate of salary increase for the salaried plan was 5.5 percent. The expected long-term rate of return on plan assets was 8.25 percent for both plans in 1994 and 8 percent in 1993.

The components of net pension costs for 1994, 1993 and 1992 were:

| For the years ended September 30, (in thousands) | Assets Exceed Accumulated Benefits | | | Accumulated Benefits Exceed Assets | | |
|---|---|---|---|---|---|---|
| | 1994 | 1993 | 1992 | 1994 | 1993 | 1992 |
| Service cost | $ 1,873 | $ 1,678 | $ 1,560 | $ 224 | $ 187 | $ 176 |
| Interest cost on projected benefit obligation | 4,550 | 4,097 | 3,807 | 1,042 | 1,018 | 970 |
| Actual return on plan assets | (504) | (6,858) | (6,123) | (372) | (1,048) | (1,116) |
| Net amortization and deferral | (5,904) | 965 | 478 | (339) | 400 | 473 |
| Net pension (income) expense | $ 15 | $ (118) | $ (278) | $ 555 | $ 557 | $ 503 |

The Company has deferred compensation plan agreements for certain key executives providing for payments on retirement, death or disability. The deferred compensation expense under these agreements for 1994, 1993 and 1992 was $461,000, $650,000, and $528,000, respectively.

In addition to providing pension benefits, the Company provides certain post-employment health care and life insurance benefits.  Substantially all of the Company's employees may become eligible for such benefits if they reach normal retirement age while working for the Company. In a prior year, the Company adopted SFAS No. 106, Employers' Accounting for Post-retirement Benefits Other Than Pensions, with respect to the accrual of such costs for salaried employees. During fiscal year 1994, the Company adopted SFAS 106 with respect to such costs for employees under collective bargaining agreements. There is no cumulative effect on the income statement resulting from the adoption of SFAS 106, as the Company elected to amortize transition costs over a 20-year period. On December 6, 1993, the APSC adopted Order 4-3454 which allows the Company to recover all costs accrued under SFAS 106 through rates.

While the Company has not adopted a formal funding policy, all of its accrued post-retirement liability was funded at year-end.



The expense for salaried employees for the years ended September 30, 1994, 1993, and 1992 was $2,319,000, $2,677,000, and $2,439,000, respectively. Prior to 1994, the Company recognized the cost of providing post-retirement benefits for union employees on a "pay-as-you-go" basis. These benefits were provided through a self-insurance arrangement and through insurance companies whose premiums were based on the benefits paid during the year. In 1994 the expense for union employees was $3,685,000, an increase of $2,246,000 over what would have been recognized under the "pay-as-you-go" method. Expense of $982,000 and $882,000 was incurred during 1993 and 1992, respectively. The "projected unit credit" actuarial method was used to determine the normal cost and actuarial liability.

A reconciliation of the estimated status of the obligation is as follows:

| As of June 30, (in thousands) | Salaried Employees | | Union Employees | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| Accumulated post-employment benefit obligation | $ (21,296) | $(23,067) | $(24,564) | $ - |
| Plan assets | 9,408 | 6,488 | 1,248 | - |
| Unamortized amounts | 11,751 | 14,456 | 21,357 | - |
| Accrued post-employment benefit liability | $ (137) | $ (2,123) | $ (1,959) | $ - |

Net periodic post-employment benefit cost for the years ended September 30, 1994, 1993, and 1992, included the following:

| For the years ended September 30, (in thousands) | Salaried Employees | | | Union Employees | | |
|---|---|---|---|---|---|---|
| | 1994 | 1993 | 1992 | 1994 | 1993 | 1992 |
| Service cost | $ 450 | $ 464 | $ 321 | $ 481 | $ - | $ - |
| Interest cost on accumulated post-employment benefit obligation | 1,726 | 1,457 | 1,276 | 1,920 | - | - |
| Amortization of transition obligation | 723 | 842 | 842 | 1,285 | - | - |
| Amortization of actuarial gains and losses | - | 49 | - | - | - | - |
| Deferred asset (gain) loss | (453) | - | - | - | - | - |
| Actual return on plan assets | (127) | (135) | - | (1) | - | - |
| Net periodic post-employment benefit expense | $ 2,319 | $ 2,677 | $ 2,439 | $ 3,685 | $ - | $ - |

The weighted average health care cost trend rate used in determining the accumulated post-employment benefit obligation was 8 percent in 1994 and 1993 and 8.5 percent in 1992. That assumption has a significant effect on the amounts reported. For example, with respect to salaried employees, increasing the weighted average health care cost trend rate by 1 percent would increase the accumulated post-employment benefit obligation by 3.8 percent and the net periodic post-employment benefit cost by 4.7 percent. For union employees, increasing the weighted average health care cost trend rate by 1 percent would increase the accumulated post-employment benefit obligation by 5.8 percent and the net periodic post-employment benefit cost by 5.4 percent. The weighted average discount rate used in determining the accumulated post-employment benefit obligation was 7.5 percent in 1994 and 1993 and 8 percent in 1992.

The Company has a long-term disability plan covering most salaried employees. Expense for the years ended September 30, 1994, 1993, and 1992, was $150,000, $129,000, and $129,000, respectively.

6. COMMON STOCK PLANS   A majority of Company employees are eligible to participate in the Energen Employee Savings Plan (ESP) by investing a portion of their compensation in the Plan, with the Company matching a part of the employee investment by contributing Company common stock. The ESP also contains employee stock ownership plan provisions. The Company issued 36,355 common shares to the ESP in 1994, 111,895 shares in 1993, and 76,203 shares in 1992. At September 30, 1994, 481,484 common shares were reserved for issuance under the ESP. Expense associated with Company contributions to the ESP was $2,772,000, $2,601,000, and $2,431,000 for 1994, 1993 and 1992, respectively.

The Restricted Stock Incentive Plan of Energen Corporation, adopted in 1984, provided for the award of common stock to eligible participants. Stock awarded under the Plan is subject to certain restrictions against sale or pledge. Pursuant to its terms, the Plan terminated effective January 1994 subject to completion of restriction periods applicable to previously awarded shares. Under the Plan, no common shares were awarded in 1994, 1993, or 1992. Expense of $218,000, $289,000 and $303,000 was charged during 1994, 1993 and 1992, respectively, under this Plan.



