Duke Energy CORP
Form 424B5
September 12, 2018

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CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee(1)
5.625% Junior Subordinated Debentures due 2078	$500,000,000	100.00%	$500,000,000	$62,250

(1) The filing fee, calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended, has been transmitted to the Securities and Exchange Commission in connection with the securities offered by means of this prospectus supplement.

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PROSPECTUS SUPPLEMENT
(To Prospectus dated January 26, 2017)

$500,000,000 5.625% Junior Subordinated Debentures due 2078

Duke Energy Corporation is offering $500,000,000 aggregate principal amount of 5.625% Junior Subordinated Debentures due 2078 (the "Debentures"). We will pay interest on the Debentures at a rate of 5.625% per year, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on December 15, 2018. The Debentures will mature as to principal on September 15, 2078.

So long as no event of default with respect to the Debentures has occurred and is continuing, we have the right, on one or more occasions, to defer the payment of interest on the Debentures for up to 40 consecutive quarterly periods without giving rise to an event of default. Any deferred interest payments will bear additional interest at a rate of 5.625% per year, compounded quarterly, to the extent permitted by applicable law. See "Description of the Debentures Option to Defer Interest Payments."

The Debentures will be issued in denominations of $25.00 or any integral multiple of $25.00 in excess thereof.

We may redeem the Debentures at our option, at the times and at the redemption prices described in this prospectus supplement under the caption "Description of the Debentures Optional Redemption." The Debentures do not have the benefit of any sinking fund. The Debentures will be our direct and unsecured obligations and will rank subordinate and junior in right of payment to all of our current and future senior indebtedness. The Debentures will rank equal in right of payment to our existing junior subordinated debentures and any other pari passu subordinated indebtedness that we may incur in the future.

The Debentures are a new issue of securities with no established trading market. We intend to apply to list the Debentures on the New York Stock Exchange and, if the application is approved, we expect trading in the Debentures to begin within 30 days after the date that the Debentures are first issued.

Investing in the Debentures involves risks. See "Risk Factors" beginning on page S-8 of this prospectus supplement.

	Price to Public(1)	Underwriting Discount(2)	Proceeds to Duke Energy Corporation Before Expenses
Per Debenture	$ 25.0000	$ 0.7875	$ 24.2125
Total Debentures(2)	$ 500,000,000	$ 15,750,000	$ 484,250,000

(1) Plus accrued interest from September 17, 2018, if settlement occurs after that date.

(2) An underwriting discount of $0.7875 per Debenture for sales to retail investors (or up to $15,750,000 for all Debentures) will be deducted from the proceeds paid to us by the underwriters. However, the discount will be $0.5000 per Debenture for sales to institutional investors and, to the extent of such institutional sales, the total underwriting discount will be less than the amount set forth in the above table. As a result of sales to institutional investors, the total proceeds to us increased by $1,279,087.50, and the total underwriting discount was $14,470,912.50. Certain other expenses of the offering will be paid by us. The underwriters have agreed to reimburse us for our expenses incurred in connection with this offering. See "Underwriting (Conflicts of Interest)."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We expect the Debentures to be ready for delivery only in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, S.A. and Euroclear Bank S.A./N.V., on or about September 17, 2018.

Joint Book-Running Managers

BofA Merrill Lynch **Morgan Stanley** **RBC Capital Markets** **Wells Fargo Securities**

Joint Lead Managers

Barclays **TD Securities** **US Bancorp**

Co-Managers

BB&T Capital Markets **BNY Mellon Capital Markets, LLC** **KeyBanc Capital Markets**

Junior Co-Managers

Academy Securities **C.L. King & Associates**

The date of this prospectus supplement is September 11, 2018.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus authorized by us. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus authorized by us is accurate as of any date other than the date of the document containing the information or such other date as may be specified therein. Our business, financial condition, liquidity, results of operations and prospects may have changed since those respective dates.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference in this prospectus supplement.

It is important for you to read and consider all information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information contained in the documents to which we have referred you in "Where You Can Find More Information" in this prospectus supplement and the accompanying prospectus.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

Notice to Prospective Investors in the United Kingdom

The communication of this prospectus supplement, the accompanying prospectus and any other document or materials relating to the issue of the Debentures offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Debentures offered hereby are only available to, and any investment or investment activity to which this prospectus supplement and the accompanying prospectus relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus supplement and the accompanying prospectus or any of their contents.

Notice to Prospective Investors in the European Economic Area

Neither this prospectus supplement nor the accompanying prospectus is a prospectus for the purposes of the Prospectus Directive (as defined below). This prospectus supplement and the accompanying prospectus have been prepared on the basis that any offer of the Debentures in any Member State of the European Economic Area (the "EEA") which has implemented the Prospectus Directive (each, a "Relevant Member State") will only be made to a legal entity which is a qualified investor under the Prospectus Directive ("Qualified Investors"). Accordingly, any person making or intending to make an offer in that Relevant Member State of Debenture which are the subject of the offering contemplated in this prospectus supplement and the accompanying prospectus may only do so with respect to Qualified Investors. Neither Duke Energy Corporation nor the underwriters have authorized, nor do they authorize, the making of any offer of Debentures other than to Qualified Investors. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including

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by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

PRIIPs Regulation / Prospectus Directive / Prohibition of sales to EEA retail investors The Debentures are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC, as amended (the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Debentures or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Debentures or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by, and should be read together with, the more detailed information that is included elsewhere in this prospectus supplement and the accompanying prospectus, as well as the information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in this prospectus supplement for information about how you can obtain the information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. Investing in the Debentures involves risks. See "Risk Factors" in this prospectus supplement.

Duke Energy Corporation

Duke Energy, together with its subsidiaries, is a diversified energy company with both regulated and unregulated utility operations. We conduct business through the following operating business segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure, and Commercial Renewables.

Duke Energy's Electric Utilities and Infrastructure segment conducts operations primarily through the regulated public utilities of Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, Duke Energy Florida, LLC, Duke Energy Indiana, LLC and Duke Energy Ohio, Inc. Duke Energy's Electric Utilities and Infrastructure segment provides retail electric service through the generation, transmission, distribution and sale of electricity to approximately 7.6 million customers within the Southeast and Midwest regions of the U.S. The service territory is approximately 95,000 square miles across six states with a total estimated population of 24 million people. The operations include electricity sold wholesale to municipalities, electric cooperative utilities and other load-serving entities. Duke Energy's Electric Utilities and Infrastructure segment is also a joint owner in certain electric transmission projects.

