ENERGEN CORP
Form 10-Q
August 08, 2018

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 1-7810
Energen Corporation
(Exact name of registrant as specified in its charter)

Alabama	63-0757759
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
605 Richard Arrington Jr. Boulevard North, Birmingham, Alabama	35203-2707
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code
(205) 326-2700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Number of shares outstanding of each of the registrant's classes of common stock as of July 31, 2018.

Energen Corporation	$0.01 par value	97,481,597

ENERGEN CORPORATION
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2018

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ENERGEN CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands)	June 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$1,188	$439
Accounts receivable, net	166,467	158,787
Inventories, net	29,255	13,177
Derivative instruments	35,377	—
Income tax receivable	6,904	6,905
Prepayments and other	6,086	12,085
Total current assets	245,277	191,393
Property, Plant and Equipment		
Oil and natural gas properties, successful efforts method		
Proved properties	9,031,307	8,466,708
Unproved properties	513,501	453,028
Less accumulated depreciation, depletion and amortization	(4,455,488)	(4,200,797)
Oil and natural gas properties, net	5,089,320	4,718,939
Other property and equipment, net	43,896	44,581
Total property, plant and equipment, net	5,133,216	4,763,520
Other postretirement assets	2,609	2,646
Noncurrent derivative instruments	258	—
Noncurrent income tax receivable, net	70,716	70,716
Other assets	9,936	5,620
TOTAL ASSETS	$5,462,012	$5,033,895

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ENERGEN CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share and per share data)	June 30, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$74,568	$75,167
Accrued taxes	12,287	2,631
Accrued wages and benefits	11,428	26,170
Accrued capital costs	165,873	74,909
Revenue and royalty payable	68,154	54,072
Derivative instruments	80,996	71,379
Other	18,708	17,916
Total current liabilities	432,014	322,244
Long-term debt	829,068	782,861
Asset retirement obligations	92,588	88,378
Noncurrent derivative instruments	31,035	8,886
Deferred income taxes	442,225	387,807
Other long-term liabilities	6,223	5,262
Total liabilities	1,833,153	1,595,438
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock, cumulative, $0.01 par value, 5,000,000 shares authorized	—	—
Common shareholders' equity		
Common stock, $0.01 par value; 150,000,000 shares authorized; 100,707,670 shares and 100,327,433 shares issued at June 30, 2018 and December 31, 2017, respectively	1,007	1,003
Premium on capital stock	1,398,320	1,388,082
Retained earnings	2,372,063	2,185,161
Accumulated other comprehensive income, net of tax		
Postretirement plans	543	380
Deferred compensation plan	3,284	2,681
Treasury stock, at cost; 3,332,714 shares and 3,192,252 shares at June 30, 2018 and December 31, 2017, respectively	(146,358)	(138,850)
Total shareholders' equity	3,628,859	3,438,457
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$5,462,012	$5,033,895

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ENERGEN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share data)	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Revenues				
Oil, natural gas liquids and natural gas sales	$371,567	$218,723	$729,433	$395,098
Gain (loss) on derivative instruments, net	(31,919)	38,101	(33,614)	102,647
Total revenues	339,648	256,824	695,819	497,745
Operating Costs and Expenses				
Oil, natural gas liquids and natural gas production	57,958	43,909	110,593	85,197
Production and ad valorem taxes	24,733	13,218	47,301	26,038
Depreciation, depletion and amortization	134,011	121,549	258,221	221,201
Asset impairment	73	29	250	1,489
Exploration	1,059	1,998	2,457	5,634
General and administrative (including stock-based compensation of $4,618 and $3,191 for the three months ended June 30, 2018 and 2017, respectively, and $8,763 and $6,388 for the six months ended June 30, 2018 and 2017, respectively)	21,933	19,908	44,190	40,424
Accretion of discount on asset retirement obligations	1,567	1,443	3,100	2,857
(Gain) loss on sale of assets and other, net	(113)	172	(33,836)	(1,003)
Total operating costs and expenses	241,221	202,226	432,276	381,837
Operating Income	98,427	54,598	263,543	115,908
Other Income (Expense)				
Interest expense	(10,803)	(9,202)	(21,051)	(18,225)
Other income	465	218	692	775
Total other expense	(10,338)	(8,984)	(20,359)	(17,450)
Income Before Income Taxes	88,089	45,614	243,184	98,458
Income tax expense	19,815	16,133	55,995	35,574
Net Income	$68,274	$29,481	$187,189	$62,884
Diluted Earnings Per Average Common Share	$0.70	$0.30	$1.91	$0.64
Basic Earnings Per Average Common Share	$0.70	$0.30	$1.92	$0.65
Diluted Average Common Shares Outstanding	98,080	97,693	97,942	97,648
Basic Average Common Shares Outstanding	97,433	97,189	97,377	97,165

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ENERGEN CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(in thousands)	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Net Income	$68,274	$29,481	$187,189	$62,884
Other comprehensive income (loss):				
Postretirement plans				
Amortization of prior service cost, net of tax of ($28), ($42), ($56) and ($86), respectively	(85)	(71)	(170)	(141)
Amortization of net loss, net of tax of $8, $0, $15 and $2, respectively	23	2	47	3
Total postretirement plans	(62)	(69)	(123)	(138)
Comprehensive Income	$68,212	$29,412	$187,066	$62,746

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ENERGEN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Six months ended June 30, (in thousands)	2018	2017
Operating Activities		
Net income	$187,189	$62,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	258,221	221,201
Asset impairment	250	1,489
Accretion of discount on asset retirement obligations	3,100	2,857
Deferred income taxes	54,459	36,801
Change in derivative fair value	2,514	(110,735)
(Gain) loss on sale of assets	(34,233)	298
Stock-based compensation expense	8,763	6,388
Exploration, including dry holes	72	—
Other, net	(3,161)	(3,012)
Net change in:		
Accounts receivable	(7,680)	(31,037)
Inventories	(16,078)	(4,041)
Accounts payable	(6,982)	(4,437)
Accrued taxes/income tax receivable	9,657	32,334
Other current assets and liabilities	5,346	(13,637)
Net cash provided by operating activities	461,437	197,353
Investing Activities		
Additions to oil and natural gas properties	(463,825)	(466,508)
Acquisitions	(38,988)	(237,459)
Proceeds (payments) on the sale of assets, net	915	(301)
Net cash used in investing activities	(501,898)	(704,268)
Financing Activities		
Issuance of common stock, net	2,115	—
Taxes paid for shares withheld	(6,905)	(3,180)
Reduction of long-term debt	—	(7,000)
Net change in credit facility	46,000	131,500
Net cash provided by financing activities	41,210	121,320
Net change in cash and cash equivalents	749	(385,595)
Cash and cash equivalents at beginning of period	439	386,093
Cash and cash equivalents at end of period	$1,188	$498

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ENERGEN CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Energen Corporation (Energen or the Company) is an oil and natural gas exploration and production company engaged in the exploration, development and production of oil, natural gas liquids and natural gas. Our operations are conducted through our subsidiary, Energen Resources Corporation (Energen Resources) and primarily occur within the Midland Basin, the Delaware Basin and the Central Basin Platform areas of the Permian Basin in west Texas and New Mexico. Our corporate headquarters is located in Birmingham, Alabama. The unaudited consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in the 2017 Annual Report of Energen on Form 10-K.

Our accompanying unaudited consolidated financial statements include Energen and its subsidiaries, principally Energen Resources, and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the disclosures required for complete financial statements. Results of operations for interim periods are not necessarily indicative of the results that may be expected for the year. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments necessary to present a fair statement of our financial position, results of operations, and cash flows for the periods and as of the dates shown. Such adjustments consist of normal recurring items. Certain reclassifications were made to conform prior periods' financial statements to the current-quarter presentation.

2. DERIVATIVE COMMODITY INSTRUMENTS

We periodically enter into derivative commodity instruments to hedge our exposure to price fluctuations on oil, natural gas liquids and natural gas production. These derivative commodity instruments are accounted for as mark-to-market transactions with gains or losses recognized in the period of change in gain (loss) on derivative instruments, net. Such instruments may include over-the-counter (OTC) swaps, options and basis swaps typically executed with investment and commercial banks and energy-trading firms. Derivative transactions are pursuant to standing authorizations by the Board of Directors, which do not authorize speculative positions.

The following tables detail the offsetting of derivative assets and liabilities as well as the fair values of derivatives on the consolidated balance sheets:

(in thousands)	June 30, 2018					
				Gross Amounts Not Offset in the Balance Sheets		
	Gross Amounts Recognized at Fair Value	Gross Amounts Offset in the Balance Sheets	Net Amounts Presented in the Balance Sheets	Financial Instruments	Cash Collateral Received	Net Fair Value Presented in the Balance Sheets
Derivatives not designated as hedging instruments						
Assets						
Derivative instruments	$116,181	$(80,804)	$35,377	$ —	$ —	$35,377

Noncurrent derivative instruments	19,407	(19,149)	258	—	—	258
Total derivative assets	135,588	(99,953)	35,635	—	—	35,635
Liabilities						
Derivative instruments	161,800	(80,804)	80,996	—	—	80,996
Noncurrent derivative instruments	50,184	(19,149)	31,035	—	—	31,035
Total derivative liabilities	211,984	(99,953)	112,031	—	—	112,031
Total derivatives	$(76,396)	$—	$(76,396)	$	—$	—$(76,396)

(in thousands)	December 31, 2017					
				Gross Amounts Not Offset in the Balance Sheets		
	Gross Amounts Recognized at Fair Value	Gross Amounts Offset in the Balance Sheets	Net Amounts Presented in the Balance Sheets	Financial Instruments	Cash Collateral Received	Net Fair Value Presented in the Balance Sheets
Derivatives not designated as hedging instruments						
Assets						
Derivative instruments	$1,758	$(1,758)	$—	$—	$—	$—
Noncurrent derivative instruments	42	(42)	—	—	—	—
Total derivative assets	1,800	(1,800)	—	—	—	—
Liabilities						
Derivative instruments	73,137	(1,758)	71,379	—	—	71,379
Noncurrent derivative instruments	8,928	(42)	8,886	—	—	8,886
Total derivative liabilities	82,065	(1,800)	80,265	—	—	80,265
Total derivatives	$(80,265)	$—	$(80,265)	$—	$—	$(80,265)

Due to the volatility of commodity prices, the estimated fair value of our derivative instruments is subject to fluctuation from period to period, which could result in significant differences between the current estimated fair value and the ultimate settlement price. Additionally, Energen is at risk of economic loss based upon the creditworthiness of our counterparties. We were in a net loss position with ten of our active counterparties and in a net gain position with the remaining three at June 30, 2018. Energen's net gain positions with Macquarie Bank Limited, Morgan Stanley Capital Group, Inc, and J Aron & Company at June 30, 2018 constituted approximately $21.8 million, $4.7 million and $2.8 million, respectively, of Energen's total net loss on fair value of derivatives.