The Company has a dividend reinvestment plan for which 161,437 common shares were reserved at September 30, 1994.

The Energen Corporation 1988 Stock Option Plan provides for the grant of incentive stock options, non-qualified stock options, or a combination thereof to officers and key employees. Options granted under the Plan provide for purchase of the Company's common stock at not less than the fair market value on the date the option is granted. Under the Plan, 270,000 shares of the Company's common stock have been reserved for issuance. Options were granted in 1993 and 1991 with dividend equivalents, 1,900 of which have been exercised, and, in 1990, with stock appreciation rights (SARS), 12,696 of which were canceled upon exercise.

Transactions under the Plan are summarized as follows:

| As of September 30, | 1994 | 1993 | 1992 |
|---|---|---|---|
| Outstanding at beginning of year ($16.75 - $20.125) | 141,556 | 111,152 | 130,986 |
| Granted (at $16.75 - $18.375) | - | 45,000 | - |
| Exercised ($22.875 - $25.125) | - | (1,900) | - |
| Canceled upon exercise of Stock Appreciation Rights ($23.25 - $26.375) | - | (12,696) | - |
| Forfeited | - | - | (19,834) |
| Outstanding at year-end | 141,556 | 141,556 | 111,152 |
| Exercisable at year-end | 141,556 | 141,556 | 111,152 |
| Remaining reserved for issuance at year-end | 113,848 | 113,848 | 158,848 |

In 1992 the Company adopted the Energen Corporation 1992 Long-Range Performance Plan which provides for the award of up to 500,000 performance units, with each unit equal to the market value of one share of common stock, to eligible employees based on predetermined performance criteria at the end of a four-year award period. Under the Plan, a portion of the performance units is payable with Company common stock; accordingly, 350,000 shares have been reserved for issuance. Under the Plan, 49,120, 59,850 and 53,774 performance units were awarded in 1994, 1993 and 1992, respectively, leaving 337,256 performance units available for award at September 30, 1994. The Company recorded expense of $939,000, $688,000 and $175,000 for 1994, 1993 and 1992, respectively, under the Plan.

In 1992 the Company adopted the Energen Corporation 1992 Directors Stock Plan to enable the Company to pay part of the compensation of its non-employee directors in shares of the Company's common stock. Under the Plan, 3,515 and 5,085 shares were issued in 1994 and 1993, respectively, leaving 93,423 shares reserved for issuance at September 30, 1994.

The Company has adopted a Shareholder Rights Plan intended to protect shareholders from coercive or unfair takeover tactics. Under certain circumstances, shareholders have the right to acquire the Company's Series A

Junior Participating Preferred Stock (or, in certain cases, securities of an acquiring person) at a significant discount. Terms and conditions are set forth in a Rights Agreement (dated July 27, 1988, and amended February 28, 1990) between the Company and its Rights Agent. In general, in the absence of certain takeover-related events, as described in the Plan, the rights may be redeemed prior to their July 27, 1998, expiration for $0.02 per right.

7. PREFERRED STOCK   The Company is authorized to issue 5,000,000 shares of cumulative preferred stock, par value $0.01 per share, in one or more series, 150,000 of which have been designated as Series A Junior Participating Preferred Stock. None of these shares are issued or outstanding.

Alagasco is authorized to issue 120,000 shares of preferred stock, par value $0.01 per share, in one or more series. Alagasco's $4.70 Series cumulative preferred stock had an annual sinking fund requirement to redeem 2,000 shares of such stock at par plus accrued dividends to date of redemption. On July 30, 1993, all outstanding shares of Alagasco's $4.70 Series cumulative preferred stock were redeemed.

8. COMMITMENTS   The Company has various firm gas supply and firm gas transportation contracts, which expire at various dates through the year 2008. These contracts typically contain minimum demand charge obligations on the part of the Company.



In January 1989, the Company entered into an agreement with a financial institution whereby it can sell on an ongoing basis, with recourse, certain installment receivables related to its merchandising program up to a maximum of $15 million. During 1994 and 1993, the Company sold $6,784,000 and $5,608,000, respectively, of installment receivables. At September 30, 1994 and 1993, the balance of these installment receivables was $13,027,000 and $11,699,000, respectively. Receivables sold under this agreement are considered financial instruments with off-balance sheet risk. The Company's exposure to credit loss in the event of non-performance by customers is represented by the balance of installment receivables.

The Company's oil and gas subsidiary periodically enters into futures contracts to hedge its exposure to price fluctuations on oil and gas production. Under this program, Taurus has entered into futures contracts for the sale of 5 Bcf of its fiscal 1995 gas production at an average contract price of $2.17 and for the sale of 160,000 barrels of its oil production at an average contract price of $18.61.

9. LEASES   Total payments related to leases included as operating expense in the accompanying consolidated statements of income were $2,986,000, $3,228,000, and $4,358,000 in 1994, 1993 and 1992, respectively. Minimum future rental payments (in thousands) required after 1994 under leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

| 1995 | 1996 | 1997 | 1998 | 1999 | 2000 and thereafter |
|---|---|---|---|---|---|
| $2,130 | $2,021 | $574 | $97 | $91 | $173 |

10. ENVIRONMENTAL MATTERS   Alagasco is in the chain of title of eight former manufactured gas plant sites, of which it still owns four, and five manufactured gas distribution sites, of which it still owns one. A preliminary investigation of the sites does not indicate the present need for remediation activities. Management expects that, should remediation of any such sites be required in the future, Alagasco's share, if any, of such costs will not materially affect the results of operations or financial condition of Alagasco.

Taurus is subject to various environmental regulations. Management believes that Taurus is in compliance with the currently applicable standards of the environmental agencies to which it is subject and that potential environmental liabilities, if any, are minimal. Also, to the extent Taurus has operating agreements with various joint venture partners, environmental costs, if any, would be shared proportionately.