Duke Energy's Gas Utilities and Infrastructure segment conducts natural gas operations primarily through the regulated public utilities of Piedmont Natural Gas Company, Inc. and Duke Energy Ohio, Inc. Duke Energy's Gas Utilities and Infrastructure segment, which serves residential, commercial, industrial and power generation natural gas customers, has over 1.5 million customers, including more than 1 million customers located in North Carolina, South Carolina and Tennessee, and an additional 526,000 customers located within southwestern Ohio and northern Kentucky.

Duke Energy's Commercial Renewables segment primarily acquires, builds, develops and operates wind and solar renewable generation throughout the continental U.S. The portfolio includes nonregulated renewable energy and energy storage businesses. This segment's renewable energy includes utility-scale wind and solar generation assets which total 2,907 megawatts across 14 states from 21 wind facilities and 63 solar facilities. Revenues are primarily generated by selling the power produced from renewable generation through long-term contracts to utilities, electric cooperatives, municipalities and commercial and industrial customers. In most instances, these customers have obligations under state-mandated renewable energy portfolio standards or similar state or local renewable energy goals.

Duke Energy is a Delaware corporation. The address of Duke Energy's principal executive offices is 550 South Tryon Street, Charlotte, North Carolina 28202-1803 and its telephone number is (704) 382-3853. Duke Energy's common stock is listed and trades on the New York Stock Exchange under the symbol "DUK."

The foregoing information about Duke Energy is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy, you should refer to the information described under the caption "Where You Can Find More Information" in this prospectus supplement.

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The Offering

Issuer	Duke Energy Corporation.
Securities Offered	We are offering $500,000,000 aggregate principal amount of our 5.625% Junior Subordinated Debentures due 2078.
Maturity Date	The Debentures will mature as to principal on September 15, 2078.
Interest Rate	5.625% per year.
Interest Payment Dates	Subject to our right to defer interest payments as described below, interest on the Debentures will be payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on December 15, 2018.
Interest Deferral	So long as no event of default under the Indenture (as defined herein) with respect to the Debentures has occurred and is continuing, we may, on one or more occasions, defer payment of all or part of the quarterly interest payments on the Debentures for up to 40 consecutive quarterly periods (each such deferral period, commencing on the date that the first such interest payment otherwise would have been made, an "optional deferral period"). In other words, we may declare at our discretion up to a ten (10) year interest payment moratorium on the Debentures and may choose to do that on more than one occasion. We may also elect to shorten the length of any optional deferral period. Interest payments cannot be deferred, however, beyond the maturity date or redemption date, if earlier, of the Debentures, and we cannot begin a new optional deferral period until we have paid all accrued and unpaid interest on the Debentures from the previous optional deferral period. Any deferred interest on the Debentures will accrue additional interest at a rate of 5.625% per year, compounded quarterly, to the extent permitted by applicable law. No interest will be due and payable on the Debentures until the end of an optional deferral period, except upon a redemption of the Debentures during such optional deferral period. If we defer payments of interest on the Debentures, the Debentures will be treated at that time, solely for purposes of the original issue discount rules, as having been retired and reissued with original issue discount for United States federal income tax purposes. This means you would be required to include in your gross income for United States federal income tax purposes the deferred interest payments on your Debentures (including interest thereon) before you receive cash interest payments, regardless of your regular method of accounting for United States federal income tax purposes. For more information about the tax consequences you may have if payments of interest are deferred, see "Material U.S. Federal Income Tax Considerations United States Persons Exercise of Deferral Option" below. We have no current intention of exercising our right to defer interest payments on the Debentures.

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Certain Restrictions During an Optional Deferral Period	During an optional deferral period, we will not do any of the following (with certain limited exceptions):
	declare or pay any dividends or distributions on Duke Energy Corporation capital stock;
	redeem, purchase, acquire or make a liquidation payment with respect to any Duke Energy Corporation capital stock;
	pay any principal, interest or premium on, or repay, repurchase or redeem any Duke Energy Corporation debt securities that are equal or junior in right of payment with the Debentures; or
	make any payments with respect to any Duke Energy Corporation guarantee of debt securities if such guarantee is equal or junior in right of payment with the Debentures. See "Description of the Debentures Option to Defer Interest Payments" (which includes a description of the limited exceptions to the restrictions described above).
Optional Redemption	We may redeem the Debentures before their maturity, as follows:
	at any time and from time to time on or after September 15, 2023, in whole or in part, at our option, at a redemption price equal to 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest on the principal amount of the Debentures being redeemed to, but excluding, the date of redemption;
	before September 15, 2023, in whole but not in part, at our option, by a redemption notice, following the occurrence of a Tax Event (as defined in "Description of the Debentures Optional Redemption Redemption Following a Tax Event" of this prospectus supplement), at a redemption price equal to 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest on the principal amount of the Debentures being redeemed to, but excluding, the date of redemption; or
	before September 15, 2023, in whole but not in part, at our option, by a redemption notice, following the occurrence of a Rating Agency Event (as defined in "Description of the Debentures Optional Redemption Redemption Following a Rating Agency Event" of this prospectus supplement), at a redemption price equal to 102% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest on the principal amount of the Debentures being redeemed to, but excluding, the date of redemption.

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Subordination; Ranking	The Debentures will be our direct and unsecured obligations and will rank junior and be subordinated, to the extent and in the manner set forth in the Indenture, in right of payment and upon liquidation to the prior payment in full of all of our current and future senior indebtedness. The term "senior indebtedness" is defined below under the caption "Description of the Debentures Subordination; Ranking." The Debentures will rank equal in right of payment to our existing junior subordinated debentures and any other pari passu subordinated indebtedness that we may incur in the future. At June 30, 2018, we had outstanding approximately $15.4 billion of unsecured and unsubordinated indebtedness that will rank senior in priority with respect to the Debentures and approximately $0.5 billion of unsecured subordinated indebtedness that will rank equal in right of payment with the Debentures. The Indenture contains no restrictions on the amount of additional senior or subordinated indebtedness that we may issue under it, and we expect from time to time to incur additional indebtedness and other liabilities and to guarantee indebtedness that will be senior to the Debentures. The Debentures will be our direct obligations exclusively, and are not the obligations of any of our subsidiaries. Because we are a holding company, our obligations on the Debentures will be structurally subordinated to all existing and future liabilities and any preferred stock of our subsidiaries that may be issued in the future. At June 30, 2018, our subsidiaries had no preferred stock outstanding and had outstanding approximately $37.8 billion of indebtedness, payment upon approximately $0.7 billion of which is guaranteed by us. All of such guarantees were granted to the holders of certain unsecured debt of our subsidiary, Duke Energy Carolinas, LLC, in connection with changes in our corporate structure relating to the closing of our merger with Cinergy Corp. in 2006.
Events of Default	The following are the events of default under the Indenture with respect to the Debentures: failure to pay interest on the Debentures within 60 days after such interest is due (provided, however, that a failure to pay interest during a valid optional deferral period will not constitute an event of default); failure to pay principal of or any premium on the Debentures when due; and certain bankruptcy, insolvency or reorganization events with respect to Duke Energy Corporation.
Listing	We intend to apply to list the Debentures on the New York Stock Exchange (the "NYSE") and, if the application is approved, we expect trading in the Debentures to begin within 30 days after the date that the Debentures are first issued.
No Sinking Fund	There will not be any sinking fund for the Debentures.