The following table details the effect of open and closed derivative commodity instruments not designated as hedging instruments on the consolidated statements of operations:

		Three months ended June 30,	
(in thousands)	Location on Statement of Operations	2018	2017
Gain (loss) recognized in income on derivatives	Gain (loss) on derivative instruments, net	$(31,919)	$38,101

		Six months ended June 30,	
(in thousands)	Location on Statement of Operations	2018	2017
Gain (loss) recognized in income on derivatives	Gain (loss) on derivative instruments, net	$(33,614)	102,647

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As of June 30, 2018, Energen had entered into the following derivative transactions for the remainder of 2018 and subsequent years:

Production Period	Description	Total Hedged Volumes		Weighted Average Contract Price
Oil				
2018	NYMEX Swaps	1,020	MBbl	$60.26 Bbl
	NYMEX Three-Way Collars	6,750	MBbl	
	Ceiling sold price (call)			$60.04 Bbl
	Floor purchased price (put)			$45.47 Bbl
	Floor sold price (put)			$35.47 Bbl
2019	NYMEX Swaps	6,840	MBbl	$60.79 Bbl
	NYMEX Three-Way Collars	5,760	MBbl	
	Ceiling sold price (call)			$61.65 Bbl
	Floor purchased price (put)			$45.94 Bbl
	Floor sold price (put)			$35.94 Bbl
Oil Basis Differential				
2018	WTI/WTI Basis Swaps	6,300	MBbl	$(1.46) Bbl
2019	WTI/WTI Basis Swaps	15,840	MBbl	$(5.41) Bbl
2020	WTI/WTI Basis Swaps	15,120	MBbl	$(1.20) Bbl
Natural Gas Liquids				
2018	Liquids Swaps	68.0	MMGal	$0.61 Gal
2019	Liquids Swaps	115.9	MMGal	$0.65 Gal
Natural Gas				
2018	Basin Specific Swaps - West Texas/Waha	3.6	Bcf	$1.70 Mcf
2018	Basin Specific Swaps - Permian	1.8	Bcf	$2.56 Mcf

WTI - West Texas Intermediate/Midland, WTI - West Texas Intermediate/Cushing

As of June 30, 2018, the maximum term over which Energen has hedged exposures to the variability of cash flows is through December 31, 2020.

3. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In determining fair value, we use various valuation approaches and classify all assets and liabilities based on the lowest level of input that is significant to the fair value measurement. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect our own considerations about the assumptions other market participants would use in pricing the asset or liability based on the best information available in the circumstances. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Pricing inputs other than quoted prices in active markets included within Level 1, which are either directly or indirectly observable through correlation with market data as of the reporting date; and

Level 3 - Pricing that requires inputs that are both significant and unobservable to the calculation of the fair value measure. The fair value measure represents estimates of the assumptions that market participants would use in pricing the asset or liability. Unobservable inputs are developed based on the best available information and

subject to cost-benefit constraints.

No transfers between fair value hierarchy levels occurred during the three months and six months ended June 30, 2018.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Energen classifies the fair value of multiple derivative instruments executed under master netting arrangements as net derivative assets and liabilities. The following fair value hierarchy tables present information about Energen's assets and liabilities measured at fair value on a recurring basis:

	June 30, 2018		
(in thousands)	Level 2	Level 3	Total
Assets:			
Derivative instruments	$(40,851)	$76,228	$35,377
Noncurrent derivative instruments	(2,037)	2,295	258
Total assets	(42,888)	78,523	35,635
Liabilities:			
Derivative instruments	95,321	(14,325)	80,996
Noncurrent derivative instruments	28,490	2,545	31,035
Total liabilities	123,811	(11,780)	112,031
Net derivative asset (liability)	$(166,699)	$90,303	$(76,396)

	December 31, 2017		
(in thousands)	Level 2	Level 3	Total
Liabilities:			
Derivative instruments	$43,241	$28,138	$71,379
Noncurrent derivative instruments	7,736	1,150	8,886
Total liabilities	50,977	29,288	80,265
Net derivative liability	$(50,977)	$(29,288)	$(80,265)

Derivative Instruments: The fair value of Energen's derivative commodity instruments is determined using market transactions and other market evidence whenever possible, including market-based inputs to models and broker or dealer quotations. Our OTC derivative contracts trade in less liquid markets with limited pricing information as compared to markets with actively traded, unadjusted quoted prices; accordingly, the determination of fair value is inherently more difficult. OTC derivatives for which we are able to substantiate fair value through direct or indirect observable market prices are classified within Level 2 of the fair value hierarchy. These Level 2 fair values consist of swaps and options priced in reference to NYMEX oil and natural gas prices. OTC derivatives valued using unobservable market prices have been classified within Level 3 of the fair value hierarchy. These Level 3 fair values include oil basis and natural gas liquids swaps. We consider the frequency of pricing and variability in pricing between sources in determining whether a market is considered active. While Energen does not have access to the specific assumptions used in its counterparties' valuation models, Energen maintains communications with its counterparties and discusses pricing practices. Further, we corroborate the fair value of our transactions by comparison of market-based price sources.

Level 3 Fair Value Instruments: Energen prepared a sensitivity analysis to evaluate the hypothetical effect that changes in the prices used to estimate fair value would have on the fair value of its Level 3 instruments. We estimate that a 10 percent increase or decrease in commodity prices would result in an approximate $8.7 million change in the fair value of open Level 3 derivative contracts and to our results of operations.

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The table below sets forth a summary of changes in the fair value of Energen's Level 3 derivative commodity instruments as follows:

	Three months ended June 30,	
(in thousands)	2018	2017
Balance at beginning of period	$24,502	$5,574
Realized gains	4,518	417
Unrealized gains relating to instruments held at the reporting date*	68,138	1,876
Settlements during period	(6,855)	(222)
Balance at end of period	$90,303	$7,645

	Six months ended June 30,	
(in thousands)	2018	2017
Balance at beginning of period	$(29,288)	$(8,852)
Realized losses	(3,322)	(2,845)
Unrealized gains relating to instruments held at the reporting date*	121,929	16,301
Settlements during period	984	3,041
Balance at end of period	$90,303	$7,645

*Includes $68.3 million and $104.4 million in gains related to open contracts held at the reporting date for the three months and six months ended June 30, 2018, respectively. Includes $3.1 million and $11.0 million in gains related to open contracts held at the reporting date for the three months and six months ended June 30, 2017, respectively.

The table below sets forth quantitative information about Energen's Level 3 fair value measurements of derivative commodity instruments as follows:

(in thousands, except price data)	Fair Value as of June 30, 2018	Valuation Technique*	Unobservable Input*	Range
Oil Basis - WTI/WTI				
2018	$71,895	Discounted Cash Flow	Forward Basis	($13.12) - ($12.88) Bbl
2019	$43,229	Discounted Cash Flow	Forward Basis	($8.75) - ($7.86) Bbl
2020	$2,213	Discounted Cash Flow	Forward Basis	($1.40) - ($1.14) Bbl
Natural Gas Liquids				
2018	$(17,589)	Discounted Cash Flow	Forward Basis	$0.83 Gal
2019	$(9,445)	Discounted Cash Flow	Forward Basis	$0.74 Gal

*Discounted cash flow represents an income approach in calculating fair value including the referenced unobservable input and a discount reflecting credit quality of the counterparty.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are reported at fair value on a nonrecurring basis in Energen's consolidated balance sheets. The following methods and assumptions were used to estimate the fair values of these assets and liabilities.

Asset retirement obligations: Energen's asset retirement obligations (ARO) primarily relate to the future plugging, abandonment and reclamation of wells and facilities. We recognize a liability for the fair value of the ARO in the periods incurred. See Note 10, Asset Retirement Obligations, for further discussion related to these ARO's. These

assumptions are classified as Level 3 fair value measurements.

Asset Impairments: We monitor our oil and natural gas properties as well as the market and business environments in which we operate and make assessments about events that could result in potential impairment. Such potential events may include, but are not limited to, commodity price declines, unanticipated increased operating costs, and lower than expected field production performance. If a material event occurs, Energen makes an estimate of undiscounted future cash flows to determine whether the asset is impaired.

If the asset is impaired, we will record an impairment loss for the difference between the net book value of the properties and the fair value of the properties. The fair value of the properties typically is estimated using discounted cash flows and values derived from purchase and sale agreements and similar support as applicable. Cash flow and fair value estimates require Energen to make projections and assumptions for pricing, demand, competition, operating costs, legal and regulatory issues, discount rates and other factors for many years into the future.

These assumptions are classified as Level 3 fair value measurements. Impairments recognized by Energen during the three months and six months ended June 30, 2018 and 2017 were immaterial.

Financial Instruments not Carried at Fair Value

The stated value of cash and cash equivalents, short-term investments, accounts receivable (net of allowance for doubtful accounts), and short-term debt approximates fair value due to the short maturity of the instruments. The Company invested in certain short-term investments that qualify and were classified as cash and cash equivalents. Energen had an allowance for doubtful accounts of $0.6 million at both June 30, 2018 and December 31, 2017, respectively. The fair value of Energen's long-term debt, including the current portion, was approximately $838.0 million and $798.9 million and had a carrying value of $831.0 million and $785.0 million at June 30, 2018 and December 31, 2017, respectively. The fair values are based on market prices of similar debt issues having the same remaining maturities, redemption terms and credit rating. Short-term debt is classified as a Level 1 fair value measurement and long-term debt is classified as a Level 2 fair value measurement.

4. LONG-TERM DEBT

Long-term debt consisted of the following:

(in thousands)	June 30, 2018	December 31, 2017
Credit facility, due April 30, 2023	$301,000	$ 255,000
4.625% Notes, due September 1, 2021	400,000	400,000
7.32% Medium-term Notes, Series A, due July 28, 2022	20,000	20,000
7.35% Medium-term Notes, Series A, due July 28, 2027	10,000	10,000
7.125% Medium-term Notes, Series B, due February 15, 2028	100,000	100,000
Total	831,000	785,000
Less unamortized debt discount	346	360
Less unamortized debt issuance costs	1,586	1,779
Total	$829,068	$ 782,861

The aggregate maturities of Energen's long-term debt outstanding at June 30, 2018 are as follows:

(in thousands)						
Remaining 2018	2019	2020	2021	2022	2023 and thereafter	
$	$	$	$400,000	$20,000	$411,000	

The debt agreements of Energen contain financial and nonfinancial covenants including routine matters such as timely payment of principal and interest, maintenance of corporate existence and restrictions on liens. None of the debt agreements have events of default based on credit ratings. As of June 30, 2018, we were in compliance with our covenants.

Under Energen's Indenture dated September 1, 1996 with The Bank of New York as Trustee, a cross default provision provides that any debt default of more than $10 million by Energen or Energen Resources will constitute an event of

default by Energen. The Indenture does not include a restriction on the payment of dividends.

Our 4.625% Notes due September 1, 2021 include change in control provisions that would be triggered in a variety of change in control events including, but not limited to, the election to our Board of a majority of directors who are not Continuing Directors. As defined in the notes, a Continuing Director is a director who (1) was a member of the Board on the date of the initial issuance of the notes; or (ii) was nominated for election or elected to the Board with the approval of a majority of the Continuing Directors who were members of the Board at the time of such nomination or election.