11. SUPPLEMENTAL CASH FLOW INFORMATION   Supplemental information concerning cash flow activities is as follows:

| For the years ended September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Interest paid, net of amount capitalized | $ 11,055 | $ 11,906 | $ 11,634 |
| Income taxes paid | $ 10,965 | $ 5,133 | $ 6,285 |
| Noncash investing activities: | | | |
| Notes receivable--sale of properties | $ - | $ - | $ 7,100 |
| Capitalized depreciation | $ 155 | $ 187 | $ 175 |
| Allowance for funds used during construction | $ 465 | $ 163 | $ 50 |
| Noncash financing activities (debt issuance costs) | $ 330 | $ 445 | $ 800 |

12. SUMMARIZED QUARTERLY FINANCIAL DATA (UNAUDITED)   The following data summarize quarterly operating results. The Company's business is seasonal in character and strongly influenced by weather conditions.

| | 1994 Fiscal Quarters | | | |
|---|---|---|---|---|
| (In thousands, except per share amounts) | First | Second | Third | Fourth |
| Operating revenues | $ 87,919 | $ 168,087 | $ 73,125 | $ 47,942 |
| Operating income (loss) | $ 5,713 | $ 30,370 | $ 4,325 | $ (4,500) |
| Net income (loss) | $ 2,300 | $ 22,192 | $ 3,950 | $ (4,691) |
| Earnings (loss) per average common share | $ 0.22 | $ 2.03 | $ 0.36 | $ (0.43) |



| | 1993 Fiscal Quarters | | | |
|---|---|---|---|---|
| (In thousands, except per share amounts) | First | Second | Third | Fourth |
| Operating revenues | $ 84,108 | $ 149,646 | $ 75,324 | $ 48,038 |
| Operating income (loss) | $ 5,366 | $ 26,867 | $ 2,981 | $ (4,947) |
| Net income (loss) | $ 2,670 | $ 19,945 | $ 1,081 | $ (5,615) |
| Earnings (loss) per average common share | $ 0.26 | $ 1.95 | $ 0.11 | $ (0.55) |

13. INDUSTRY SEGMENT INFORMATION   The Company is principally engaged in the purchase, distribution and sale of natural gas in central and north Alabama and the development of oil and gas in the continental United States. The Company also is engaged in intrastate gas transmission services and merchandising.

| As of September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Operating revenues, unaffiliated customers: | | | |
| Natural gas distribution | $ 344,637 | $ 330,560 | $ 310,726 |
| Oil and gas production | 22,294 | 16,463 | 11,280 |
| Other | 10,142 | 10,093 | 9,976 |
| Total | $ 377,073 | $ 357,116 | $ 331,982 |
| Intersegment revenues: | | | |
| Natural gas distribution | $ - | $ - | $ - |
| Oil and gas production | 2,917 | 3,424 | 4,438 |
| Other | 5,259 | 4,833 | 5,123 |
| Total | $ 8,176 | $ 8,257 | $ 9,561 |
| Depreciation, depletion and amortization expense: | | | |
| Natural gas distribution | $ 17,941 | $ 17,206 | $ 17,154 |
| Oil and gas production | 9,065 | 6,947 | 7,957 |
| Other | 994 | 1,136 | 1,163 |
| Total | $ 28,000 | $ 25,289 | $ 26,274 |
| Capital expenditures: | | | |
| Natural gas distribution | $ 38,473 | $ 22,107 | $ 20,228 |
| Oil and gas production | 7,356 | 21,449 | 1,838 |
| Other | 334 | 480 | 692 |
| Total | $ 46,163 | $ 44,036 | $ 22,758 |
| Identifiable assets (year-end): | | | |
| Natural gas distribution | $ 308,905 | $ 264,548 | $ 258,902 |
| Oil and gas production | 92,019 | 84,664 | 60,839 |

| | | | |
|---|---|---|---|
| Other | 10,390 | 21,473 | 22,378 |
| Total | $ 411,314 | $ 370,685 | $ 342,119 |
| Operating income (loss) before income taxes: | | | |
| Natural gas distribution | $ 30,017 | $ 26,381 | $ 25,915 |
| Oil and gas production | 5,701 | 4,539 | (4,181) |
| Other | 1,594 | 929 | 2,009 |
| Eliminations and corporate expenses | (1,404) | (1,582) | (950) |
| Total | 35,908 | 30,267 | 22,793 |
| Interest expense | (11,345) | (10,605) | (10,415) |
| Dividends on preferred stock of subsidiary | - | (70) | (85) |
| Gain on sale of assets | 2,142 | - | 2,763 |
| Other, net | 3,657 | 1,897 | 1,013 |
| Income before income taxes | $ 30,362 | $ 21,489 | $ 16,069 |



14. ACCOUNTING CHANGE   As discussed more fully in Note 5, the Company adopted SFAS 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, with respect to the accrual of such costs for all employees under labor union agreements effective October 1, 1993. The Company adopted SFAS 106 with respect to salaried employees in a prior year.

Effective October 1, 1991, the Company elected early adoption of SFAS 109, Accounting for Income Taxes, which was required to be adopted by the Company no later than its fiscal year ending September 30, 1994. In 1992 this adoption resulted in additional income before the effect of the change of $438,000, or $0.04 per share, and income from the cumulative effect of the change in accounting principle of $941,000, or $.10 per share. The cumulative effect on the income statement of the adoption of SFAS 109 relates to the Company's non-regulated subsidiaries. Changes in the utility's deferred income taxes arising from the adoption represent income taxes returnable through future rates over the life of the related assets and have been recorded as a regulatory liability on the balance sheets.

15. OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)   The following schedules detail historical financial data of the Company's oil and gas producing activities. Certain terms appearing in the schedules are prescribed by the Securities and



Exchange Commission and are briefly described as follows:

* Lease Acquisition Costs are costs incurred to lease or otherwise acquire a property.

* Exploration Expenses are primarily costs associated with drilling unsuccessful exploratory wells in undeveloped properties, exploratory geological and geophysical activities, and costs of impaired leaseholds.

* Development Costs include costs necessary to gain access to, prepare and equip development wells in areas of proved reserves.

* Production (Lifting) Costs include costs incurred to operate and maintain wells.

* Gross Revenues are reported after deduction of royalty interest payments.

* Gross Well or Acre is a well or acre in which a working interest is owned.

* Net Well or Acre is deemed to exist when the sum of fractional ownership working interests in gross wells or acres equals one.

* Dry Well is an exploratory or a development well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as

an oil or gas well.

* Productive Well is an exploratory or a development well that is not a dry well.