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Use of Proceeds	The net proceeds from the sale of the Debentures, after deducting the underwriting discount and related offering expenses and giving effect to the underwriters' reimbursement to us, will be approximately $485.5 million. We intend to use the net proceeds from the sale of the Debentures (i) to repay a portion of our outstanding commercial paper and (ii) for general corporate purposes. At September 4, 2018, we had approximately $2.3 billion of commercial paper outstanding. Our outstanding commercial paper matures no later than 90 days after its date of issue and has a weighted average interest rate of approximately 2.19% per year. We issue commercial paper from time to time to fund our working capital and other needs and those of our subsidiaries. See "Use of Proceeds."
Conflicts of Interest	Certain of the underwriters or their affiliates may own some of our commercial paper, the repayment of which will be funded with a portion of the net proceeds from the sale of the Debentures. See "Underwriting (Conflicts of Interest) Conflicts of Interest."
Denomination	The Debentures will be issued in registered form and in denominations of $25.00 or any integral multiple of $25.00 in excess thereof.
Book-Entry	The Debentures will be represented by one or more global securities registered in the name of and deposited with or on behalf of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Debentures will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global securities through either DTC in the United States or Clearstream Banking, S.A. ("Clearstream") or Euroclear Bank S.A./N.V., as operator of the Euroclear System (the "Euroclear System"), in Europe if they are participants in those systems, or indirectly through organizations which are participants in those systems. This means that you will not receive a certificate for your Debentures and Debentures will not be registered in your name, except under certain limited circumstances described under the caption "Book-Entry System."
Trustee	The Bank of New York Mellon Trust Company, N.A.
Risk Factors	An investment in the Debentures involves risks. You should carefully consider the discussion of risks in "Risk Factors" in this prospectus supplement and the other information in this prospectus supplement and the accompanying prospectus, including "Cautionary Statement Regarding Forward-Looking Information" in this prospectus supplement, before making an investment decision.

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RISK FACTORS

In addition to the risk factors described below, you should carefully consider the risk factors in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2017, which has been filed with the Securities and Exchange Commission (the "SEC") and is incorporated by reference in this prospectus supplement and the accompanying prospectus, as well as all of the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

Risks Related to the Debentures

Our obligations under the Debentures will be unsecured and will be subordinated.

Our obligations under the Debentures are unsecured and will rank junior in priority of payment to our senior indebtedness. This means that we may not make any payments of principal or interest on the Debentures:

- if there shall have occurred a default in the payment on account of the principal of (or premium, if any) or interest on or other monetary amounts due and payable on any senior indebtedness, or

- if any other default shall have occurred concerning any senior indebtedness that permits the holders thereof to accelerate the maturity of such senior indebtedness following notice, the lapse of time, or both, or

- during any time senior indebtedness is outstanding, the principal of, and accrued interest on, any series of subordinated securities issued under the Indenture shall have been declared due and payable upon an event of default that is not rescinded or annulled pursuant to the Indenture.

The Debentures will rank equal in right of payment to our existing junior subordinated debentures and any other pari passu subordinated indebtedness that we may incur in the future. For more information on the subordination provisions and the definition of "senior indebtedness," see "Description of the Debentures Subordination; Ranking" in this prospectus supplement.

At June 30, 2018, we had outstanding approximately $15.4 billion of unsecured and unsubordinated indebtedness that will rank senior in priority with respect to the Debentures and approximately $0.5 billion of unsecured subordinated indebtedness that will rank equal in right of payment with the Debentures. The Indenture contains no restrictions on the amount of additional senior or subordinated indebtedness that we may issue under it.

Due to the subordination provisions described under the caption "Description of the Debentures Subordination; Ranking," in the event of our insolvency, funds which we would otherwise use to pay to the holders of the Debentures will be used to pay the holders of senior indebtedness to the extent necessary to pay the senior indebtedness in full. The recovery of funds by our general creditors would not be so reduced. As a result, our general creditors may recover more, ratably, than the holders of the Debentures. In addition, the holders of our senior indebtedness may, under certain circumstances, restrict or prohibit us from making payments on the Debentures.

The Debentures will not be guaranteed by any of our subsidiaries and will be structurally subordinated to all existing and future liabilities and any preferred stock of our subsidiaries that may be issued in the future, which means that creditors and any preferred stockholders of our subsidiaries will be paid from their assets before holders of the Debentures would have any claims to those assets.

The Debentures will be our direct obligations exclusively, and are not the obligations of any of our subsidiaries. Because we are a holding company, our obligations on the Debentures will be structurally subordinated to all existing and future liabilities and any preferred stock of our subsidiaries that may be

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issued in the future. At June 30, 2018, our subsidiaries had no outstanding preferred stock and had outstanding approximately $37.8 billion of indebtedness, payment upon approximately $0.7 billion of which is guaranteed by us. All of such guarantees were granted to the holders of certain unsecured debt of our subsidiary, Duke Energy Carolinas, LLC, in connection with changes in our corporate structure relating to the closing of our merger with Cinergy Corp. in 2006.

Our ability to pay principal and interest on the Debentures is limited by the amounts that our subsidiaries pay to us.

As a holding company, our ability to pay principal and interest on the Debentures is affected by the ability of our subsidiaries to declare and distribute dividends to us on such subsidiaries' capital stock and to make payments on intercompany borrowings that are owed to us. Our regulated operating subsidiaries, which are the principal sources of our consolidated cash flow, are subject to regulations by various state and federal agencies, which govern the ability of these operating subsidiaries to pay dividends.

We can defer interest payments on the Debentures for one or more periods of up to 40 consecutive quarterly periods. This may affect the market price of the Debentures.

So long as no event of default under the Indenture with respect to the Debentures has occurred and is continuing, we may defer interest payments on the Debentures, from time to time, for one or more optional deferral periods of up to 40 consecutive quarterly periods. At the end of an optional deferral period, if all amounts due are paid, we could start a new optional deferral period of up to 40 consecutive quarterly periods. During any optional deferral period, interest on the Debentures would be deferred but would accrue additional interest at a rate equal to the interest rate on the Debentures, compounded quarterly, to the extent permitted by applicable law. No optional deferred period may extend beyond the maturity date or redemption date, if earlier, of the Debentures. If we exercise this interest deferral right, the Debentures may trade at a price that does not fully reflect the value of accrued but unpaid interest on the Debentures or that is otherwise less than the price at which the Debentures may have been traded if we had not exercised such right. In addition, as a result of our right to defer interest payments, the market price of the Debentures may be more volatile than other securities that do not have these rights.