Credit Facility: On September 2, 2014, Energen entered into a five-year syndicated secured credit facility with domestic and foreign lenders. On November 9, 2017, the borrowing base was increased to $1.7 billion. The aggregate commitments under the credit facility did not change and remained at $1.05 billion. On April 30, 2018, we entered into an amendment to our credit facility which extended the maturity to April 30, 2023, increased the borrowing base to $2.15 billion and increased the aggregate commitments to $1.25 billion. Energen's obligations under the syndicated credit facility are unconditionally guaranteed by Energen Resources. The credit facility is collateralized by certain assets of Energen and Energen Resources, including a pledge of equity interests in subsidiaries of Energen other than Energen Resources, by mortgages on substantially all of Energen Resources' oil and natural gas properties and by the pledge of Energen's and Energen Resources' deposit accounts, securities accounts and commodity accounts (other than de minimus accounts and excluded accounts). The current credit facility qualifies for classification as long-term debt on the consolidated balance sheets. The financial covenants of the credit facility require Energen to maintain a ratio of total debt to consolidated income before interest expense, income taxes, depreciation, depletion, amortization, exploration expense and other non-cash income and expenses (EBITDAX) less than or equal to 4.0 to 1.0; and to maintain a ratio of consolidated current assets (adjusted to include amounts available for borrowings and exclude non-cash derivative instruments) to consolidated current liabilities (adjusted to exclude maturities under the credit facility and non-cash derivative instruments) greater than or equal to 1.0 to 1.0. We are also bound by covenants which limit our ability to incur additional indebtedness, make certain distributions or alter our corporate structure. Energen may not pay dividends if an event of default exists, if the payment would result in an event of default, or if availability is less than 10 percent of the loan limit under the credit facility. Under the credit facility, a cross default provision provides that any debt default of more than $75 million by Energen or Energen Resources will constitute an event of default by Energen. Our credit facility also limits our ability to enter into commodity hedges based on projected production volumes. In addition, the terms of our credit facility limit the amount we can borrow to a borrowing base amount which is determined by our lenders in their sole discretion based on their valuation of our proved reserves and their internal criteria including commodity price outlook. The borrowing base amount is subject to redetermination semi-annually and for event-driven unscheduled redeterminations. Our next scheduled redetermination is October 1, 2018.

Upon an uncured event of default under the credit facility, all amounts owing under the credit facility depending on the nature of the event of default, will automatically or may, upon notice by the administrative agent or the requisite lenders thereunder, become immediately due and payable and the lenders may terminate their commitments under the defaulted facility.

The following is a summary of information relating to Energen's credit facility:

(in thousands)	June 30, 2018	December 31, 2017
Credit facility outstanding	$301,000	$255,000
Available for borrowings	949,000	795,000
Total borrowing commitments	$1,250,000	$1,050,000

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2018	2017	2018	2017
Maximum amount outstanding at any month-end	$301,000	$131,500	$301,000	$131,500
Average daily amount outstanding	$290,876	$47,484	$270,139	$23,887
Weighted average interest rates based on:				
Average daily amount outstanding	3.23%	2.38%	3.08%	2.38%
Amount outstanding at period-end	3.32%	2.44%	3.32%	2.44%

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The following is a summary of information relating to Energen's interest expense:

(in thousands)	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Interest expense	$10,803	$9,202	$21,051	$18,225
Amortization of debt issuance costs related to long-term debt, including our credit facility*	$734	$830	$1,566	$1,673
Commitment fees*	$707	$774	$1,324	$1,561

*Included in Energen's total interest expense. Energen had no capitalized interest for the three months and six months ended June 30, 2018 and 2017. For the six months ended June 30, 2018, Energen paid commitment fees on the unused portion of the available credit facility at a current annual rate of 30 basis points.

5. RECONCILIATION OF EARNINGS PER SHARE (EPS)

(in thousands, except per share amounts)	Three months ended June 30, 2018			Three months ended June 30, 2017		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS	$68,274	97,433	$ 0.70	$29,481	97,189	$ 0.30
Effect of dilutive securities						
Stock options		100			24	
Non-vested restricted stock		331			287	
Performance share awards		216			193	
Diluted EPS	$68,274	98,080	$ 0.70	$29,481	97,693	$ 0.30

(in thousands, except per share amounts)	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS	$187,189	97,377	$ 1.92	$62,884	97,165	$ 0.65
Effect of dilutive securities						
Stock options		70			26	
Non-vested restricted stock		310			275	
Performance share awards		185			182	
Diluted EPS	$187,189	97,942	$ 1.91	$62,884	97,648	$ 0.64

Energen had the following shares that were excluded from the computation of diluted EPS, as inclusion would be anti-dilutive:

(in thousands)	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Stock options	108	539	108	539

Non-vested restricted stock	—	6	—	6
Performance share awards	—	139	163	139

6. STOCK COMPENSATION

Stock Incentive Plan

Restricted Stock: The Stock Incentive Plan provides for the grant of restricted stock and restricted stock units (restricted stock awards) which have been valued based on the quoted market price of Energen's common stock at the date of grant. Restricted stock awards vest within three years from grant date. A summary of restricted stock award activity during the six months ended June 30, 2018 is presented below:

	Shares	Weighted Average Price
Nonvested at December 31, 2017	405,536	$ 44.58
Restricted stock units granted	131,341	51.83
Vested	(107,631)	61.59
Forfeited	(541)	49.58
Nonvested at June 30, 2018	428,705	$ 42.52

Performance Share Awards: In addition, the Stock Incentive Plan provides for the grant of performance share awards to eligible employees based on predetermined Energen performance criteria at the end of an award period. The Stock Incentive Plan provides that payment of earned performance share awards be made in the form of Energen common stock. Performance share awards are valued using the Monte Carlo model which uses historical volatility and other assumptions to estimate the probability of satisfying the market condition of the award and have a two to three-year vesting period. A summary of performance share award activity during the six months ended June 30, 2018 is presented below:

	Shares	Weighted Average Price
Nonvested at December 31, 2017	400,037	$ 55.65
Granted (three-year vesting period)	158,262	68.08
Vested and paid	(112,710)	83.94
Forfeited	(735)	60.33
Nonvested at June 30, 2018	444,854	$ 52.90

Stock Repurchase Program

During the three months and six months ended June 30, 2018, Energen had non-cash purchases of approximately $0.4 million and $6.9 million, respectively, of Energen common stock in conjunction with tax withholdings on other stock compensation and our non-qualified deferred compensation plan. Energen had non-cash purchases of Energen common stock of $15,000 and $3.2 million during the three months and six months June 30, 2017. Energen utilized internally generated cash flows in payment of the related tax withholdings.

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7. EMPLOYEE BENEFIT PLANS

Postretirement Benefit Plans
Energen provides certain postretirement benefits for all eligible employees hired prior to January 1, 2010. These postretirement benefits are available upon retirement as defined by the plan. The components of net periodic postretirement benefit income for Energen's postretirement benefit plan were as follows:

	Three months ended June 30,		
(in thousands)	2018	2017	Line item where presented
Components of net periodic benefit cost:			
Service cost	$16	$18	General and administrative
Interest cost	53	57	Interest expense
Expected long-term return on assets	(51)	(62)	Other income
Prior service cost amortization	(113)	(114)	Other income
Actuarial loss amortization	31	2	Other income
Net periodic income	$(64)	$(99)	

	Six months ended June 30,		
(in thousands)	2018	2017	Line item where presented
Components of net periodic benefit cost:			
Service cost	$32	$35	General and administrative
Interest cost	107	113	Interest expense
Expected long-term return on assets	(101)	(124)	Other income
Prior service cost amortization	(227)	(227)	Other income
Actuarial loss amortization	62	5	Other income
Net periodic income	$(127)	$(198)	

There are no required contributions to the postretirement benefit plan during 2018.

8. COMMITMENTS AND CONTINGENCIES

Legal Matters: Energen and its subsidiaries are, from time to time, parties to various pending or threatened legal proceedings and we have accrued a provision for our estimated liability. Certain of these lawsuits include claims for punitive damages in addition to other specified relief. We recognize a liability for contingencies, including an estimate of legal costs to be incurred, when information available indicates both a loss is probable and the amount of the loss can be reasonably estimated. Based upon information presently available, and in light of available legal and other defenses, contingent liabilities arising from threatened and pending litigation are not considered material in relation to the respective financial positions of Energen and its subsidiaries. It should be noted, however, that there is uncertainty in the valuation of pending claims and prediction of litigation results.

On November 4, 2015, Energen Resources filed a quiet title action against Endeavor Energy Resources, L.P. (Endeavor) in the District Court of Howard County, Texas, to remove a cloud on the title to approximately 10,000 acres leased by Energen Resources in that county. Energen Resources believes the cloud on title arises from a prior, unreleased but partially terminated oil and gas lease covering the leased lands. The trial judge ruled with respect to the

acreage not held by production that Endeavor's lease terminated prior to the date Energen Resources entered into its lease. In November 2016, the trial judge entered a final judgment to that effect and that judgment has been appealed by Endeavor.

Environmental Matters: Various environmental laws and regulations apply to the operations of Energen and Energen Resources. Historically, the cost of environmental compliance has not materially affected our financial position, results of operations or cash flows. New regulations, enforcement policies, claims for damages or other events could result in significant unanticipated costs.

During January 2014, Energen Resources responded to a General Notice and Information Request from the Environmental Protection Agency regarding the Reef Environmental Site (the Site) in Sylacauga, Talladega County, Alabama. The letter identifies Energen Resources as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 for the cleanup of the Site. In 2008, Energen hired a third party to transport approximately 3,000 gallons of non-hazardous wastewater to Reef Environmental for wastewater treatment. Reef Environmental ceased operating its wastewater treatment system in 2010. Because it used Reef Environmental only one time for a small volume of non-hazardous wastewater, Energen Resources has not accrued a liability for cleanup of the Site.

New Mexico Audits: In 2011, Energen Resources received an Order to Perform Restructured Accounting and Pay Additional Royalties (the Order), following an audit performed by the Taxation and Revenue Department (the Department) of the State of New Mexico on behalf of the Office of Natural Resources Revenue (ONRR), of federal oil and gas leases in New Mexico. The audit covered periods from January 2004 through December 2008 and included a review of the computation and payment of royalties due on minerals removed from specified U.S. federal leases. The Order addressed ONRR’s efforts to change accounting and reporting practices, and to unbundle fees charged by third parties that gather, compress and transport natural gas production. ONRR now maintains that all or some of such fees are not deductible.

Energen Resources appealed the Order in 2011, and in July 2012, on a motion from ONRR, the Order was remanded. In August 2014, ONRR issued its Revised Order and Energen Resources appealed the Revised Order. In the Revised Order, ONRR ordered that Energen pay additional royalties on production from certain federal leases in the amount of $129,700. At ONRR’s request; the Revised Order was also remanded in August 2015. On April 15, 2016, ONRR issued its Second Revised Order. The Second Revised Order directs Energen Resources to pay additional royalties of $189,000, replacing the previous demand of $129,700. Energen estimates that application of the ONRR position to all of the Company’s federal leases would result in ONRR claims up to approximately $24 million, plus interest and penalties from 2004 forward. ONRR began implementing its unbundling initiative in 2010, but seeks to implement its revisions retroactively, despite the fact that they conflict with previous audits, allowances and industry practice. Energen is contesting the Second Revised Order, the predecessor orders and the findings. Management is unable, at this time, to determine a range of reasonably possible losses, and no amount has been accrued as of June 30, 2018.

Income Taxes: In March 2018, the Company executed a statute of limitation extension for its 2014 federal consolidated income tax return until September 10, 2019. This extension was granted as part of the Company’s ongoing IRS examination of its 2014 and 2016 federal consolidated income tax returns. In June 2018, the Company received notice that the state of Alabama initiated an income tax audit for the 2014 tax year for all subsidiaries.