CAPITALIZED COSTS

| As of September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Proved | $ 90,709 | $ 84,373 | $ 64,340 |
| Unproved | 1,646 | 1,704 | 1,282 |
| Total capitalized costs | 92,355 | 86,077 | 65,622 |
| Accumulated depreciation, depletion and amortization | 43,052 | 35,150 | 29,485 |
| Capitalized costs, net | $ 49,303 | $ 50,927 | $ 36,137 |



COSTS INCURRED The following table sets forth costs incurred in property acquisition and exploration and development activities and includes both capitalized costs and costs charged to expense during the year:

| As of September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Property acquisition: | | | |
| Proved | $ 1,372 | $ 11,645 | $ - |
| Unproved | 1,169 | 154 | 1,391 |
| Exploration | 4,565 | 3,336 | 1,585 |
| Development | 1,438 | 6,673 | 1,010 |
| Total costs incurred | $ 8,544 | $ 21,808 | $ 3,986 |

RESULTS OF OPERATIONS The following table sets forth results of the Company's oil and gas producing activities:

| Years ended September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Gross revenues: | | | |
| Unaffiliated (excluding consulting revenues) | $ 21,577 | $ 14,974 | $ 10,537 |
| Affiliated | 2,917 | 3,424 | 4,438 |
| Production (lifting) costs | 5,882 | 5,383 | 5,201 |
| Exploration expense | 2,088 | 756 | 2,588 |
| Depreciation, depletion and amortization | 8,080 | 5,852 | 6,157 |
| Income taxes | (1,607) | (1,185) | (4,681) |
| Results of operations from producing activities | $ 10,051 | $ 7,592 | $ 5,710 |

AVERAGE SALES PRICE, PRODUCTION COST AND DEPRECIATION RATE

| Years ended September 30, | 1994 | 1993 | 1992 |
|---|---|---|---|
| Average sales price: | | | |
| Gas (per Mcf) | $ 1.89 | $ 1.83 | $ 1.62 |
| Oil (per barrel) | $ 14.25 | $ 17.09 | $ 17.65 |
| Average production (lifting) cost (per Mcf equivalent) | $ 0.57 | $ 0.72 | $ 0.71 |
| Average depreciation rate (per Mcf equivalent) | $ 0.78 | $ 0.78 | $ 0.84 |

Drilling Activity The following table sets forth the total number of net productive and dry exploratory and development wells drilled:

| Years ended September 30, | 1994 | 1993 | 1992 |
|---|---|---|---|
| Exploratory: | | | |
| Productive | 0.6 | 0.9 | 0.7 |
| Dry | 0.4 | 0.3 | 0.2 |
| Total | 1.00 | 1.2 | 0.9 |
| Development: | | | |
| Productive | 0.7 | 3.7 | 1.3 |
| Dry | -- | -- | 0.1 |
| Total | 0.7 | 3.7 | 1.4 |

As of September 30, 1994, the Company was participating in the drilling of 5 gross wells, with the Company's interest equivalent to .74 wells.



PRODUCTIVE WELLS AND ACREAGE The following table sets forth the total gross and net productive gas and oil wells and developed and undeveloped acreage:

| As of September 30, 1994 | Gross | Net |
|---|---|---|
| Gas Wells | 808 | 208.9 |
| Oil Wells | 1,698 | 22.7 |
| Developed Acreage | 239,542 | 47,510 |
| Undeveloped Acreage | 74,873 | 7,130 |

The Company also had a revenue interest only in an additional 216 gross wells. There were 25 gross wells with multiple completions with the Company's interest being an equivalent of 3.0 wells. All wells and acreage are located in the United States, with the majority of the net undeveloped acreage located in the Gulf Coast region.

OIL AND GAS PRODUCING ACTIVITIES Taurus's proved reserves are located in the United States and are as follows:

| Years ended September 30, | 1994 | | 1993 | | 1992 | |
|---|---|---|---|---|---|---|
| | Gas MMcf | Oil MBbl | Gas MMcf | Oil MBbl | Gas MMcf | Oil MBbl |
| Proved reserves at beginning of year | 67,298 | 1,289 | 51,329 | 338 | 73,279 | 402 |
| Revisions of previous estimates | (3,579) | 144 | 400 | (13) | (3,954) | 81 |
| Purchase (sale) of minerals in place | 456 | 201 | 11,467 | 1,149 | (18,971) | - |
| Discoveries and other additions | 5,051 | 42 | 10,347 | 19 | 7,390 | - |
| Production | (9,169) | (191) | (6,245) | (204) | (6,415) | (145) |
| Proved reserves at end of year | 60,057 | 1,485 | 67,298 | 1,289 | 51,329 | 338 |

During 1993, Taurus purchased working interests in conventional oil and gas properties primarily funded by the 1992 property sale in which Taurus sold a portion of its coalbed methane properties for cash of $10.8 million and a note of $7.1 million. The sale resulted in a one-time net gain in 1992 of $1.8 million.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES The standardized measure of discounted future net cash flows is not intended, nor should it be interpreted, to present the fair market value of the Company's crude oil and natural gas reserves. An estimate of fair market value would take into consideration factors such as, but not limited to, the recovery of reserves not presently classified as proved reserves, anticipated future changes in prices and costs, and a discount factor more representative of the time value of money and the risks inherent in reserve estimates.

| Years ended September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Future gross revenues | $105,986 | $ 164,483 | $ 97,654 |
| Future production and development costs | 54,137 | 62,185 | 39,447 |
| Future net cash flows before income taxes | 51,849 | 102,298 | 58,207 |
| Future income tax expense (benefit) including tax credits | (15,856) | 1,304 | (12,757) |
| Future net cash flows after income taxes | 67,705 | 100,994 | 70,964 |
| Discount at 10% per annum | 16,051 | 28,210 | 22,666 |
| Standardized measure of discounted future net cash flows relating to proved oil and gas reserves | $ 51,654 | $ 72,784 | $ 48,298 |



The following are the principal sources of changes in the standardized measure of discounted future net cash flows:

| Years ended September 30, (in thousands) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Balance at beginning of year | $ 72,784 | $ 48,298 | $ 38,488 |
| Revisions to reserves proved in prior years: | | | |
| Net changes in prices, production costs and future development costs | (24,969) | 5,789 | 12,379 |
| Net changes due to revisions in quantity estimates | (2,278) | 1,303 | (3,726) |
| Development costs incurred, previously estimated | 1,723 | 1,700 | 54 |
| Accretion of discount | 7,278 | 4,830 | 3,849 |
| Other | (560) | (2,638) | (1,820) |
| Total Revisions | (18,806) | 10,984 | 10,736 |
| New field discoveries and extensions, net of future production and development costs | 523 | 11,906 | 5,876 |
| Sales of oil and gas produced, net of production costs | (14,635) | (9,550) | (7,722) |
| Purchases (sales) of minerals in place | 1,354 | 17,158 | (10,499) |
| Net change in income taxes | 10,434 | (6,012) | 11,419 |
| Net change in standardized measure of discounted future net cash flows | (21,130) | 24,486 | 9,810 |
| Balance at end of year | $ 51,654 | $ 72,784 | $ 48,298 |

COALBED METHANE ACTIVITIES  The Company is actively engaged in the development of pipeline-quality natural gas from coal (coalbed methane). The results of the Company's coalbed methane activities have been included in the oil and gas disclosures shown previously. Because of the significance of coalbed methane to the Company, certain data are separately disclosed below.