If we defer interest payments on the Debentures, there will be United States federal income tax consequences to holders of the Debentures.

If we defer interest payments on the Debentures for one or more optional deferral periods, you will likely be required to include amounts in income for United States federal income tax purposes during such optional deferral period, regardless of your method of accounting for United States federal income tax purposes.

If you sell your Debentures before the special record date for the payment of interest at the end of an optional deferral period, you will not receive such interest. Instead, the accrued interest will be paid to the holder of record on the special record date for the payment of such deferred interest regardless of who the holder of record may have been on any other date during the optional deferral period. Moreover, amounts that you were required to include in income in respect of the Debentures during the optional deferral period will be added to your adjusted tax basis in the Debentures, but may not be reflected in the amount that you realize on the sale. To the extent the amount realized on a sale is less than your adjusted tax basis, you will recognize a capital loss for United States federal income tax purposes. The deductibility of capital losses is subject to limitations. See "Material U.S. Federal Income Tax Considerations United States Persons Sale of Debentures" in this prospectus supplement.

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Rating agencies may change their practices for rating the Debentures, which change may affect the market price of the Debentures. In addition, we may redeem the Debentures if a rating agency makes certain changes in the equity credit methodology for securities such as the Debentures.

The rating agencies that currently or may in the future publish a rating for Duke Energy Corporation, including Moody's Investors Service, Inc., S&P Global Ratings, a division of S&P Global Inc. and Fitch Ratings, Inc., each of which is expected to initially publish a rating of the Debentures, may, from time to time in the future, change the way they analyze securities with features similar to the Debentures. This may include, for example, changes to the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Debentures. If the rating agencies change their practices for rating these types of securities in the future, and the ratings of the Debentures are subsequently lowered, that could have a negative impact on the trading price of the Debentures. In addition, we may redeem the Debentures before September 15, 2023 at our option, in whole but not in part, if a rating agency makes certain changes in the equity credit methodology for securities such as the Debentures. See "Description of the Debentures Optional Redemption Redemption Following a Rating Agency Event" in this prospectus supplement.

An active trading market for the Debentures may not develop, and any such market for the Debentures may be illiquid.

The Debentures constitute a new issue of securities with no established trading market. We intend to apply to list the Debentures on the NYSE. If approved for listing, trading on the NYSE is expected to commence within 30 days after the date that the Debentures are first issued. However, listing the Debentures on the NYSE does not guarantee that a trading market will develop or, if a trading market does develop, the depth or liquidity of that market or the ability of holders to sell their Debentures easily. In addition, the liquidity of the trading market in the Debentures, and the market prices quoted therefor, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active after-market for the Debentures will develop or be sustained, that holders of the Debentures will be able to sell their Debentures or that holders of the Debentures will be able to sell their Debentures at favorable prices.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement, the accompanying prospectus, and the information incorporated by reference herein and therein, include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook," or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized. These factors include, but are not limited to:

State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, including those related to climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;

The extent and timing of costs and liabilities to comply with federal and state laws, regulations, and legal requirements related to coal ash remediation, including amounts for required closure of certain ash impoundments, are uncertain and difficult to estimate;

The ability to recover eligible costs, including amounts associated with coal ash impoundment retirement obligations and costs related to significant weather events, and to earn an adequate return on investment through rate case proceedings and the regulatory process;

The costs of decommissioning Crystal River Unit 3 and other nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process;

The risk that the credit ratings of Duke Energy or its subsidiaries may be different from what the companies expect;

Costs and effects of legal and administrative proceedings, settlements, investigations and claims;

Industrial, commercial and residential growth or decline in service territories or customer bases resulting from sustained downturns of the economy and the economic health of our service territories or variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies;

Federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as private solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system, excess generation resources as well as stranded costs;

Advancements in technology;

Additional competition in electric and natural gas markets and continued industry consolidation;

The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes, including extreme weather associated with climate change;

The ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources;

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The ability to complete necessary or desirable pipeline expansion or infrastructure projects in our natural gas business;

Operational interruptions to our natural gas distribution and transmission activities;

The availability of adequate interstate pipeline transportation capacity and natural gas supply;

The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or other similar occurrences;

The inherent risks associated with the operation of nuclear facilities, including environmental, health, safety, regulatory and financial risks, including the financial stability of third-party service providers;

The timing and extent of changes in commodity prices and interest rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;

The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations, compliance with debt covenants and conditions and general market and economic conditions;

Declines in the market prices of equity and fixed-income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;

Construction and development risks associated with the completion of Duke Energy's or its subsidiaries' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner, or at all;

Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;

The ability to control operation and maintenance costs;

The level of creditworthiness of counterparties to transactions;

Employee workforce factors, including the potential inability to attract and retain key personnel;

The ability of our subsidiaries to pay dividends or distributions to Duke Energy Corporation;

The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;

The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;

The impact of new U.S. tax legislation to our financial condition, results of operations or cash flows and our credit ratings;

The impacts from potential impairments of goodwill or equity method investment carrying values; and

The ability to implement our business strategy.

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Additional risks and uncertainties are identified and discussed in our reports filed with the SEC and available at the SEC's website. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made and we expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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RATIOS OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges have been calculated using the SEC guidelines.

(in millions)	Six Months Ended June 30, 2018	Years Ended December 31, 2017	2016	2015	2014	2013
Earnings as defined for fixed charges calculation:						
Add:						
Pretax income from continuing operations(a)	$ 1,394	$ 4,142	$ 3,668	$ 3,832	$ 3,636	$ 3,204
Fixed charges	1,171	2,205	2,170	1,859	1,871	1,886
Distributed income of equity investees	56	16	30	104	136	109
Deduct:						
Interest capitalized	5	4	10	18	7	8
Total earnings:	$ 2,616	$ 6,359	$ 5,858	$ 5,777	$ 5,636	$ 5,191
Fixed charges:						
Interest on debt, including capitalized portions	$ 1,122	$ 2,104	$ 2,066	$ 1,733	$ 1,733	$ 1,760
Estimate of interest within rental expense	49	101	104	126	138	126
Total fixed charges	$ 1,1710	$ 2,205	$ 2,170	$ 1,859	$ 1,871	$ 1,886
Ratio of earnings to fixed charges	2.2	2.9	2.7	3.1	3.0	2.8

(a) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.