Under SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), provisional amounts must be recorded for certain income tax effects of the 2017 Tax Cuts and Jobs Act for which the accounting under ASC 740 is incomplete, but a reasonable estimate can be determined. Energen recorded a provisional estimate of $0.4 million deferred income tax expense at December 31, 2017 with respect to the IRC Section 162(m) limitation and associated compensation-related deferred tax assets. Energen is awaiting guidance from the IRS with respect to transition relief on certain written binding contracts which were in effect on November 2, 2017. Any adjustment to this provisional estimate will be recorded in the period when further guidance is issued but no later than the fourth quarter of 2018. As of June 30, 2018, no changes have been made to the provisional estimate recorded at December 31, 2017.

9. EXPLORATORY COSTS

Energen capitalizes exploratory drilling costs until a determination is made that the well or project has either found proved reserves or is impaired. After an exploratory well has been drilled and found oil and natural gas reserves, a

determination may be pending as to whether the oil and natural gas quantities can be classified as proved. In those circumstances, Energen continues to capitalize the drilling costs pending the determination of proved status if (i) the well has found a sufficient quantity of reserves to justify its completion as a producing well and (ii) Energen is making sufficient progress assessing the reserves and the economic and operating viability of the project. Capitalized exploratory drilling costs are presented in proved properties in the consolidated balance sheets. If the exploratory well is determined to be a dry hole, the costs are charged to exploration expense. Other exploration costs, including geological and geophysical costs, are expensed as incurred.

The following table sets forth capitalized exploratory well costs and includes additions pending determination of proved reserves, reclassifications to proved reserves and costs charged to expense:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2018	2017	2018	2017
Capitalized exploratory well costs at beginning of period	$142,007	$168,265	$132,200	$164,996
Additions pending determination of proved reserves	207,288	170,737	376,041	335,703
Reclassifications due to determination of proved reserves	(221,061)	(197,601)	(380,007)	(359,298)
Capitalized exploratory well costs at end of period	$128,234	$141,401	$128,234	$141,401

The following table sets forth capitalized exploratory well costs:

(in thousands)	June 30, 2018	December 31, 2017
Exploratory wells in progress (drilling rig not released)	$ 31,743	$ 10,879
Capitalized exploratory well costs capitalized for a period of one year or less	96,491	121,321
Total capitalized exploratory well costs	$ 128,234	$ 132,200

At June 30, 2018, Energen had 52 gross exploratory wells either drilling or waiting on results from completion and testing, all of which were located in the Permian Basin. As of June 30, 2018 and December 31, 2017, the Company had no wells capitalized greater than a year.

10. ASSET RETIREMENT OBLIGATIONS

Energen's asset retirement obligations (ARO) primarily relate to the future plugging, abandonment and reclamation of wells and facilities. We recognize a liability for the fair value of the ARO in the periods incurred. The ARO fair value liability is determined by calculating the present value of the estimated future cash outflows, adjusted for inflation, we expect to incur to plug, abandon and reclaim our producing properties at the end of their productive lives, and is recognized on a discounted basis incorporating an estimate of performance risk specific to Energen. Subsequent to initial measurement, liabilities are accreted to their present value and capitalized costs are depreciated over the estimated useful lives of the related assets. Upon settlement of the liability, Energen may recognize a gain or loss for differences between estimated and actual settlement costs.

The following table reflects the components of the change in Energen's ARO balance:

(in thousands)	
Balance as of December 31, 2017	$88,378
Liabilities incurred	1,145
Liabilities settled	(35)
Accretion expense	3,100
Balance as of June 30, 2018	$92,588

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11. REVENUE RECOGNITION

On January 1, 2018, the Company adopted Accounting Standard Codification (ASC) 606, Revenue from Contracts with Customers, using the modified retrospective method. The adoption of ASC 606 superseded the revenue recognition requirements in ASC 605, Revenue Recognition, and had the following impact on the Company's results of operations for the three months and six months ended June 30, 2018:

	Three months ended June 30, 2018		
(in thousands)	As reported under ASC 606	As computed under ASC 605	Increase (Decrease)
Revenues			
Oil, natural gas liquids and natural gas sales	$371,567	$373,259	$ (1,692)
Operating Costs and Expenses			
Oil, natural gas liquids and natural gas production	$57,958	$59,650	$ (1,692)
Net Income	$68,274	$68,274	$ —

	Six months ended June 30, 2018		
(in thousands)	As reported under ASC 606	As computed under ASC 605	Increase (Decrease)
Revenues			
Oil, natural gas liquids and natural gas sales	$729,433	$732,281	$ (2,848)
Operating Costs and Expenses			
Oil, natural gas liquids and natural gas production	$110,593	$113,441	$ (2,848)
Net Income	$187,189	$187,189	$ —

Changes in revenues and operating costs and expenses are due to certain marketing and transportation costs determined to have occurred after transfer of control to the purchaser. Accordingly, under ASC 606 these marketing and transportation costs are reported as a deduction to revenues.

The Company does not disclose the value of unsatisfied performance obligations under its contracts with customers as it applies the practical exemption in accordance with ASC 606. The exemption applies to variable consideration that is recognized as control of the product is transferred to the customer. Since each unit of product represents a separate performance obligation, future volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required.

Performance obligations for the sale of oil, natural gas liquids and natural gas are satisfied at a point in time because the customer obtains control and title of the asset when the oil, natural gas liquids and natural gas is delivered to the designated sales point. Because the Company's performance obligations have been satisfied and an unconditional right to consideration exists as of the balance sheet date, the Company has recognized amounts due from contracts with customers of $134.6 million and $131.9 million at June 30, 2018 and December 31, 2017, respectively, as accounts receivable within the consolidated balance sheets.

Revenues are predominantly derived from the sale of oil, natural gas liquids and natural gas. Revenues are recognized when obligations under the terms of a contract with our customers are satisfied; generally, this occurs with the transfer of control of the promised goods or services in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Revenue on these contracts is recognized in accordance with the five-step revenue recognition model prescribed under ASC 606. Payment is generally made on these oil, natural gas liquids and natural gas sales contracts within 30 days of the end of the calendar month in which product is delivered. The sale of oil, natural gas liquids and natural gas as presented on the consolidated statements of operations represent the Company's share of revenues net of royalties and exclude revenue interests owned by others. When selling oil, natural gas liquids and natural gas on behalf of royalty owners or working interest owners, the Company is acting as an agent and thus reports the revenue on a net basis. Taxes are not included in the transaction costs.

In accordance with ASC 606, the Company disaggregates revenues from contracts with customers by product type. The following table summarizes our revenue by major product:

(in thousands)	Three months ended June 30, 2018	Six months ended June 30, 2018
Oil	$316,082	$620,077
Natural gas liquids	42,051	76,184
Natural gas	13,434	33,172
Total	$371,567	$729,433

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table provides changes in the components of accumulated other comprehensive income (loss), net of the related income tax effects.

(in thousands)	
Balance as of December 31, 2017	$380
Amounts reclassified from accumulated other comprehensive income (loss)	(123)
Amounts reclassified to accumulated other comprehensive income (loss) from retained earnings due to the stranded tax effects of the 2017 Tax Cuts and Jobs Act	286
Change in accumulated other comprehensive income (loss)	163
Balance as of June 30, 2018	$543

The following table provides details of the reclassifications out of accumulated other comprehensive income (loss).

(in thousands)	Three months ended June 30, 2018	2017	Line Item Where Presented
	Amounts Reclassified		
Postretirement plans:			
Prior service cost	$113	$113	Other income
Actuarial losses	(31)	(2)	Other income
Total postretirement plans	82	111	
Income tax expense	(20)	(42)	
Total reclassifications for the period, net of tax	$62	$69	

(in thousands)	Six months ended June 30, 2018	2017	Line Item Where Presented
	Amounts Reclassified		
Postretirement plans:			
Prior service cost	$226	$227	Other income

Actuarial losses	(62)	(5)	Other income
Total postretirement plans	164	222	
Income tax expense	(41)	(84)	
Total reclassifications for the period, net of tax	$123	$138	

13. ACQUISITION AND DISPOSITION OF PROPERTIES

In the first quarter of 2018, Energen completed acreage swaps which delivered 1,922.4 net acres in the Midland Basin to a third party, while it received 1,230.7 net acres in the Delaware Basin along with $0.7 million cash. Energen recognized a pre-tax gain of $33.4 million based on the fair value of the asset surrendered in the acreage trade. In the second quarter of 2018, Energen completed an acreage swap which delivered 240 net acres in the Central Basin platform to a third party, while it received 129.23 net acres in the Midland Basin. Energen recognized a pre-tax gain of $0.7 million based on the fair value of the asset surrendered in the acreage trade.

During the six months ended June 30, 2018, Energen completed an estimated total of $34.2 million in various purchases and renewals of unproved acquisitions, which are accounted for as asset acquisitions, including approximately $29.0 million in the Delaware Basin and approximately $5.2 million in the Midland Basin for unproved leasehold. During the six months ended June 30, 2017, Energen completed an estimated $235.6 million in various purchases and renewals of unproved acquisitions, including approximately $185.9 million in the Delaware Basin and approximately $30.9 million in the Midland Basin for unproved leasehold and $18.8 million for mineral purchases in the Delaware Basin. In addition, during the year-to-date June 30, 2018, Energen completed $4.8 million in various proved property acquisitions.

14. RECENTLY ISSUED ACCOUNTING STANDARDS

Recently Adopted Accounting Standards
In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-02, Reporting Comprehensive Income - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The amendment is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years with early adoption permitted. The Company adopted this amendment for its postretirement plans with respect to the disproportionate effect of the Tax Cuts and Jobs Act to clear the effect as of January 1, 2018 that otherwise would not be cleared under current guidance until the postretirement plans have terminated. The Company had an associated $286,000 decrease to retained earnings for the adoption of this amendment.

In May 2017, the FASB issued ASU No. 2017-09, Stock Compensation - Scope of Modification Accounting. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendment is effective for annual periods beginning after December 15, 2017, and interim periods within those annual years. The adoption of this amendment did not impact the Company’s financial position or results of operations.

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amendments in this update require that the service cost component of net periodic postretirement benefit expense be presented in the same statement of operations line item as other employee compensation costs, while the remaining components of net periodic postretirement benefit expense are to be presented outside operating income. The amendment is effective for annual periods beginning after December 15, 2017, and interim periods within those annual years. The adoption of this amendment did not have a material impact to the Company’s financial position or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments. This update apples to all entities that are required to present a statement of cash flows. This update provides guidance on eight specific cash flow issues: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. This update was effective for financial statements issued for fiscal years beginning after December 31, 2017, including interim periods within those fiscal years with early adoption permitted. This update was applied using the retrospective transition method. The adoption of this standard did not impact the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which makes a number of changes meant to simplify and improve accounting for share-based payments. The amendment was effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The adoption of this ASU effective January 1, 2017 did not have a material impact on our consolidated financial statements. Upon adoption of this new guidance, all excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in our consolidated statements of operations as a discrete item in the reporting period in which they occur. The presentation requirements for cash flows related to employee taxes paid for withheld shares were adjusted retrospectively. These cash outflows, which were historically presented as an operating activity, were classified as a financing activity under taxes paid for shares withheld on the consolidated statements of cash flows. The Company also had an approximate $170,000 decrease to retained earnings associated with our election to recognize forfeitures as they occur.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, ASC 606, which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This update is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The Company adopted this standard as of January 1, 2018 using the modified retrospective approach, which only applies to contracts that were not complete as of the date of initial application. Adoption of this standard did not require an adjustment to beginning retained earnings. See Note 11, Revenue Recognition, for further discussion of the impact of the adoption of ASC 606 on the Company’s consolidated financial statements and the Company’s revenue recognition policies.