Production of coalbed methane from wells drilled prior to January 1, 1993, qualifies through December 31, 2002, for federal income tax credits under Section 29 of the Internal Revenue Code of 1986, as amended. The tax credit currently approximates 98 cents per Mcf of qualifying production. Accordingly, a significant portion of the value of proved coalbed methane reserves is associated with this tax credit.

| Years ended September 30, (MMcf) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Proved reserves at beginning of year | 34,109 | 34,306 | 61,314 |
| Revisions of previous estimates | (3,687) | 364 | (3,612) |
| Sales of mineral in place | - | - | (18,971) |
| Discoveries and other additions | - | 3,231 | 1,029 |
| Production | (3,710) | (3,792) | (5,454) |
| Proved reserves at end of year | 26,712 | 34,109 | 34,306 |
| Estimated proved reserves qualifying for tax credits | 18,947 | 21,461 | 24,543 |
| Net capitalized costs (in thousands) | $21,924 | $ 24,896 | $ 27,052 |
| Gross wells in which Taurus has working and/or revenue interest | 657 | 727 | 677 |
| Net productive wells | 164.2 | 173.2 | 165.8 |

16. FINANCIAL INSTRUMENTS   In accordance with the requirements of SFAS No. 107, the estimated fair values of the Company's financial instruments at September 30, 1994, were as follows:

| As of September 30, 1994 (in thousands) | Carrying Amount | Fair Value |
|---|---|---|
| Cash and cash equivalents | $ 27,526 | $ 27,526 |
| Receivables, net of allowance account | $ 34,145 | $ 34,145 |
| Short-term debt | $ 6,000 | $ 6,000 |
| Long-term debt (including current portion) | $ 128,425 | $ 119,614 |



The following methods and assumptions were used to estimate the fair value of financial instruments:

* Cash and cash equivalents:  Fair value was considered to be the same as the carrying amount.

* Receivables:  The Company believes that, in the aggregate, current and non-current net receivables were not materially different from the fair value of those receivables.

* Short-term debt:  The fair value was determined to be the same as the carrying amount.

* Long-term debt:  The fair value of fixed-rate long-term debt was based on the market value of debt with similar maturities and with interest rates currently trading in the marketplace; the carrying amount of variable rate long-term debt was assumed to approximate fair value.

QUARTERLY MARKET PRICES AND DIVIDENDS PAID PER SHARE

| Quarter ended (in dollars) | High | Low | Close | Dividends Paid |
|---|---|---|---|---|
| December 31, 1992 | 19-1/4 | 17-5/8 | 18-3/8 | .26 |
| March 31, 1993 | 23-5/8 | 18-1/8 | 22-7/8 | .26 |
| June 30, 1993 | 26-1/2 | 21-1/4 | 26 | .26 |
| September 30, 1993 | 26-3/4 | 23-1/4 | 24-3/4 | .27 |
| December 31, 1993 | 26-5/8 | 20-1/8 | 21-1/2 | .27 |
| March 31, 1994 | 23-7/8 | 20-1/4 | 20-1/2 | .27 |
| June 30, 1994 | 23-1/4 | 19-1/4 | 20-7/8 | .27 |
| September 30, 1994 | 23-1/2 | 20-3/4 | 22-1/2 | .28 |



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and related notes of Energen Corporation were prepared by management, which has the primary responsibility for the integrity of the financial information therein. The statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and include amounts which are necessarily based on management's best estimates and judgments. Financial information presented elsewhere in this report is consistent with that in the financial statements.

Management maintains a comprehensive system of internal accounting controls and relies on the system to discharge its responsibility for the integrity of the financial statements. This system provides reasonable assurance that corporate assets are safeguarded and that transactions are recorded in such a manner as to permit the preparation of reliable financial information. Reasonable assurance recognizes that the cost of a system of internal accounting controls should not exceed the related benefits. This system of internal accounting controls is augmented by written policies and procedures, internal auditing, and the careful selection and training of qualified personnel. As of September 30, 1994, management was aware of no material weaknesses in Energen's system of internal accounting controls.

The consolidated financial statements have been audited by the Company's independent certified public accountants, whose opinion is expressed elsewhere on this page. Their audit was conducted in accordance with generally accepted auditing standards; and, in connection therewith, they obtained an understanding of the Company's system of internal accounting controls and conducted such tests and related procedures as they deemed necessary to arrive at an opinion on the fairness of presentation of the consolidated financial statements.

The functioning of the accounting system and related internal accounting controls is under the general oversight of the Audit Committee of the Board of Directors, which is comprised of four outside Directors. The Audit Committee meets regularly with the independent public accountants and representatives of management to discuss matters regarding internal accounting controls, auditing and financial reporting.

Geoffrey C. Ketcham
Executive Vice President,
Chief Financial Officer and Treasurer

James T. McManus
Vice President--Finance and Corporate Development



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of Energen:

We have audited the accompanying consolidated balance sheets of Energen Corporation and Subsidiaries as of September 30, 1994 and 1993, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Energen Corporation and Subsidiaries as of September 30, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 14 to the consolidated financial statements, the Company changed its method of accounting for certain other postretirement benefits, effective October 1, 1993, and income taxes effective October 1, 1991.