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USE OF PROCEEDS

The net proceeds from the sale of the Debentures, after deducting the underwriting discount and related offering expenses and giving effect to the underwriters' reimbursement to us, will be approximately $485.5 million. We intend to use the net proceeds from the sale of the Debentures (i) to repay a portion of our outstanding commercial paper and (ii) for general corporate purposes. At September 4, 2018, we had approximately $2.3 billion of commercial paper outstanding. Our outstanding commercial paper matures no later than 90 days after its date of issue and has a weighted average interest rate of approximately 2.19% per year. We issue commercial paper from time to time to fund our working capital and other needs and those of our subsidiaries. Certain of the underwriters or their affiliates may own some of our commercial paper, the repayment of which will be funded with a portion of the net proceeds from the sale of the Debentures. See "Underwriting (Conflicts of Interest) Conflicts of Interest."

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DESCRIPTION OF THE DEBENTURES

General

The following description of the terms of the Debentures summarizes certain general terms that will apply to the Debentures. The Debentures will be issued as a new series of subordinated debt securities under an Indenture between us and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as Trustee, dated as of June 3, 2008, as supplemented from time to time, including by the Twentieth Supplemental Indenture, to be dated as of September 17, 2018 (the "Supplemental Indenture"), collectively referred to as the "Indenture."

Please read the following information concerning the Debentures in conjunction with the statements under "Description of Debt Securities" in the accompanying prospectus, which the following information supplements and, in the event of any inconsistencies, supersedes. Capitalized terms not defined in this prospectus supplement are used as defined in the Indenture or as otherwise provided in the accompanying prospectus.

The Debentures are issuable in denominations of $25.00 or any integral multiple of $25.00 in excess thereof. The Debentures will be issued in an initial aggregate principal amount of $500,000,000. We may from time to time, without the consent of existing holders, create and issue further junior subordinated debentures having the same terms and conditions as the Debentures being offered hereby in all respects, except for the issue date, the issue price and, if applicable, the first payment of interest thereon and the initial interest accrual date; provided, however, that such additional junior subordinated debentures must be fungible with the Debentures offered hereby for U.S. federal income tax purposes, and any such additional junior subordinated debentures issued in this manner will be consolidated with, and will form a single series with, the previously issued Debentures.

As used in this prospectus supplement, "business day" means, with respect to the Debentures, any day other than a Saturday or Sunday that is neither a legal holiday in New York, New York nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close, or a day on which the Corporate Trust Office is closed for business.

Maturity

The Debentures will mature as to principal on September 15, 2078, unless earlier redeemed.

Interest

Interest on the Debentures will accrue from and including their date of initial issuance to, but excluding, the maturity date or earlier acceleration or redemption date at a rate of 5.625% per year. Subject to our right to defer interest payments as described below, interest on the Debentures will be payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on December 15, 2018. If any date on which interest, principal or premium, if any, is payable on the Debentures falls on a day that is not a business day, then payment of the interest, principal or premium, if any, payable on that date will be made on the next succeeding day which is a business day, and no interest or payment will be paid in respect of the delay. Interest will be paid to the person in whose name the applicable Debenture is registered on the record date for the interest payment date. So long as all of the Debentures remain in book-entry only form, the record date for each interest payment date will be the close of business on the business day immediately preceding the applicable interest payment date. If any of the Debentures do not remain in book-entry only form, the record date for each interest payment date will be the close of business on the fifteenth calendar day immediately preceding the applicable interest payment date (whether or not a business day). In either case, however, a special record date shall apply for the payment of interest which is deferred as described below. See " Option to Defer Interest Payments."

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Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months, and will accrue from September 17, 2018 or from the most recent interest payment date to which interest has been paid or duly provided for.

Option to Defer Interest Payments

So long as there is no event of default under the Indenture with respect to the Debentures that has occurred and is continuing, we may defer interest payments on the Debentures, from time to time, for one or more optional deferral periods of up to 40 consecutive quarterly periods, except that no such optional deferral period may extend beyond the maturity date or redemption date, if earlier, of the Debentures. During this optional deferral period, the interest on the Debentures will still accrue at a rate of 5.625% per year. In addition, interest on the deferred interest will accrue at a rate of 5.625% per year, compounded quarterly, to the extent permitted by law. No interest will be due and payable on the Debentures until the end of an optional deferral period, except upon a redemption of the Debentures during such optional deferral period.

Before the end of any optional deferral period that is shorter than 40 consecutive quarterly periods, we may extend the optional deferral period, so long as the entire optional deferral period does not exceed 40 consecutive quarterly periods or extend beyond the maturity date or redemption date, if earlier, of the Debentures. We may also elect to shorten the length of any optional deferral period. No optional deferral period (including as extended or shortened) may end on a day other than the last day of a scheduled quarterly interest payment period. At the end of any optional deferral period, if all amounts then due on the Debentures, including interest on accrued and unpaid interest, have been paid, we may elect to begin a new optional deferral period.

During any optional deferral period, we will not do any of the following:

- declare or pay any dividends or distributions on Duke Energy Corporation capital stock;

- redeem, purchase, acquire or make a liquidation payment with respect to any Duke Energy Corporation capital stock;

- pay any principal, interest or premium on, or repay, repurchase or redeem any Duke Energy Corporation debt securities that are equal or junior in right of payment with the Debentures; or

- make any payments with respect to any Duke Energy Corporation guarantee of debt securities if such guarantee is equal or junior in right of payment with the Debentures.

However, during an optional deferral period, we may (a) declare and pay dividends or distributions payable solely in shares of common stock or options, warrants or rights to subscribe for or purchase shares of our common stock, (b) declare and pay any dividend in connection with the implementation of a plan (a "Rights Plan") providing for the issuance by us to all holders of our common stock of rights entitling them to subscribe for or purchase common stock or any class or series of preferred stock, which rights (1) are deemed to be transferred with such common stock, (2) are not exercisable and (3) are also issued in respect of future issuances of common stock, in each case until the occurrence of a specified event or events, (c) issue any of our shares of capital stock under any Rights Plan or redeem or repurchase any rights distributed pursuant to a Rights Plan, (d) reclassify our capital stock or exchange or convert one class or series of our capital stock for another class or series of our capital stock, (e) purchase fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, and (f) purchase common stock related to the issuance of common stock or rights under our dividend reinvestment plan or any of our benefit plans for our directors, officers, employees, consultants or advisors.

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We will give the holders of the Debentures and the trustee notice of our election or any shortening or extension of an optional deferral period at least ten business days prior to the earlier of (1) the next succeeding interest payment date or (2) the date upon which we are required to give notice to the NYSE or any applicable self-regulatory organization or to holders of the Debentures of such next succeeding interest payment date or the record date therefor. The special record date established under the Indenture for the payment of deferred interest will be the regular record date with respect to the interest payment date at the end of the respective optional deferral period.