Recently Issued But Not Yet Adopted Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This update requires lessees to recognize a lease liability and a right-of-use (ROU) asset for all leases, including operating leases, with a term greater than 12 months on the balance sheet. This standard is not applicable to oil and natural gas leases. This ASU modifies the definition of a lease and outlines the recognition, measurement, presentation and disclosure of leasing arrangement by both lessees and lessors. The Company plans to make certain elections allowing the Company not to reassess contracts that commenced prior to adoption, to continue applying its current accounting policy for land easements until adoption and not to recognize ROU assets or lease liabilities for short-term leases. The Company continues to review contracts in its portfolio of leased assets to assess the impact of adopting this ASU on our consolidated financial statements. In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842), Targeted Improvements, which would allow entities to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in the consolidated financial statements. The ASU will allow entities to continue to apply the legacy guidance in Topic 840, including its disclosure requirements, in the comparative periods presented in the year the new leases standard is adopted. Entities that elect this option would still adopt the new leases standard using a modified retrospective transition method, but would recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. The Company will adopt ASU No. 2016-02 on January 1, 2019 using the modified retrospective transition method.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW OF BUSINESS

Energen Corporation (Energen or the Company) is an oil and natural gas exploration and production company engaged in the exploration, development and production of oil, natural gas liquids and natural gas. Our operations are conducted through our subsidiary, Energen Resources Corporation (Energen Resources), and primarily occur within the Midland Basin, the Delaware Basin and the Central Basin Platform areas of the Permian Basin in west Texas and New Mexico.

Energen is focused on increasing its oil, natural gas liquids and natural gas production and proved reserves through active development and/or exploratory programs in the Permian Basin. The Company seeks to expand its footprint primarily through acquisitions of proved properties and unproved leasehold within areas of existing operations. All oil, natural gas liquids and natural gas production is sold to third parties. Energen operates properties for its own interest and that of its joint interest owners. This role includes overall project management and day-to-day decision-making relative to project operations.

Overview of Second Quarter 2018 Results and Activities

Key results during the second quarter of 2018 were as follows:

- generated 34 percent higher production to 8,862 thousand barrels of oil equivalent (MBOE), including a 32 percent increase in oil and natural gas liquids production to 7,019 MBOE;
- realized a 37 percent increase in oil prices to $61.21 per barrel;
- recognized a per unit decline of 18 percent in general and administrative (G&A) expense; and
- completed an estimated $12.4 million in various purchases and renewals of unproved acquisitions in the Permian Basin including approximately $10.7 million in the Delaware Basin and approximately $1.7 million in the Midland Basin for unproved leasehold.

Key results during the six months ended June 30, 2018 were as follows:

- generated 52 percent higher production to 17,220 MBOE, including a 49 percent increase in oil and natural gas liquids production to 13,640 MBOE;
- realized a 32 percent increase in oil prices to $61.10 per barrel;
- recognized per unit declines of 28 percent and 15 percent in G&A expense and oil, natural gas liquids and natural gas production expense, respectively;
- recognized a pre-tax gain of $34.1 million on certain acreage swaps; and
- completed an estimated $34.2 million in various purchases and renewals of unproved acquisitions in the Permian Basin including approximately $29.0 million in the Delaware Basin and approximately $5.2 million in the Midland Basin for unproved leasehold.

FINANCIAL AND OPERATING PERFORMANCE

Quarter ended June 30, 2018 vs. quarter ended June 30, 2017

Energen had net income of $68.3 million ($0.70 per diluted share) for the three months ended June 30, 2018 as compared with net income of $29.5 million ($0.30 per diluted share) for the same period in the prior year. This change in net income was primarily the result of:

- increased oil and natural gas liquids commodity prices (approximately $100.0 million pre-tax); and

- increased oil, natural gas liquids and natural gas production volumes (approximately $64.7 million pre-tax);

partially offset by:

- higher year-over-year pre-tax losses of $47.2 million on open derivatives (resulting from a pre-tax $9.9 million non-cash loss on open derivatives for the second quarter of 2018 and a pre-tax $37.3 million non-cash gain on open derivatives for the second quarter of 2017);
- period-over-period loss on closed derivatives (approximately $22.8 million pre-tax);
- increased oil, natural gas liquids and natural gas production expense (approximately $14.0 million pre-tax);
- increased depreciation, depletion and amortization (DD&A) expense (approximately $12.5 million pre-tax);
- decreased natural gas commodity prices (approximately $11.9 million pre-tax);

- higher production and ad valorem taxes (approximately $11.5 million pre-tax); and
- increased income tax expense due to higher pre-tax income partially offset by the reduction in the corporate tax rate from the 2017 Tax Cuts and Jobs Act (approximately $3.7 million).

Six months ended June 30, 2018 vs. quarter ended June 30, 2017
Energen had net income of $187.2 million ($1.91 per diluted share) for the three months ended June 30, 2018 as compared with net income of $62.9 million ($0.64 per diluted share) for the same period in the prior year. This change in net income was primarily the result of:

- increased oil, natural gas liquids and natural gas production volumes (approximately $185.4 million pre-tax);
- increased oil and natural gas liquids commodity prices (approximately $166.4 million pre-tax); and
- gain in the first quarter of 2018 from certain acreage swaps in which Energen delivered approximately 1,922.4 net acres in the Midland Basin in exchange for approximately 1,230.7 net acres in the Delaware Basin (approximately $33.4 million pre-tax);

partially offset by:

- higher year-over-year pre-tax losses of $100.9 million on open derivatives (resulting from a pre-tax $8.8 million non-cash gain on open derivatives for the first six months of 2018 and a pre-tax $109.7 million non-cash gain on open derivatives for the first six months of 2017);
- increased DD&A expense (approximately $37.0 million pre-tax);
- period-over-period loss on closed derivatives (approximately $35.4 million pre-tax);
- increased oil, natural gas liquids and natural gas production expense (approximately $25.4 million pre-tax);
- higher production and ad valorem taxes (approximately $21.3 million pre-tax);
- increased income tax expense due to higher pre-tax income partially offset by the reduction in the corporate tax rate from the 2017 Tax Cuts and Jobs Act (approximately $20.4 million);
- decreased natural gas commodity prices (approximately $17.5 million pre-tax); and
- higher G&A expense (approximately $3.8 million pre-tax).

Outlook
Capital Estimate: Energen plans to continue investing in oil and natural gas production operations. In the 2018 year-to-date, Energen has invested approximately $595 million, including $39 million associated with acquisitions, on its oil and natural gas capital program. Included in acquisitions are unproved leasehold acquisitions in the Delaware Basin of approximately $29.0 million and in the Midland Basin of approximately $5.2 million. The total drilling and development capital for 2018 is estimated to range from $1.1 billion to $1.3 billion, substantially all of which is for existing properties and exploration. Higher potential costs associated with ancillary service costs, steel tariffs and additional non-operated activity likely will lead to capital investment near the high end of the range in 2018.

To finance our capital spending, we expect to use cash flow from operations supplemented by our existing syndicated credit facility. Capital spending is required to offset declines in production and proved oil and natural gas reserves. Future success in maintaining and growing reserves and production is highly dependent on the results of our drilling program and our ability to add reserves economically during a volatile market for crude oil and natural gas.

Energen also may allocate additional capital for other oil and natural gas activities such as property acquisitions and additional development of existing properties. Energen may evaluate acquisition opportunities which arise in the marketplace. Energen’s ability to invest in property acquisitions is subject to market conditions and industry trends. Property acquisitions, except as disclosed above, are not included in the aforementioned estimate of oil and natural gas investments and could result in capital expenditures different from those outlined above.

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Results of Operations

The following table summarizes information regarding our production and operating data.

	Three months ended June 30,		Six months ended June 30,	
(in thousands, except sales price and per unit data)	2018	2017	2018	2017
Operating and production data				
Oil, natural gas liquids and natural gas sales				
Oil	$316,082	$182,701	$620,077	$329,371
Natural gas liquids	42,051	18,634	76,184	34,268
Natural gas	13,434	17,388	33,172	31,459
Total	$371,567	$218,723	$729,433	$395,098
Open non-cash mark-to-market gains (losses) on derivative instruments				
Oil	$6,182	$31,067	$17,384	$89,125
Natural gas liquids	(14,583)	4,530	(8,817)	11,617
Natural gas	(1,459)	1,737	253	8,961
Total	$(9,860)	$37,334	$8,820	$109,703
Closed gains (losses) on derivative instruments				
Oil	$(17,013)	$152	$(33,680)	$(5,858)
Natural gas liquids	(6,249)	(80)	(10,230)	(1,545)
Natural gas	1,203	695	1,476	347
Total	$(22,059)	$767	$(42,434)	$(7,056)
Total revenues	$339,648	$256,824	$695,819	$497,745
Production volumes				
Oil (MBbl)	5,164	4,102	10,148	7,098
Natural gas liquids (MMgal)	77.9	51.6	146.7	85.3
Natural gas (MMcf)	11,058	7,596	21,480	13,326
Total production volumes (MBOE)	8,862	6,596	17,220	11,350
Average daily production volumes				
Oil (MBbl/d)	56.7	45.1	56.1	39.2
Natural gas liquids (MMgal/d)	0.9	0.6	0.8	0.5
Natural gas (MMcf/d)	121.5	83.5	118.7	73.6
Total average daily production volumes (MBOE/d)	97.4	72.5	95.1	62.7
Average realized prices excluding effects of open non-cash mark-to-market derivative instruments				
Oil (per barrel)	$57.91	$44.58	$57.78	$45.58
Natural gas liquids (per gallon)	$0.46	$0.36	$0.45	$0.38
Natural gas (per Mcf)	$1.32	$2.38	$1.61	$2.39
Average realized prices excluding effects of all derivative instruments				
Oil (per barrel)	$61.21	$44.54	$61.10	$46.40
Natural gas liquids (per gallon)	$0.54	$0.36	$0.52	$0.40
Natural gas (per Mcf)	$1.21	$2.29	$1.54	$2.36
Costs per BOE				
Oil, natural gas liquids and natural gas production expenses	$6.54	$6.66	$6.42	$7.51
Production and ad valorem taxes	$2.79	$2.00	$2.75	$2.29
Depreciation, depletion and amortization	$15.12	$18.43	$15.00	$19.49
Exploration expense	$0.12	$0.30	$0.14	$0.50
General and administrative	$2.47	$3.02	$2.57	$3.56
Capital expenditures (including acquisitions)	$334,389	$336,111	$594,922	$720,246

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Revenues: Our revenues fluctuate primarily as a result of realized commodity prices, production volumes and the value of our derivative contracts. Our revenues are predominantly derived from the sale of oil, natural gas liquids and natural gas.