Coopers & Lybrand L.L.P.
Birmingham, Alabama
October 26, 1994



## Selected Financial Data

Energen Corporation and Subsidiaries

| Years ended September 30, (dollars in thousands, except per share amounts) | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|
| INCOME STATEMENT | | | | |
| Operating revenues | $ 377,073 | $ 357,116 | $ 331,982 | $ 325,643 |
| Income before cumulative effect of change in accounting principle | $ 23,751 | $ 18,081 | $ 15,687 | $ 14,112 |
| Net income | $ 23,751 | $ 18,081 | $ 16,628 | $ 14,112 |
| Earnings per share before cumulative effect | $ 2.19 | $ 1.77 | $ 1.54 | $ 1.42 |
| Earnings per average common share | $ 2.19 | $ 1.77 | $ 1.64 | $ 1.42 |
| BALANCE SHEET | | | | |
| Capitalization at year-end: | | | | |
| Common shareholders' equity | $ 167,026 | $ 140,313 | $ 129,858 | $ 121,995 |
| Preferred stock | - | - | 1,800 | 1,800 |
| Long-term debt | 118,302 | 85,852 | 90,609 | 77,677 |
| Total capitalization | $ 285,328 | $ 226,165 | $ 222,267 | $ 201,472 |
| Total assets | $ 411,314 | $ 370,685 | $ 342,119 | $ 337,516 |
| Property, plant and equipment, net | $ 287,182 | $ 273,097 | $ 254,630 | $ 273,539 |
| COMMON STOCK DATA | | | | |
| Annual dividend rate at year-end | $ 1.12 | $ 1.08 | $ 1.04 | $ 1.00 |
| Cash dividends paid per common share | $ 1.09 | $ 1.05 | $ 1.01 | $ .955 |
| Book value per common share | $ 15.30 | $ 13.60 | $ 12.75 | $ 12.07 |
| Market-to-book ratio at year-end (%) | 147 | 182 | 142 | 150 |
| Yield at year-end (%) | 5.0 | 4.4 | 5.7 | 5.5 |
| Return on average common equity (%) | 14.6 | 13.0 | 13.0 | 11.6 |
| Price-to-earnings ratio at year-end | 10.3 | 14.0 | 11.1 | 12.8 |
| Shares outstanding at year-end (000) | 10,918 | 10,320 | 10,183 | 10,104 |
| Price Range: | | | | |
| High | $ 26-5/8 | $ 26-3/4 | $ 18-7/8 | $ 20 |
| Low | $ 19-1/4 | $ 17-5/8 | $ 15 | $ 16 |
| Close | $ 22-1/2 | $ 24-3/4 | $ 18-1/8 | $ 18-1/8 |
| OTHER GENERAL DATA | | | | |
| Capital expenditures | $ 46,163 | $ 44,036 | $ 22,758 | $ 47,024 |

Note: All information prior to 1989 has been adjusted for the effects of a three-for-two common stock split.

All information prior to 1990 includes the effects of discontinued operations.



| 1990 | 1989 | 1988 | 1987 | 1986 | 1985 | 1984 |
|---|---|---|---|---|---|---|
| $ 324,860 | $ 308,604 | $ 353,135 | $ 323,590 | $ 364,853 | $ 378,660 | $ 416,606 |
| $ 11,267 | $ 6,422 | $ 11,667 | $ 8,950 | $ 1,544 | $ 5,248 | $ 5,539 |
| $ 11,267 | $ 6,422 | $ 11,667 | $ 8,950 | $ 1,544 | $ 5,248 | $ 5,539 |
| $ 1.15 | $ .69 | $ 1.53 | $ 1.38 | $ .24 | $ .86 | $ .93 |
| $ 1.15 | $ .69 | $ 1.53 | $ 1.38 | $ .24 | $ .86 | $ .93 |

| | | | | | | |
|---|---|---|---|---|---|---|
| $ 113,316 | $ 107,950 | $ 86,256 | $ 63,687 | $ 58,325 | $ 59,085 | $ 55,291 |
| 1,800 | 2,450 | 2,450 | 2,850 | 3,000 | 3,150 | 3,300 |
| 82,835 | 86,188 | 53,203 | 54,589 | 42,286 | 24,690 | 25,606 |
| $ 197,951 | $ 196,588 | $ 141,909 | $ 121,126 | $ 103,611 | $ 86,925 | $ 84,197 |
| $ 326,350 | $ 294,614 | $ 260,560 | $ 237,445 | $ 211,055 | $ 191,524 | $ 187,790 |
| $ 250,983 | $ 238,329 | $ 206,230 | $ 191,099 | $ 170,952 | $ 150,544 | $ 135,562 |
| $ .94 | $ .88 | $ .827 | $ .76 | $ .72 | $ .693 | $ .613 |
| $ .895 | $ .843 | $ .777 | $ .73 | $ .70 | $ .653 | $ .593 |
| $ 11.48 | $ 11.13 | $ 10.80 | $ 9.73 | $ 9.02 | $ 9.45 | $ 9.22 |
| 157 | 190 | 147 | 163 | 140 | 97 | 92 |
| 5.2 | 4.2 | 5.2 | 4.8 | 5.7 | 7.6 | 7.2 |
| 10.0 | 6.0 | 15.6 | 14.7 | 2.6 | 9.2 | 10.3 |
| 15.7 | 30.6 | 10.4 | 11.5 | 52.6 | 10.6 | 9.1 |
| 9,872 | 9,695 | 7,989 | 6,544 | 6,467 | 6,253 | 5,996 |
| $ 21-1/2 | $ 24-3/8 | $ 16-1/4 | $ 16-1/2 | $ 14-3/8 | $ 10-3/4 | $ 8-7/8 |
| $ 16 | $ 15-3/8 | $ 11-3/8 | $ 12-1/2 | $ 9 | $ 7-7/8 | $ 6-3/4 |
| $ 18 | $ 21-1/8 | $ 15-7/8 | $ 15-7/8 | $ 12-5/8 | $ 9-1/8 | $ 8-1/2 |
| $ 37,335 | $ 54,474 | $ 39,260 | $ 40,139 | $ 39,688 | $ 29,182 | $ 16,021 |