Optional Redemption

At any time and from time to time on or after September 15, 2023, we will have the right to redeem the Debentures, in whole or in part, at our option, at a redemption price equal to 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest on the principal amount of the Debentures being redeemed to, but excluding, the date of redemption.

Redemption Following a Tax Event

Before September 15, 2023, we will have the right to redeem the Debentures, in whole but not in part, at our option, by a redemption notice, following the occurrence of a Tax Event (as defined below), at a redemption price equal to 100% of the principal amount of the Debentures being redeemed plus accrued and unpaid interest on the principal amount of the Debentures being redeemed to, but excluding, the date of redemption.

A "Tax Event" means that we have received an opinion of counsel experienced in such matters to the effect that, as a result of:

- any amendment to, clarification of, or change, including any announced prospective change, in the laws or treaties of the United States or any of its political subdivisions or taxing authorities, or any regulations under those laws or treaties;

- an administrative action, which means any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement including any notice or announcement of intent to issue or adopt any administrative pronouncement, ruling, regulatory procedure or regulation;

- any amendment to, clarification of, or change in the official position or the interpretation of any administrative action or judicial decision or any interpretation or pronouncement that provides for a position with respect to an administrative action or judicial decision that differs from the previously generally accepted position, in each case by any legislative body, court, governmental authority or regulatory body, regardless of the time or manner in which that amendment, clarification or change is introduced or made known; or

- a threatened challenge asserted in writing in connection with our audit or an audit of any of our subsidiaries, or a publicly-known threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the Debentures,

which amendment, clarification, or change is effective or the administrative action is taken or judicial decision, interpretation or pronouncement is issued or threatened challenge is asserted or becomes publicly-known after the date of this prospectus supplement, there is more than an insubstantial risk that interest payable by us on the Debentures is not deductible, or within 90 days would not be deductible, in whole or in part, by us for United States federal income tax purposes.

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Redemption Following a Rating Agency Event

Before September 15, 2023, we will have the right to redeem the Debentures, in whole but not in part, at our option, by a redemption notice, following the occurrence of a Rating Agency Event (as defined below), at a redemption price equal to 102% of the principal amount of such Debentures being redeemed plus accrued and unpaid interest on the principal amount of the Debentures being redeemed to, but excluding, the date of redemption.

"Rating Agency Event" means a change to the methodology or criteria that were employed by an applicable nationally recognized statistical rating organization for purposes of assigning equity credit to securities such as the Debentures on the date of initial issuance of the Debentures (the "current methodology"), which change either (i) shortens the period of time during which equity credit pertaining to the Debentures would have been in effect had the current methodology not been changed, or (ii) reduces the amount of equity credit assigned to the Debentures as compared with the amount of equity credit that such rating agency had assigned to the Debentures as of the date of initial issuance thereof.

Redemption Procedures

We will provide not less than 10 nor more than 60 days' notice mailed (or, as long as the Debentures are represented by one or more global securities, transmitted in accordance with DTC's procedures) to each registered holder of the Debentures to be redeemed. With respect to any redemption of the Debentures, if the redemption notice is given and funds deposited as required, then interest will cease to accrue from and after the redemption date on the Debentures or portions of such Debentures called for redemption. In the event that any redemption date is not a business day, we will pay the redemption price on the next business day without any interest or other payment due to the delay.

Subordination; Ranking

The Debentures will be our direct and unsecured obligations and will rank junior and be subordinated, to the extent and in the manner set forth in the Indenture, in right of payment and upon liquidation to the prior payment in full of all of our senior indebtedness.

Subject to the qualifications described below, the term senior indebtedness means:

- all obligations or indebtedness of, or guaranteed or assumed by, Duke Energy Corporation, whether or not represented by bonds, debentures, notes or similar instruments, for borrowed money, and
- any amendments, renewals, extensions, modifications and refundings of any such obligations or indebtedness,

unless in the instrument creating or evidencing the indebtedness or obligations it is specifically stated, at or prior to the time Duke Energy Corporation becomes liable in respect thereof, that any such indebtedness or obligation or such amendment, renewal, extension, modification and refunding thereof is not senior indebtedness. However, senior indebtedness does not include:

- any indebtedness owed by us to trade creditors incurred in connection with the purchase of goods, materials or services obtained in the ordinary course of business,
- indebtedness owed by us to our subsidiaries, or
- indebtedness owed by us to our employees,

which, in each case, will rank equally with the Debentures in right of payment, subject to the provisions described under " Option to Defer Interest Payments."

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Additionally, senior indebtedness will not include any indebtedness the terms of which provide that such indebtedness ranks junior to the Debentures, with respect to which the Debentures will rank senior in right of payment.

If:

- there shall have occurred a default in the payment on account of the principal of (or premium, if any) or interest on or other monetary amounts due and payable on any senior indebtedness, or
- any other default shall have occurred concerning any senior indebtedness that permits the holders thereof to accelerate the maturity of such senior indebtedness following notice, the lapse of time, or both, or
- during any time senior indebtedness is outstanding, the principal of, and accrued interest on, any series of subordinated securities issued under the Indenture shall have been declared due and payable upon an event of default that is not rescinded or annulled pursuant to the Indenture;

then, unless and until such default is cured or waived or ceases to exist, or such declaration is waived, rescinded or annulled, we are not permitted to make any payment of the principal of or premium or interest on the Debentures. Our inability to make payments on the Debentures due to the subordination provisions applicable to the Debentures will not prevent an event of default from occurring under the Indenture with respect to the Debentures.

In the event of our dissolution or winding up or total or partial liquidation or reorganization, whether in bankruptcy, receivership or other similar proceedings, we will first pay in full, or provide for payment in money or money's worth, all senior indebtedness, including any premium and accrued interest, before we make any payment or distribution, whether in cash, securities or other property, on account of the principal of or interest on the Debentures (other than shares of capital stock or subordinated debt securities of the reorganized entity, which we refer to as "Reorganized Securities"). In such an event, we will pay or deliver directly to the holders of senior indebtedness, any payment or distribution otherwise payable or deliverable to holders of the Debentures (other than Reorganized Securities). We will make the payments to the holders of senior indebtedness according to priorities existing among those holders until all senior indebtedness, including any premium and accrued interest, is paid in full or we have provided for payment thereof in money or money's worth.

In such an event, after we have paid in full all amounts owed on senior indebtedness, the holders of Debentures together with the holders of any of our other obligations that rank equally with the Debentures will be entitled to receive from our remaining assets any principal, premium, if any, or interest due at that time on the Debentures and such other obligations before we make any payment or other distribution on account of any of our capital stock or obligations ranking junior to the Debentures.