In the second quarter of 2018, commodity sales rose $152.8 million or 69.9 percent from the same period of 2017. In the year-to-date 2018, commodity sales rose $334.3 million or 84.6 percent from the same period of 2017. Particular factors impacting commodity sales include the following:

- Total production increased 34.4 percent to 8,862 MBOE in the second quarter and 51.7 percent to 17,220 MBOE in the year-to-date. Increased production related to new well performance from the Delaware Basin and Midland Basin horizontal well programs was partially offset by reduced production associated with normal declines in the Central Basin Platform and the vertical Wolfberry in the Midland Basin.
- Oil volumes in the second quarter increased 25.9 percent to 5,164 MBbl and 43.0 percent to 10,148 MBbl in the year-to-date.
- Average realized oil prices rose 37.4 percent to $61.21 per barrel during the three months ended June 30, 2018.
- Average realized oil prices rose 31.7 percent to $61.10 per barrel during the six months ended June 30, 2018.
- Natural gas liquids production for the current quarter rose 51.0 percent to 77.9 MMgal and 72.0 percent to 146.7 MMgal in the year-to-date.
- Average realized natural gas liquids prices rose 50 percent to an average price of $0.54 per gallon during the second quarter of 2018. Average realized natural gas liquids prices rose 30 percent to an average price of $0.52 per gallon during the six months ended June 30, 2018.
- Natural gas production increased 45.6 percent to 11.1 Bcf in the second quarter. For the six months ended June 30, 2018, natural gas production rose 61.2 percent to 21.5 Bcf.
- Average realized natural gas prices fell 47.2 percent to $1.21 per Mcf during the three months ended June 30, 2018.
- For the current year-to-date, average realized natural gas prices decreased 34.7 percent to $1.54 per Mcf.

Realized prices exclude the effects of derivative instruments.

Losses on derivative instruments were $31.9 million in the second quarter of 2018 compared to gains of $38.1 million in the same period of 2017. Losses on derivative instruments were $33.6 million in the six months ended June 30, 2018 compared to gains of $102.6 million in the same period of 2017. Our earnings are significantly affected by the changes of our derivative instruments. Increases or decreases in the expected commodity price outlook generally result in the opposite effect on the fair value of our derivatives. However, these gains and losses are generally expected to be offset by the unhedged price on the related commodities.

Oil, natural gas liquids and natural gas production expense: The following table provides the components of our oil, natural gas liquids and natural gas production expenses:

	Three months ended		Six months ended	
	June 30,		June 30,	
(in thousands, except per unit data)	2018	2017	2018	2017
Lease operating expenses	$39,581	$30,048	$76,425	$57,277
Workover and repair costs	14,407	12,245	27,373	24,994
Marketing and transportation	3,970	1,616	6,795	2,926
Total oil, natural gas liquids and natural gas production expense	$57,958	$43,909	$110,593	$85,197
Oil, natural gas liquids and natural gas production expense per BOE	$6.54	$6.66	$6.42	$7.51

Lease operating expense generally reflects year-over-year increases in the number of active wells resulting from Energen’s ongoing development and exploratory activities and also may be positively or negatively impacted by property acquisitions and dispositions.

Lease operating expense rose $9.5 million for the quarter largely due to higher equipment rental costs (approximately $3.5 million), increased electrical costs (approximately $1.4 million), increased water disposal costs (approximately $1.2 million), higher gathering costs (approximately $0.6 million), increased non-operated costs (approximately $0.6 million), increased labor costs (approximately $0.5 million) and increased environmental costs (approximately $0.5 million).

Lease operating expense rose $19.1 million for the year-to-date largely due to higher equipment rental costs (approximately $6.4 million), increased water disposal costs (approximately $4.2 million), increased electrical costs (approximately $2.2 million), higher gathering costs (approximately $1.2 million), increased non-operated costs (approximately $1.1 million), increased labor costs (approximately $1.0 million), increased environmental costs (approximately $1.0 million) and increased chemical and treatment costs (approximately $0.6 million).

Workover and repair costs increased approximately $2.2 million and $2.4 million for the three months and six months ended June 30, 2018, respectively.

In the three months and six months ended June 30, 2018, marketing and transportation costs increased $2.4 million and $3.9 million, respectively, primarily due to higher volumes associated with the Delaware Basin.

Production and ad valorem taxes: The following table provides a detail of our production and ad valorem taxes:

	Three months ended June 30,		Six months ended June 30,	
(in thousands, except per unit data)	2018	2017	2018	2017
Production taxes	$18,817	$10,781	$36,815	$19,435
Ad valorem taxes	5,916	2,437	10,486	6,603
Total production and ad valorem tax expense	$24,733	$13,218	$47,301	$26,038
Total production and ad valorem tax expense per BOE	$2.79	$2.00	$2.75	$2.29

In the current quarter, production-related taxes were $8.0 million higher with approximately $3.7 million attributed to higher production volumes and approximately $4.3 million associated with increased overall commodity market prices. In the year-to-date, production-related taxes were $17.4 million higher with approximately $10.1 million attributed to higher production volumes and approximately $7.3 million associated with increased overall commodity market prices. Commodity market prices exclude the effects of derivative instruments for purposes of determining production taxes. Ad valorem taxes increased $3.5 million in the current quarter and $3.9 million year-to-date largely due to the increase in valuation attributable to new drilling and higher production.

Depreciation, depletion and amortization: Energen's DD&A expense for the quarter rose $12.5 million and increased $37.0 million year-to-date. The average depletion rate for the current quarter was $15.12 per BOE as compared to $18.43 per BOE in the same period a year ago. Higher production volumes in the quarter increased DD&A expense by approximately $41.4 million which was partially offset by lower per unit depletion rates of approximately $28.8 million. For the six months ended June 30, 2018, the average depletion rate was $15.00 per BOE as compared to $19.49 per BOE in the same period a year ago. In the year-to-date, higher production volumes increased DD&A expense by approximately $113.2 million which was partially offset by lower per unit depletion rates of approximately $76.1 million.

Asset impairment: Non-cash impairment writedowns are reflected in asset impairment on the consolidated statements of operations.

In the six months ended June 30, 2018, Energen recognized unproved leasehold writedowns primarily on Permian Basin oil properties in the Delaware Basin and the Midland Basin Platform of $0.3 million. In the year-to-date 2017, Energen recognized unproved leasehold writedowns primarily on Permian Basin oil properties of $0.4 million and non-cash impairments in the Permian Basin of $1.1 million to adjust the carrying amount of these properties to their fair value.

Exploration: Exploration expense decreased $0.9 million in the second quarter of 2018 and $3.2 million year-to-date primarily due to lower seismic costs.

General and administrative: The following table provides details of our G&A expense:

	Three months ended June 30,		Six months ended June 30,	
(in thousands, except per unit data)	2018	2017	2018	2017
General and administrative	$4,814	$4,996	$9,867	$9,490
Benefit and performance-based compensation costs	7,870	6,147	13,936	11,737
Labor costs	9,249	8,765	20,387	19,197
Total general and administrative expense	$21,933	$19,908	$44,190	$40,424
Total general and administrative expense per BOE	$2.47	$3.02	$2.57	$3.56

Total G&A expense increased $2 million for the three months ended June 30, 2018 and $3.8 million for the year-to-date largely due to increased costs from Energen's benefit and performance-based compensation plans and higher labor costs.

Gain on sale of assets and other, net: Energen had gains on the sale of assets and other, net, of $0.1 million and $33.8 million for the three months and six months ended June 30, 2018, respectively. For the three months and six months ended June 30, 2017, Energen had losses on the sale of assets and other, net, of $0.2 million and gains on the sale of assets and other, net, of $1.0 million, respectively. Gains on the sale of assets and other, net, in the 2018 year-to-date include a $33.4 million pre-tax gain from certain acreage swaps in which Energen delivered approximately 1,922.4 net acres in the Midland Basin in exchange for approximately 1,230.7 net acres in the Delaware Basin and a pre-tax gain of $0.7 million from certain acreage swaps in which Energen delivered approximately 240 net acres in the Central Basin Platform in exchange for approximately 129.23 net acres in the Midland Basin.

Interest expense: Interest expense increased $1.6 million in the second quarter of 2018 and rose $2.8 million for the six months ended June 30, 2018. Higher interest for both the current quarter and year-to-date was primarily due to increased borrowings under our syndicated credit facility partially offset by reduced interest related to the reduction of medium-term notes in 2017.

Income tax expense: Income tax expense increased $3.7 million for the three months ended June 30, 2018 and $20.4 million in the year-to-date largely due to higher pre-tax income partially offset by the reduction in the corporate tax rate from the 2017 Tax Cuts and Jobs Act. In March 2018, the Company executed a statute of limitation extension for its 2014 federal consolidated income tax return until September 10, 2019. This extension was granted as part of the Company's ongoing IRS examination of its 2014 and 2016 federal consolidated income tax returns. In June 2018, the Company received notice that the state of Alabama initiated an income tax audit for the 2014 tax year for all subsidiaries.

FINANCIAL POSITION AND LIQUIDITY

Cash Flow

The key drivers impacting our cash flow from operations are our oil, natural gas liquids and natural gas production volumes and realized commodity market prices, net of the effects of settlements on our derivative commodity instruments. We rely on our cash flows from operations to fund our capital spending plans and working capital requirements. Cash flows will be supplemented, as needed, by borrowings under our syndicated credit facility.

Net cash provided by operating activities: Net cash provided by operating activities for the six months ended June 30, 2018 was $461.4 million as compared to $197.4 million for the same period of 2017. Net income in 2018 has been impacted positively overall by the higher production volumes along with the increased oil and natural gas liquids price environment. Also affecting net income were certain non-cash charges, including the change in derivative fair value, the gain on sale of assets and deferred income taxes. Energen's working capital was influenced by commodity prices and the timing of payments and recoveries.

Net cash used in investing activities: Net cash used in investing activities for the six months ended June 30, 2018 was $501.9 million as compared to $704.3 million for the same period of 2017. Energen incurred on a cash basis $503 million in capital expenditures including $464 million largely related to the development of oil and natural gas properties and $39 million associated with acquisitions of which $34.2 million related to unproved leasehold acquisitions.

Net cash provided by financing activities: Net cash provided by financing activities for the six months ended June 30, 2018 was $41.2 million as compared to $121.3 million for the same period of 2017. Net cash provided by financing activities in the year-to-date 2018 was primarily due to the increase in net credit facility borrowings along with cash received from the issuance of common stock through the Company's stock-based compensation plan partially offset by cash paid for taxes on shares withheld.

Changes in Commodity Prices

Realized commodity prices and production levels by commodity type are the two primary drivers of our liquidity. Historically, prices received for oil, natural gas liquids and natural gas production have been volatile because of supply and demand factors, general economic conditions and seasonal weather patterns. Crude oil prices also are affected by quality differentials, worldwide political developments and actions of the Organization of the Petroleum Exporting Countries. Basis differentials, like the underlying commodity prices, can be volatile because of regional supply and demand factors, including seasonal variations and the availability and price of transportation to consuming areas. As more fully described below, we engage in derivative risk management activities in order to reduce the risk associated with commodity price fluctuations.

Derivative Commodity Instruments

We periodically enter into derivative commodity instruments to hedge our exposure to price fluctuations on oil, natural gas liquids and natural gas production. Such instruments may include over-the-counter swaps, options and basis swaps typically executed with investment and commercial banks and energy-trading firms. Derivative transactions are accounted for as mark-to-market transactions with gains and losses reported in gain (loss) on derivative instruments, net. Derivative transactions are pursuant to standing authorizations by the Board of Directors, which do not authorize speculative positions.