## Selected Operating Data

Energen Corporation and Subsidiaries

| Years ended September 30, (dollars in thousands) | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|
| NATURAL GAS DISTRIBUTION | | | | |
| Gas sold and transported (MMcf) | | | | |
| Residential | 31,254 | 30,957 | 29,119 | 26,262 |
| Commercial and industrial--small | 13,536 | 13,853 | 13,860 | 14,837 |
| Commercial and industrial--large | 106 | 282 | 2,654 | 3,411 |
| Transportation | 52,635 | 49,346 | 46,235 | 41,447 |
| Total | 97,531 | 94,438 | 91,868 | 85,957 |
| Revenues from gas sold and transported | | | | |
| Residential | $229,019 | $216,587 | $198,676 | $195,250 |
| Commercial and industrial--small | 84,443 | 83,069 | 78,799 | 84,260 |
| Commercial and industrial--large | 790 | 1,223 | 6,501 | 8,916 |
| Transportation | 29,321 | 27,382 | 25,089 | 22,890 |
| Other | 1,064 | 2,299 | 1,661 | (2,188) |
| Total | $344,637 | $330,560 | $310,726 | $309,128 |
| Average number of customers | | | | |
| Residential | 402,531 | 395,057 | 387,871 | 382,747 |
| Commercial and industrial--small | 32,563 | 32,269 | 31,732 | 31,432 |
| Commercial and industrial--large | 43 | 46 | 41 | 39 |
| Total | 435,137 | 427,372 | 419,644 | 414,218 |
| Degree days (systemwide) | | | | |
| 39-year moving average | 2,590 | 2,590 | 2,590 | 2,590 |
| Actual for year | 2,636 | 2,624 | 2,434 | 2,017 |
| Ratio of actual to 39-year average (%) | 101.8 | 101.3 | 94.0 | 77.9 |
| OIL AND GAS PRODUCTION | | | | |
| Operating revenues | $ 25,211 | $ 19,887 | $ 15,718 | $ 12,661 |
| Coalbed methane proved reserves (MMcf) | 26,712 | 34,109 | 34,306 | 61,314 |
| Conventional proved reserves (MMcf)* | 42,261 | 40,923 | 19,041 | 14,369 |
| Oil and gas produced (MMcf)* | 10,316 | 7,468 | 7,287 | 6,455 |
| OTHER ACTIVITIES | | | | |
| Operating revenues | $ 15,401 | $ 14,926 | $ 15,099 | $ 13,951 |
| Operating income | $ 1,594 | $ 929 | $ 2,009 | $ 1,395 |
| Property, plant and equipment, net | $ 1,977 | $ 6,273 | $ 6,797 | $ 7,098 |

* Oil expressed in natural gas equivalents

| 1990 | 1989 | 1988 | 1987 | 1986 | 1985 | 1984 |
|---|---|---|---|---|---|---|
| 28,653 | 27,210 | 28,636 | 27,365 | 25,373 | 26,314 | 29,300 |
| 16,581 | 17,946 | 21,806 | 18,482 | 22,337 | 22,620 | 24,168 |
| 4,786 | 9,494 | 13,026 | 8,902 | 20,877 | 18,365 | 23,180 |
| 39,117 | 34,447 | 28,730 | 26,895 | 6,636 | 3,876 | -- |
| 89,137 | 89,097 | 92,198 | 81,644 | 75,223 | 71,175 | 76,648 |
| $188,168 | $170,302 | $190,836 | $181,007 | $165,160 | $165,034 | $177,261 |
| 85,588 | 85,477 | 104,420 | 93,242 | 112,580 | 119,290 | 124,963 |
| 13,596 | 25,000 | 37,923 | 24,982 | 77,989 | 87,134 | 108,932 |
| 22,734 | 19,574 | 15,158 | 17,871 | 3,748 | 1,802 | -- |
| 873 | 731 | 689 | 679 | 648 | 507 | 1,247 |
| $310,959 | $301,084 | $349,026 | $317,781 | $360,125 | $373,767 | $412,403 |
| 379,362 | 365,572 | 358,872 | 350,712 | 341,406 | 334,418 | 329,237 |
| 31,565 | 30,492 | 29,717 | 29,007 | 28,318 | 27,817 | 27,512 |
| 42 | 42 | 37 | 34 | 32 | 30 | 34 |
| 410,969 | 396,106 | 388,626 | 379,753 | 369,756 | 362,265 | 356,783 |
| 2,590 | 2,585 | 2,585 | 2,585 | 2,585 | 2,590 | 2,591 |
| 2,378 | 2,383 | 2,592 | 2,523 | 2,345 | 2,410 | 2,868 |
| 91.8 | 92.2 | 100.3 | 97.6 | 90.7 | 93.1 | 110.7 |
| $ 12,983 | $ 13,469 | $ 13,034 | $ 9,536 | $ 8,163 | $ 7,833 | $ 4,203 |
| 44,881 | 17,384 | 8,783 | 9,450 | 3,594 | -- | -- |
| 14,626 | 14,060 | 7,772 | 8,985 | 10,796 | 12,136 | 10,375 |
| 5,434 | 5,534 | 5,540 | 3,975 | 2,926 | 2,374 | 1,199 |
| $ 13,372 | $ 5,962 | $ 3,345 | $ 3,843 | $ 734 | $ 578 | $ 93 |
| $ 1,890 | $ (94) | $ 1,324 | $ 1,690 | $ 319 | $ 317 | $ 36 |
| $ 7,754 | $ 9,004 | $ 9,814 | $ 5,833 | $ 5,581 | $ 44 | $ 84 |

EXHIBIT 21

SUBSIDIARIES OF ENERGEN CORPORATION

Alabama Gas Corporation
Taurus Exploration, Inc.
Taurus Exploration USA, Inc.
Basin Pipeline Corp
American Heat Tech, Inc.
Graves Well Drilling Company, Inc.
EGN Services, Inc.
Midtown NGV, Inc.

EXHIBIT 23(a)

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Energen Corporation on Forms S-8 and S-3 (File No. 2-89855), Form S-3 (File No. 33-41997) and Forms S-8 (File No. 33-27869, File No. 33-46641, File No. 33-48504, and File No. 33-48505) of our report, which includes an explanatory paragraph regarding the Company's change in method of accounting for certain other postretirement benefits and income taxes, dated October 26, 1994, on our audits of the consolidated financial statements of Energen Corporation as of September 30, 1994 and 1993, and for the years ended September 30, 1994, 1993, and 1992, which report is incorporated by reference in this Annual Report on Form 10-K.