If we violate the Indenture by making a payment or distribution (other than Reorganized Securities) to the Trustee or the holders of the Debentures before we have paid all the senior indebtedness in full or provided for payment thereof in money or money's worth, then the Trustee and such holders of the Debentures will have to pay or transfer such payments or distributions to the trustee in bankruptcy, receiver, liquidating trustee, agent or other person distributing our assets or securities for payment of the senior indebtedness. Because of the subordination provisions of the Indenture, if we become insolvent, holders of senior indebtedness may receive more, ratably, and holders of the Debentures may receive less, ratably, than our other creditors.

The Indenture contains no restrictions on the amount of additional senior or subordinated indebtedness that we may issue under it, and we expect from time to time to incur additional indebtedness and other liabilities and to guarantee indebtedness that will be senior to the Debentures.

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The Debentures will rank equal in right of payment to our existing junior subordinated debentures and any other pari passu subordinated indebtedness that we may incur in the future. At June 30, 2018, we had outstanding approximately $15.9 billion of indebtedness, consisting of approximately $15.4 billion of unsecured and unsubordinated indebtedness that will rank senior in priority with respect to the Debentures and approximately $0.5 billion of unsecured subordinated indebtedness that will rank equal in priority with respect to the Debentures.

The Debentures will be our direct obligations exclusively, and are not the obligations of any of our subsidiaries. Because we are a holding company, our obligations on the Debentures will be structurally subordinated to all existing and future liabilities, including indebtedness, and the preferred stock of our subsidiaries.

We conduct our business through subsidiaries. Accordingly, our ability to meet our obligations under the Debentures is dependent on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or to advance or repay funds to us. In addition, the rights that we and our creditors would have to participate in the assets of any such subsidiary upon the subsidiary's liquidation or recapitalization will be subject to the prior claims of the subsidiary's creditors. Certain of our subsidiaries have incurred substantial amounts of debt in the operation and expansion of their businesses, and we anticipate that certain of our subsidiaries will do so in the future.

Holders of the Debentures will generally have a junior position to claims of creditors of our subsidiaries, including trade creditors, debt holders, secured creditors, taxing authorities, guarantee holders and any holders of preferred stock. In addition to trade debt, certain of our operating subsidiaries have ongoing corporate debt programs used to finance their business activities.

At June 30, 2018, our subsidiaries had no preferred stock outstanding and had outstanding approximately $37.8 billion of indebtedness, payment upon approximately $0.7 billion of which is guaranteed by us. All of such guarantees were granted to the holders of certain unsecured debt of our subsidiary, Duke Energy Carolinas, LLC, in connection with changes in our corporate structure relating to the closing of our merger with Cinergy Corp. in 2006.

Events of Default

The following "events of default" are applicable to the Debentures (and not any other events of default described in the accompanying prospectus):

- failure to pay interest on the Debentures within 60 days after such interest is due (provided, however, that a failure to pay interest during a valid optional deferral period, as discussed above in " Option to Defer Interest Payments" will not constitute an event of default);
- failure to pay principal of or any premium on the Debentures when due; and
- certain bankruptcy, insolvency or reorganization events with respect to Duke Energy Corporation.

With respect to the Debentures, a failure to comply with the other covenants under the Indenture does not constitute an event of default. See "Description of Debt Securities Events of Default" in the accompanying prospectus for a description of rights and remedies relating to events of default. The Trustee has no right or obligation under the Indenture or otherwise to exercise any remedies on behalf of the holders of the Debentures pursuant to the Indenture in connection with any failure to comply with such other covenants.

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Agreement by Holders of Certain Tax Treatment

Each holder of the Debentures will, by accepting the Debentures or a beneficial interest therein, be deemed to have agreed that the holder intends that the Debentures constitute indebtedness and will treat the Debentures as indebtedness for all United States federal, state and local tax purposes.

Sinking Fund

There is no provision for a sinking fund applicable to the Debentures.

Conforming Amendments

We and the Trustee may, from time to time, without the consent of the holders of the Debentures, modify and amend the Supplemental Indenture, and the instruments evidencing the Debentures, if such modification or amendment only conforms the terms of the Supplemental Indenture or such instruments to the terms thereof as contained in this prospectus supplement and the accompanying prospectus.

Reports

We will provide the Trustee any information, documents or reports required to be filed by us with the SEC under Section 13 or Section 15(d) of the Exchange Act within 15 days after the same is filed with the SEC. See "Where You Can Find More Information."

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the material United States federal income tax consequences of the purchase, ownership and disposition of the Debentures and sets forth the opinions of Hunton Andrews Kurth LLP, tax counsel to Duke Energy Corporation ("Duke Energy Corporation" or "Duke Energy"). This summary is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), United States Treasury regulations, and rulings and decisions now in effect, all of which are subject to change or differing interpretations, possibly with retroactive effect. In particular, either the Internal Revenue Service ("IRS") or the courts could disagree with the conclusions contained and positions taken in this summary.

The summary deals only with Debentures held as capital assets (generally property held for investment) and does not deal with persons in special tax situations, such as financial institutions, banks, insurance companies, tax-exempt entities, regulated investment companies, dealers in securities or currencies, persons holding Debentures as a position in a "straddle," a "hedging," "conversion" or constructive sale transaction for tax purposes, accrual method taxpayers subject to special tax accounting rules as a result of their use of financial statements under section 451(b) of the Tax Code, certain former citizens or residents of the United States, or United States Persons (as defined below) whose functional currency is not the United States dollar. The summary also does not deal with holders other than original purchasers who purchase the Debentures upon original issuance at their original issue price. In addition, this discussion does not address the income tax consequences to stockholders in, or partners or beneficiaries of, a holder of Debentures, the United States alternative minimum tax consequences of the purchase, ownership and disposition of Debentures, or any estate, gift, state, local or foreign tax consequences of the purchase, ownership and disposition of Debentures. Before purchasing the Debentures, you should consult your own tax advisor concerning the application of United States federal income tax laws to your particular situation as well as any consequences of the purchase, ownership and disposition of the Debentures arising under any other tax laws of the United States or other taxing jurisdictions.

For purposes of this summary, a "United States Person" is a beneficial owner of a Debenture that is for United States federal income tax purposes:

- a citizen or individual resident of the United States,
- a corporation or partnership, or other entity treated as a corporation or partnership for United States federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia,
- an estate the income of which is subject to United States federal income taxation regardless of its source, or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States Persons have the authority to control all substantial decisions of the trust, or certain electing trusts in existence on August 20, 1996 to the extent provided in United States Treasury regulations.