Due to the volatility of commodity prices, the estimated fair value of our derivative instruments is subject to fluctuation from period to period, which could result in significant differences between the current estimated fair value and the ultimate settlement price. Additionally, Energen is at risk of economic loss based upon the creditworthiness of our counterparties. We were in a net loss position with ten of our active counterparties and in a net gain position with the remaining three at June 30, 2018. Energen has policies in place to limit hedging to not more than 80 percent of our estimated annual production; however, Energen's credit facility contains a covenant which operates to limit hedging at a lower threshold in certain circumstances.

See Item 3. Quantitative and Qualitative Disclosures about Market Risk, for a full detail of our hedged volumes and see Note 3, Fair Value Measurements, in the Condensed Notes to Unaudited Consolidated Financial Statements for information regarding our policies on fair value measurement.

Credit Facility and Working Capital

At June 30, 2018, we had $949 million of committed financing available under our syndicated credit facility. On September 2, 2014, Energen entered into a five-year syndicated secured credit facility with domestic and foreign lenders. On November 9, 2017, the borrowing base was increased to $1.7 billion. The aggregate commitments under the credit facility did not change and remained at $1.05 billion. On April 30, 2018, we entered into an amendment to our credit facility which extended the maturity to April 30, 2023, increased the borrowing base to $2.15 billion and increased the aggregate commitments to $1.25 billion. Energen's obligations under the syndicated credit facility are unconditionally guaranteed by Energen Resources. To finance our operations, working capital and capital spending, we expect to use internally generated cash flow from operations supplemented by our existing syndicated credit facility.

Access to capital is an integral part of Energen's business plan. Energen may issue long-term debt and equity periodically to replace short-term obligations, enhance liquidity and provide for permanent financing. As of June 30,

2018, the Company had $301 million outstanding under its revolving credit facility. While we expect to have ongoing access to our credit facility and capital markets, continued access could be adversely affected by current and future economic and business conditions.

Our debt facilities are subject to certain financial and non-financial covenants as discussed in Note 4, Long-Term Debt, in the Condensed Notes to Unaudited Consolidated Financial Statements. The financial covenants of the credit facility require Energen to maintain a ratio of total debt to consolidated income before interest expense, income taxes, depreciation, depletion, amortization, exploration expense and other noncash income and expenses (EBITDAX) less than or equal to 4.0 to 1.0; and to maintain a ratio of consolidated current assets (adjusted to include amounts available for borrowings and exclude non-cash derivative instruments) to consolidated current liabilities (adjusted to exclude maturities under the credit facility and non-cash derivative instruments) greater than or equal to 1.0 to 1.0. We are also bound by covenants which limit our ability to incur additional indebtedness, make certain distributions or alter our corporate structure. Energen may not pay dividends if an event of default exists, if the payment would result in an event of default or if availability is less than 10 percent of the loan limit under the credit facility. Under Energen’s credit facility, a cross default provision provides that any debt default of more than $75 million by Energen or Energen Resources will constitute an event of default by Energen. Our credit facility also limits our ability to enter into commodity hedges based on projected production

volumes. In addition, the terms of our credit facility limit the amount we can borrow to a borrowing base amount which is determined by our lenders in their sole discretion based on their valuation of our proved reserves and their internal criteria including commodity price outlook. The borrowing base amount is subject to redetermination semi-annually and for event-driven unscheduled redeterminations. Our next scheduled redetermination is October 1, 2018.

Under Energen's Indenture dated September 1, 1996 with The Bank of New York as Trustee, a cross default provision provides that any debt default of more than $10 million by Energen or Energen Resources will constitute an event of default by Energen. The Indenture does not include a restriction on the payment of dividends.

As of June 30, 2018, we were in compliance with our covenants and expect to maintain compliance during the remainder of 2018. However, in future periods, factors including those outside of our control may prevent us from maintaining compliance with the financial and non-financial covenants, including our total debt to EBITDAX covenant. In the event that we are unable to remain in compliance with our financial and non-financial covenants, we would seek covenant relief at a scheduled redetermination date or at an interim date, as appropriate. However, no assurances can be given with respect to such relief.

At June 30, 2018, Energen reported negative working capital of $186.7 million arising from current liabilities of $432.0 million exceeding current assets of $245.3 million. Working capital at Energen was influenced by the fair value of derivative financial instruments and accrued capital costs. Energen has $35.4 million in current assets and $81.0 million in current liabilities associated with its derivative financial instruments at June 30, 2018. Energen relies upon cash flows from operations supplemented by our credit facility to fund working capital needs.

Income Taxes

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act. This act significantly changed U.S. tax laws by, among other things, reducing the federal corporate income tax rate from 35 percent to 21 percent, repealing the corporate alternative minimum tax (AMT) for tax years beginning after December 31, 2017, and allowing full expensing for certain business assets acquired and placed in service after September 27, 2017, through 2022. These tax reform provisions, along with the ability to continue expensing intangible drilling costs in the year incurred, would favorably impact Energen's future cash flows.

Due to the repeal of the corporate AMT, existing AMT credits may be utilized to offset the regular income tax liability of a corporation effective for tax years beginning in 2018. In addition, AMT credits are refundable to the extent the AMT credits exceed regular tax liabilities in tax years 2018 through 2021 (fully allowed or refunded before 2022). Based on current projections which indicate that the credits will most likely not offset regular tax liabilities, Energen anticipates receiving cash refunds of its $70.7 million net minimum tax credit over the taxable periods 2018-2021 due to this change. The amount of the anticipated cash refund incorporates an estimate of the potential reduction in the refund due to the effect of sequestration, which is currently expected to apply in each of the years between 2018 and 2021.

While there are certain provisions of the Tax Cuts and Jobs Act, such as expanded limitations on executive compensation under IRC Section 162(m) and limitations on business interest deductions, especially in periods after 2021, which may unfavorably impact Energen's future income tax provisions, the Company does not anticipate these tax law changes would have a material impact to its near-term cash flows.

Shares Issued

The following table provides a detail of shares issued by Energen:

(in thousands)

	June 30, 2018	December 31, 2017
Shares outstanding	97,454	97,203
Treasury stock*	3,254	3,124
Shares issued	100,708	100,327

*Excludes 78,448 shares and 67,620 shares held in the 1997 Deferred Compensation Plan at June 30, 2018 and December 31, 2017, respectively.

Stock Repurchase Authorization

The Company may periodically repurchase shares of its common stock through open market or negotiated purchases. Such repurchases would be pursuant to a 3.6 million share repurchase authorization, of which approximately 3.4 million shares remain, approved by the Board of Directors on October 22, 2014. The timing and amounts of any repurchases are subject to changes in market conditions

and other business considerations. We would expect to finance any share repurchases from available cash or under our existing credit facility.

Contractual Cash Obligations

In the course of ordinary business activities, Energen enters into a variety of contractual cash obligations and other commitments. There have been no material changes to the contractual cash obligations of the Company since December 31, 2017.

Other Commitments

New Mexico Audits: In 2011, Energen Resources received an Order to Perform Restructured Accounting and Pay Additional Royalties (the Order), following an audit performed by the Taxation and Revenue Department (the Department) of the State of New Mexico on behalf of the Office of Natural Resources Revenue (ONRR), of federal oil and gas leases in New Mexico. The audit covered periods from January 2004 through December 2008 and included a review of the computation and payment of royalties due on minerals removed from specified U.S. federal leases. The Order addressed ONRR's efforts to change accounting and reporting practices, and to unbundle fees charged by third parties that gather, compress and transport natural gas production. ONRR now maintains that all or some of such fees are not deductible.

Energen Resources appealed the Order in 2011, and in July 2012, on a motion from ONRR, the Order was remanded. In August 2014, ONRR issued its Revised Order and Energen Resources appealed the Revised Order. In the Revised Order, ONRR ordered that Energen pay additional royalties on production from certain federal leases in the amount of $129,700. At ONRR's request; the Revised Order was also remanded in August 2015. On April 15, 2016, ONRR issued its Second Revised Order. The Second Revised Order directs Energen Resources to pay additional royalties of $189,000, replacing the previous demand of $129,700. Energen estimates that application of the ONRR position to all of the Company's federal leases would result in ONRR claims up to approximately $24 million, plus interest and penalties from 2004 forward. ONRR began implementing its unbundling initiative in 2010, but seeks to implement its revisions retroactively, despite the fact that they conflict with previous audits, allowances and industry practice. Energen is contesting the Second Revised Order, the predecessor orders and the findings. Management is unable, at this time, to determine a range of reasonably possible losses, and no amount has been accrued as of June 30, 2018.

Critical Accounting Policies and Estimates

We consider accounting policies related to our accounting for oil and natural gas producing activities and related proved reserves, asset impairments, derivatives and asset retirement obligations as critical accounting policies. These policies are summarized in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, in our Annual Report on Form 10-K for the year ended December 31, 2017. The policies include significant estimates made by management using information available at the time the estimates are made. However, these estimates could change materially if different information or assumptions were used.

Asset Impairments: We monitor the business environment and our oil and natural gas properties for triggering events that could result in a potential impairment. Further, we make assumptions about future expectations in our evaluation of potential impairment. Such assumptions include, but are not necessarily limited to, commodity prices and related basis differentials, transportation costs, inflation assumptions, well and reservoir performance, severance and ad valorem taxes, other operating and future development costs, and general business plans.

Our commodity price assumptions are a significant and volatile uncertainty in our estimate, and we are unable to reliably forecast future commodity prices. Our assumption is therefore based on the commodity price curve for the next five years and then escalated at 3 percent through our assumed price caps. Our other assumptions generally have less volatility than the price assumption with variances tending to be field specific and more localized in effect. However, these assumptions can also be impacted by a higher or lower inflationary environment, limitations on

takeaway capacity, well and reservoir performance over time, changes to governmental taxation, or changes to cost assumptions, operational and development plans, or the general economic or business environment.

Certain immaterial impairments were recognized during the year-to-date 2018 as discussed under Asset Impairments in our Results of Operations. A further decline in our price assumptions by 10 percent from June 30, 2018 (assuming all other assumptions are held constant) is not expected to result in a material impairment to our consolidated financial statements. Other assumptions such as operating costs, transportation costs, well and reservoir performance, severance tax rates and ad valorem taxes, operating and development plans may change given an assumed 10 percent commodity price decline. However, we are unable to estimate their correlation to the price change and these other assumptions may worsen or partially mitigate some of the estimated impairment.

Revenue from Contracts with Customers and Other Recent Accounting Standards Updates
The Company adopted Accounting Standard Update No. 2014-09, Revenue from Contracts with Customers, as of January 1, 2018 using the modified retrospective approach, which only applies to contracts that were not complete as of the date of initial application.

Adoption of this standard did not require an adjustment to beginning retained earnings. See Note 11, Revenue Recognition, in the Condensed Notes to Unaudited Consolidated Financial Statements, for further discussion of the ASC 606 adoption impact on the Company's consolidated financial statements and the Company's revenue recognition policies.