Coopers and Lybrand L.L.P.
Birmingham, Alabama
December 28, 1994

EXHIBIT 23(b)

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of Alabama Gas Corporation on Form S-3 (File No. 33-70466), of our report, which includes an explanatory paragraph regarding the change in method of accounting for certain other postretirement benefits and income taxes, dated October 26, 1994, on our audits of the financial statements and financial statement schedules of Alabama Gas Corporation as of September 30, 1994 and 1993, and for the years ended September 30, 1994, 1993, and 1992, which report is included in this Annual Report on Form 10-K.

Coopers and Lybrand L.L.P.
Birmingham, Alabama
December 28, 1994

<ARTICLE> UT
<LEGEND>

EXHIBIT 27.1

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ALABAMA GAS CORPORATION FOR THE YEAR ENDED SEPTEMBER 30, 1994, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>
<CIK> 0000003146
<NAME> ALABAMA GAS CORPORATION
<MULTIPLIER> 1,000

| | |
|---|---|
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| <PERIOD-START> | OCT-01-1993 |
| <PERIOD-END> | SEP-30-1994 |
| <BOOK-VALUE> | PER-BOOK |
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| <OTHER-PROPERTY-AND-INVEST> | 183 |
| <TOTAL-CURRENT-ASSETS> | 66,382 |
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| <TOTAL-ASSETS> | 308,905 |
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| <CAPITAL-SURPLUS-PAID-IN> | 34,484 |
| <RETAINED-EARNINGS> | 81,087 |
| <TOTAL-COMMON-STOCKHOLDERS-EQ> | 115,591 |
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| <LONG-TERM-DEBT-NET> | 84,391 |
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| <COMMERCIAL-PAPER-OBLIGATIONS> | 0 |
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| <PREFERRED-STOCK-CURRENT> | 0 |
| <CAPITAL-LEASE-OBLIGATIONS> | 0 |
| <LEASES-CURRENT> | 0 |
| <OTHER-ITEMS-CAPITAL-AND-LIAB> | 102,100 |
| <TOT-CAPITALIZATION-AND-LIAB> | 308,905 |
| <GROSS-OPERATING-REVENUE> | 344,637 |
| <INCOME-TAX-EXPENSE> | 7,718 |
| <OTHER-OPERATING-EXPENSES> | 314,620 |
| <TOTAL-OPERATING-EXPENSES> | 322,338 |
| <OPERATING-INCOME-LOSS> | 22,299 |
| <OTHER-INCOME-NET> | 917 |
| <INCOME-BEFORE-INTEREST-EXPEN> | |
| 23,216 | |
| <TOTAL-INTEREST-EXPENSE> | 8,320 |
| <NET-INCOME> | 14,896 |
| <PREFERRED-STOCK-DIVIDENDS> | 0 |
| <EARNINGS-AVAILABLE-FOR-COMM> | 14,896 |
| <COMMON-STOCK-DIVIDENDS> | 8,695 |
| <TOTAL-INTEREST-ON-BONDS> | 6,008 |
| <CASH-FLOW-OPERATIONS> | 21,177 |
| <EPS-PRIMARY> | 0<F1> |
| <EPS-DILUTED> | 0<F1> |

<FN>
<F1>Earnings per share is calculated for Energen Corporation (parent company of Alagasco) and is not calculated for Alagasco separately, as amount would not be meaningful.
</FN>

<ARTICLE> UT
<LEGEND>

EXHIBIT 27.2

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FORM THE FINANCIAL STATEMENTS OF ENERGEN CORPORATION FOR THE YEAR ENDED SEPTEMBER 30, 1994, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<CIK> 0000277595
<NAME> ENERGEN CORPORATION
<MULTIPLIER> 1,000

| | |
|---|---|
| <PERIOD-TYPE> | YEAR |
| <FISCAL-YEAR-END> | SEP-30-1994 |
| <PERIOD-START> | OCT-01-1993 |
| <PERIOD-END> | SEP-30-1994 |
| <BOOK-VALUE> | PER-BOOK |
| <TOTAL-NET-UTILITY-PLANT> | 233,266 |
| <OTHER-PROPERTY-AND-INVEST> | 53,916 |
| <TOTAL-CURRENT-ASSETS> | 109,091 |
| <TOTAL-DEFERRED-CHARGES> | 11,130 |
| <OTHER-ASSETS> | 3,911 |
| <TOTAL-ASSETS> | 411,314 |
| <COMMON> | 109 |
| <CAPITAL-SURPLUS-PAID-IN> | 83,875 |
| <RETAINED-EARNINGS> | 83,042 |
| <TOTAL-COMMON-STOCKHOLDERS-EQ> | 167,026 |
| <PREFERRED-MANDATORY> | 0 |
| <PREFERRED> | 0 |
| <LONG-TERM-DEBT-NET> | 118,302 |
| <SHORT-TERM-NOTES> | 6,000 |
| <LONG-TERM-NOTES-PAYABLE> | 0 |
| <COMMERCIAL-PAPER-OBLIGATIONS> | 0 |
| <LONG-TERM-DEBT-CURRENT-PORT> | 10,123 |
| <PREFERRED-STOCK-CURRENT> | 0 |
| <CAPITAL-LEASE-OBLIGATIONS> | 0 |
| <LEASES-CURRENT> | 0 |
| <OTHER-ITEMS-CAPITAL-AND-LIAB> | 109,863 |
| <TOT-CAPITALIZATION-AND-LIAB> | 411,314 |
| <GROSS-OPERATING-REVENUE> | 377,073 |
| <INCOME-TAX-EXPENSE> | 6,611 |
| <OTHER-OPERATING-EXPENSES> | 341,165 |
| <TOTAL-OPERATING-EXPENSES> | 347,776 |
| <OPERATING-INCOME-LOSS> | 29,297 |
| <OTHER-INCOME-NET> | 5,799 |
| <INCOME-BEFORE-INTEREST-EXPEN> | 35,096 |
| <TOTAL-INTEREST-EXPENSE> | (11,345) |
| <NET-INCOME> | 23,751 |
| <PREFERRED-STOCK-DIVIDENDS> | 0 |
| <EARNINGS-AVAILABLE-FOR-COMM> | 23,751 |
| <COMMON-STOCK-DIVIDENDS> | (11,749) |
| <TOTAL-INTEREST-ON-BONDS> | 8,566 |
| <CASH-FLOW-OPERATIONS> | 34,343 |
| <EPS-PRIMARY> | 2.19 |
| <EPS-DILUTED> | 2.19 |