

## **AUDIT COMMITTEE CHARTER ENERGEN CORPORATION**

### **1. Audit Committee Purpose**

The Audit Committee has been established by the Board of Directors of Energen Corporation (the "Company") to assist the Board in fulfilling its oversight responsibilities with respect to financial statement integrity, legal and regulatory compliance, auditor independence and qualification, and internal and independent auditor performance. The Committee prepares the audit committee report required by rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement or annual report on Form 10-K. The Committee's authority and responsibility are not exclusive and the Board and each of the Subsidiary Boards retain, to the fullest extent permitted under applicable law, the authority to act without prior Committee action.

It is important to note that the Company's management is responsible for preparation of the Company's financial statements. The Committee's role is one of oversight and the Committee should not be viewed as providing any expert or special assurance as to the Company's financial statements.

### **2. Audit Committee Membership**

The Committee shall consist of not less than three (3) members of the Board to be appointed by the Board of Directors which shall also designate the Chairman of said Committee. The members of the Committee shall meet the applicable independence and experience requirements of the New York Stock Exchange, the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations of the Securities and Exchange Commission (the "Commission"). In the case of any member who serves on the audit committee of more than three public companies (including the Company), the Board shall have determined that such simultaneous service would not impair the ability of such member to effectively serve on the Committee and such determination shall be disclosed in the Company's annual proxy statement.

### **3. Audit Committee Authority and Responsibilities**

**3.1 Independent Auditor.** The Committee shall have direct responsibility and authority over the appointment, compensation, retention, discharge or replacement of any registered public accounting firm employed by the Company (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. Each such registered public accounting firm shall report directly to the Committee.

**3.2 Pre-approval of Audit and Non-Audit Services.** The Committee shall have authority to pre-approve, consistent with the requirements of Section 10A of the Exchange Act, auditing services and permitted non-audit services provided to the Company by its independent auditors. The Committee may delegate to one or more designated members of the Committee the authority to grant such pre-approvals, provided that the decisions of any member(s) to whom such authority is delegated to pre-approve an activity shall be presented to the full Committee at the next scheduled meeting for ratification.

- 3.3** Access to Company Personnel and Records. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company.
- 3.4** Engage Advisors. The Committee shall have the authority to engage independent legal, accounting and other advisors as it determines necessary to carry out its duties. The Company shall provide for appropriate funding, as determined by the Committee for payment of compensation to (i) the registered public accounting firm employed by the issuer for the purpose of rendering or issuing an audit report and (ii) any advisors employed by the Committee.
- 3.5** Receipt of Accounting Complaints. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.
- 3.6** Other Authority and Responsibilities of the Audit Committee include:
- 3.6.1** Review of the planned scope of audit examinations and the resulting reports prepared by independent and internal auditors together with management's response and follow up to these reports.
- 3.6.2** Meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditors.
- 3.6.3** At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the company.
- 3.6.4** Discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".
- 3.6.5** Receive and review from the independent auditor reports of the following information as and when required by Section 10A of the Exchange Act: (i) all critical accounting policies and practices to be used; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and (iii) other material written communications between the independent auditors and the management of the Company.
- 3.6.6** Review the independence and performance of the independent auditors. The Audit Committee shall satisfy itself as to the outside auditors' independence by formal written statements and discussing with the auditor any relationships that may impact auditor

objectivity and independence. The Committee shall include a review and evaluation of the lead audit partner as part of the review of the performance of the independent auditors, and any such evaluation should take into account the opinions of management and the Company's internal auditors. The Committee shall present its conclusions regarding its evaluation of the independent auditor to the full Board.

- 3.6.7** Set clear hiring policies for employees or former employees of the independent auditors.
- 3.6.8** Review with the Company's counsel any legal matters that could have a significant effect on the financial statements.
- 3.6.9** Discuss policies with respect to risk assessment and risk management.
- 3.6.10** Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies . It is not contemplated that the Committee will review each such release or other information in advance of distribution, but rather that from time to time the Committee will discuss with management the nature of the content of such disclosures, their expected form and timing.
- 3.6.11** Annually prepare a report to shareholders to be included in the Company's proxy statement disclosing as appropriate Audit Committee activities.
- 3.6.12** Annually assess and report to the Board on the performance of the Committee including a review and assessment of the adequacy of this Audit Committee Charter.
- 3.6.13** Report regularly to the Board about the Committee's activities.
- 3.6.14** Exercise such other authority and responsibilities as necessary for compliance by the Company with applicable requirements of the New York Stock Exchange, the Exchange Act and rules and regulations of the Commission.

#### **4. Subcommittees**

The Committee shall have the authority to create one or more subcommittees, consisting of one or more members of the Committee, and may delegate, in its discretion, all or a portion of its duties and responsibilities to each subcommittee (subject to applicable laws and listing standards). Any such subcommittee shall keep the Committee advised of its activities.

#### **5. Meetings**

In carrying out its duties and responsibilities, the Committee will meet at such times and with such persons, including representatives of the Independent Outside Auditor, the internal auditor and financial officers of the Corporation, as the Committee deems appropriate. Meetings of the Committee may be called by the Chief Executive Officer, the Chairman of the Committee, or any two (2) members of the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of any business by the Committee. The act of a majority of the directors serving at any meeting of the Committee at which a quorum is present shall be the act of the Committee. Any action of the Committee may be taken by written consent signed by all members of

the Committee. In addition, the Chairman and members of the Committee may meet informally or by telephone or may confer with management, internal audit staff, representatives of the Independent Outside Auditor or other counsel or advisors as the Committee or its chairman deems appropriate, including, without limitation, meetings and conferences about interim financial reporting.

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*Adopted by the Board of Directors of Energen Corporation on January 28, 2004.*