See Note 14, Recently Issued Accounting Standards, in the Condensed Notes to Unaudited Consolidated Financial Statements for information regarding other recently issued accounting standards.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS

All statements, other than statements of historical fact, appearing in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are included in Energen's disclosure and analysis as permitted by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among other things, statements about our expectations, beliefs, intentions or business strategies for the future, statements concerning our outlook with regard to the timing and amount of future production of oil, natural gas liquids and natural gas, price realizations, the nature and timing of capital expenditures for exploration and development, plans for funding operations and drilling program capital expenditures, the timing and success of specific projects, operating costs and other expenses, proved oil and natural gas reserves, liquidity and capital resources, outcomes and effects of litigation, claims and disputes and derivative activities. In particular, forward-looking statements may include words such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "foresee", "intend", "may", "plan", "potential", "predict", "project", "seek", "will" or other w expressions concerning matters that are not historical facts. These statements involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this filing.

The future success and continued viability of our business, like any venture, is subject to many recognized and unrecognized risks and uncertainties. Such risks and uncertainties could cause actual results to differ materially from those contained in forward-looking statements made in this report or presented elsewhere by management. The list below identifies certain factors that could cause actual results to differ materially from expectations. The list should not be viewed as complete or comprehensive, as the factors below are not the only risks facing Energen. Energen could also be affected by other risks and uncertainties in addition to those described herein. If any of our assumptions related to the factors identified below were to be proven incorrect, our business, financial condition or results of operations could be materially adversely affected; and such events could impair our ability to implement business plans or complete development activities as scheduled. Further, the trading price of our shares could decline; and shareholders could lose part or all of their investment. In addition, such risks may prevent us from complying with our financial and non-financial covenants and may result in a default under our credit facility or other short-term or long-term debt.

- the market prices of oil, natural gas liquids and natural gas;
- our derivative risk management/hedging arrangements;
- production and reserve levels;
- valuation of our proved reserves;
- drilling risks;
- our market concentration in the Permian Basin of west Texas and New Mexico;
- economic and competitive conditions;
- the availability of capital resources;
- supply and demand for oil, natural gas liquids and natural gas;
- occurrence of property acquisitions or divestitures;
- changes to federal, state and local laws and regulations;

- regulatory initiatives related to hydraulic fracturing and water usage;
- impairment of our proved and unproved oil and natural gas properties;
- counterparty credit-worthiness;
- inflation rates;
- the availability of goods and services;
- security threats, including cybersecurity issues;
- the securities or capital markets and related risks such as general credit, liquidity, market and interest-rate risks; and
- the other factors, risks and uncertainties that are disclosed (i) under the caption “Cautionary Statements Regarding Forward-Looking Statements” and under Part 1, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017; (ii) in our news releases; (iii) under Part 1, Item 2. Management’s Discussion and Analysis of Financial Condition and Result of Operations, and Item 3. Quantitative and Qualitative Disclosures about Market Risk in this Quarterly Report on Form 10-Q; (iv) under Part 2, Item 1A. Risk Factors in our Quarterly Reports on Form 10-Q; and (v) in other filings we make with the Securities and Exchange Commission.

Except as otherwise disclosed, the forward-looking statements do not reflect the impact of possible or pending acquisitions, investments, divestitures or restructurings. The absence of errors in input data, calculations and formulas used in estimates, assumptions and forecasts cannot be guaranteed. We base our forward-looking statements on information currently available to us, and we undertake no obligation to update or revise any of these statements, whether as a result of changes in underlying factors, new information, future events or other developments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following quantitative and qualitative disclosures about market risk are supplementary to the quantitative and qualitative disclosures provided in our Annual Report on Form 10-K for the year ended December 31, 2017, and the information below should be read in conjunction with the related disclosures in our Annual Report on Form 10-K for the year ended December 31, 2017.

We are exposed to various market risks including commodity price risk, counterparty credit risk and interest rate risk. We seek to manage these risks through our risk management program which often includes the use of derivative instruments. We do not enter into derivative or other financial instruments for speculative or trading purposes.

Commodity price risk: Energen's major market risk exposure is in the pricing applicable to its oil, natural gas liquids and natural gas production. Historically, prices received for oil, natural gas liquids and natural gas production have been volatile due to world and national supply-and-demand factors, seasonal weather patterns and general economic conditions. Crude oil prices also are affected by quality differentials, by worldwide political developments and by actions of the Organization of the Petroleum Exporting Countries. Basis differentials, like the underlying commodity prices, can be volatile because of regional supply-and-demand factors, including seasonal factors and the availability and price of transportation to consuming areas. As impacted by such commodity price volatility during the second quarter of 2018, our average realized oil prices rose 37.4 percent to $61.21 per barrel and average realized natural gas liquids prices increased 50.0 percent to an average price of $0.54 per gallon while average realized natural gas prices decreased 47.2 percent to $1.21 per Mcf. During the year-to-date, our average realized oil prices rose 31.7 percent to $61.10 per barrel and average realized natural gas liquids prices increased 30 percent to an average price of $0.52 per gallon while average realized natural gas prices decreased 34.7 percent to $1.54 per Mcf.

We periodically enter into derivative commodity instruments to hedge our exposure to price fluctuations on oil, natural gas liquids and natural gas production. Such instruments may include over-the-counter swaps and basis swaps typically executed with investment and commercial banks and energy-trading firms.

As of June 30, 2018 (except as noted), Energen had entered into the following transactions for the remainder of 2018 and subsequent years:

Production Period	Description	Total Hedged Volumes		Average Contract Price	Fair Value (in thousands)
Oil					
2018	NYMEX Swaps	1,020	MBbl	$60.26 Bbl	$ (10,443)
	NYMEX Three-Way Collars	6,750	MBbl		(76,092)
	Ceiling sold price (call)			$60.04 Bbl	
	Floor purchased price (put)			$45.47 Bbl	
	Floor sold price (put)			$35.47 Bbl	
2019	NYMEX Swaps	6,840	MBbl	$60.79 Bbl	(29,983)
	NYMEX Three-Way Collars	5,760	MBbl		(43,174)
	Ceiling sold price (call)			$61.65 Bbl	
	Floor purchased price (put)			$45.94 Bbl	
	Floor sold price (put)			$35.94 Bbl	
2019	NYMEX Swaps	720	MBbl	$64.50 Bbl	*
Oil Basis Differential					
2018	WTI/WTI Basis Swaps	6,300	MBbl	$(1.46) Bbl	71,895

2019	WTI/WTI Basis Swaps	15,840	MBbl	$(5.41) Bbl	43,229
2019	WTI/WTI Basis Swaps	720	MBbl	$(8.05) Bbl	*
2020	WTI/WTI Basis Swaps	15,120	MBbl	$(1.20) Bbl	2,213
Natural Gas Liquids					
2018	Liquids Swaps	68.0	MMGal	$0.61 Gal	(15,252)
2019	Liquids Swaps	115.9	MMGal	$0.65 Gal	(9,445)
Natural Gas					

2018	Basin Specific Swaps - West Texas/Waha	3.6	Bcf	$1.70 Mcf	246
2018	Basin Specific Swaps - Permian	1.8	Bcf	$2.56 Mcf	1,743
Derivative contracts (closed but not cash settled)					(11,333)
Total net derivative liability					$(76,396)

WTI - West Texas Intermediate/Midland, WTI - West Texas Intermediate/Cushing

*Contracts entered into subsequent to June 30, 2018

Realized prices are anticipated to be lower than New York Mercantile Exchange prices primarily due to basis differences and other factors. See Note 3, Fair Value Measurements, in the Condensed Notes to Unaudited Consolidated Financial Statements for a summary of changes in the fair value of Energen's Level 3 derivative commodity instruments.

Counterparty credit risk: Our principal exposure to credit risk is through the sale of our oil, natural gas liquids and natural gas production, which we market to energy marketing companies. Such sales are typically made on an unsecured credit basis with payment due the month following delivery. This concentration of sales to the energy marketing industry has the potential to affect our overall exposure to credit risk. We consider the credit quality of our purchasers and, in certain instances, may require credit assurances such as a deposit, letter of credit or parent guarantee.

We are also at risk for economic loss based upon the credit worthiness of our derivative instrument counterparties. The counterparties to the commodity instruments are investment banks and energy-trading firms and are believed to be creditworthy by Energen. All hedge transactions are subject to Energen's risk management policy, approved by the Board of Directors, which does not permit speculative positions. Energen formally documents all relationships between hedging instruments and hedged items at the inception of the hedge, as well as its risk management objective and strategy for undertaking the hedge.

Interest rate risk: Our interest rate exposure as of June 30, 2018 primarily relates to our syndicated credit facility with variable interest rates. As of June 30, 2018, the Company had $301 million outstanding under its revolving credit facility. The weighted average interest rate for amounts outstanding at June 30, 2018 was 3.3 percent. All long-term debt obligations, other than our credit facility, were at fixed rates at June 30, 2018.

ITEM 4. CONTROLS AND PROCEDURES

(a) Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are designed to provide reasonable assurance of achieving their objectives and, as of the end of the period covered by this report, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level.

(b) Our chief executive officer and chief financial officer have concluded that during the most recent fiscal quarter covered by this report there were no changes in our internal control over financial reporting that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Energen and its subsidiaries are, from time to time, parties to various pending or threatened legal proceedings. Certain of these lawsuits include claims for punitive damages in addition to other specified relief. Various pending or threatened legal proceedings are in progress currently. See Part II, Item 1. Legal Proceedings in our Quarterly Report on Form 10-Q for the period ended March 31, 2018 for prior updates to legal proceedings. See Note 8, Commitments and Contingencies, in the Condensed Notes to Unaudited Consolidated Financial Statements for further discussion with respect to legal proceedings.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017. There have been no material changes in our risk factors from those described in our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans**
April 1, 2018 - April 30, 2018	1,860	*$ 67.89	—	3,373,161
May 1, 2018 - May 31, 2018	135	*65.05	—	3,373,161
June 1, 2018 - June 30, 2018	3,802	*72.82	—	3,373,161
Total	5,797	$ 71.06	—	3,373,161

*Acquired in connection with tax withholdings and payment of exercise price on stock compensation plans.
**By resolution adopted October 22, 2014, the Board of Directors authorized Energen to repurchase up to 3.6 million shares of Energen common stock. The resolution does not have an expiration date and does not limit Energen's authorization to acquire shares in connection with tax withholdings and payment of exercise price on stock compensation plans.

ITEM 6. EXHIBITS

31(a) - Section 302 Energen Corporation Certification required by Rule 13a-14(a) or Rule 15d-14(a)
31(b) - Section 302 Energen Corporation Certification required by Rule 13a-14(a) or Rule 15d-14(a)
32 - Section 906 Energen Corporation Certification pursuant to 18 U.S.C. Section 1350
101.INS - XBRL Instance Document
101.SCH - XBRL Taxonomy Extension Schema Document
101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF - XBRL Taxonomy Extension Definition Linkbase Document
101.LAB - XBRL Taxonomy Extension Label Linkbase Document

101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document

* Incorporated by reference

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENERGEN CORPORATION

August 8, 2018 By /s/ J. T. McManus, II
J. T. McManus, II Chairman, Chief Executive Officer and President of Energen Corporation

August 8, 2018 By /s/ Charles W. Porter, Jr.
Charles W. Porter, Jr. Vice President, Chief Financial Officer and Treasurer of Energen Corporation

August 8, 2018 By /s/ Russell E. Lynch, Jr.
Russell E. Lynch, Jr. Vice President and Controller of Energen Corporation