A "Non-United States Person" is a beneficial owner of a Debenture that is not a United States Person.

Classification of the Debentures

The determination of whether a security should be classified as indebtedness or equity for United States federal income tax purposes requires a judgment based on all relevant facts and circumstances. There is no statutory, judicial or administrative authority that directly addresses the United States federal income tax treatment of securities similar to the Debentures. In the opinion of Hunton

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Andrews Kurth LLP, under current law and based on the facts contained in this prospectus supplement, the terms of the Indenture and the Debentures, and certain assumptions stated in the opinion and representations relied upon in rendering the opinion, the Debentures will be classified for United States federal income tax purposes as indebtedness of Duke Energy (although there is no controlling authority directly on point). The opinions of Hunton Andrews Kurth LLP are not binding on the IRS or the courts. Moreover, no rulings have been or will be sought from the IRS with respect to the transactions described in this prospectus supplement. Accordingly, we cannot assure you that the IRS will not challenge the opinions described herein or that a court would not sustain such a challenge. If the IRS were to successfully challenge the classification of the Debentures as indebtedness, interest payments on the Debentures would be treated for United States federal income tax purposes as dividends to the extent of Duke Energy's current or accumulated earnings and profits. In the case of Non-United States Persons, interest payments treated as dividends would be subject to withholding of United States income tax, except to the extent provided by an applicable income tax treaty. We agree, and by acquiring an interest in a Debenture each beneficial owner of a Debenture will agree, to treat the Debentures as indebtedness for United States federal income tax purposes, and the remainder of this discussion assumes this treatment. You should consult your own tax advisors regarding the tax consequences that will arise if the Debentures are not treated as indebtedness for United States federal income tax purposes.

United States Persons

Interest Income and Original Issue Discount

We have the option under certain circumstances to defer payments of interest on the Debentures. Under the Treasury regulations relating to original issue discount ("OID"), a debt instrument is deemed to be issued with OID if there is more than a "remote" contingency that periodic stated interest payments due on the instrument will not be timely paid. We believe that the likelihood of our exercising the option to defer payment of stated interest is remote within the meaning of the Treasury regulations in part because our exercise of the option to defer payments of stated interest on the Debentures would generally prevent us from:

- declaring or paying a dividend or making any other payment or distribution on shares of Duke Energy Corporation capital stock;
- redeeming, purchasing, acquiring or making a liquidation payment on any Duke Energy Corporation capital stock;
- making any interest, principal or premium payment on, or repaying, repurchasing or redeeming, any Duke Energy debt securities that are equal or junior in right of payment with the Debentures; and
- making any guarantee payments with respect to any Duke Energy Corporation guarantee of debt securities of our subsidiaries if such guarantee is equal or junior in right of payment with the Debentures.

Similarly, if certain circumstances occur (see "Description of the Debentures Optional Redemption Redemption Following a Rating Agency Event"), we will be obligated to pay amounts in excess of stated interest on or principal of the Debentures. Such excess payments will not affect the amount of interest income that a United States Person recognizes if there is only a remote likelihood that such payments will be made. We believe that the likelihood that we will make any such payments is remote. Based on these positions, stated interest payments on the Debentures should be includible in your ordinary income at the time that those payments are received or accrued, depending on your regular method of accounting for United States federal income tax purposes. Our determination that these contingencies are remote is binding on you unless you disclose your contrary position in the

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manner required by applicable Treasury regulations. Our determination is not, however, binding on the IRS. There can be no assurance that the IRS or a court will agree with these positions. The meaning of the term "remote" in the Treasury regulations has not yet been addressed in any rulings or other guidance by the IRS or any court. If the possibility of interest deferral were determined not to be remote, the Debentures would be treated as issued with OID and all stated interest would be treated as OID as long as the Debentures are outstanding. In that case, you would be required to accrue interest income on the Debentures using a constant yield method before you actually receive any cash payment attributable to that interest, regardless of your regular method of accounting for United States federal income tax purposes. If the possibility of excess payments were determined not to be remote, the Debentures could be treated as "contingent payment debt instruments," in which case you would be required to accrue interest income on the Debentures in excess of stated interest and treat as ordinary income rather than as capital gain any income realized on the taxable disposition of the Debentures. In the event excess payments are made, it would likely affect the amount and timing of the income you recognize, even if your Debentures are not redeemed. If you are paid any excess amounts, you will be required to recognize such amounts as income. The remainder of this discussion assumes that the Debentures will not be treated as contingent payment debt instruments.

Exercise of Deferral Option

Under the Treasury regulations, if we exercise our option to defer the payment of interest on the Debentures then the Debentures will be treated as if they had been redeemed and reissued solely for OID purposes. Accordingly, all remaining interest payments on the Debentures (including interest on deferred interest) would be treated as OID, which you would be required to accrue and include in taxable income on an economic accrual basis over the remaining term of the Debentures, without regard to the time interest is actually paid on the Debentures and without regard to your regular method of accounting for United States federal income tax purposes. The amount of OID income includible in your taxable income would be determined on the basis of a constant yield method over the remaining term of the Debentures, and the actual receipt of future payments of stated interest on the Debentures would no longer be separately reported as taxable income. The total amount of OID that would accrue during the optional deferral period would be approximately equal to the amount of the cash payment due at the end of that optional deferral period.

Any OID included in income would increase your adjusted tax basis in your Debentures, and your actual receipt of cash interest payments would reduce that adjusted tax basis.

Sale of Debentures

If you sell your Debentures, or otherwise dispose of them in a taxable transaction, then you will recognize gain or loss in an amount equal to the difference between:

- the amount realized on the sale, excluding any amount attributable to accrued but unpaid interest on the Debentures not treated as OID, which excluded amount will be taxed as interest in the manner described above, and

- your adjusted tax basis in the Debentures at the time of disposition.

For these purposes, your adjusted tax basis generally will equal the initial purchase price that you paid for the Debentures, plus any amount that you were required to include in gross income as OID, minus any cash payments you received in respect of accrued OID. Your gain or loss on the sale of Debentures generally will be capital gain or loss, and will be long-term capital gain or loss if you have held the investment for more than one year at the time of disposition. Preferential rates of tax may apply to long-term capital gains if you are a non-corporate taxpayer. Subject to certain limitations, capital losses generally cannot be applied to offset ordinary income.

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Medicare Tax

Certain United States Persons that are individuals, estates or trusts will be subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their interest income and net gains from the disposition of the Debentures. Each United States Person that is an individual, estate or trust is urged to consult its tax advisors regarding the applicability of the Medicare tax to its income and gains in respect of its investment in the Debentures.

United States Persons Holding Through Foreign Accounts or Intermediaries

United States Persons holding their Debentures through foreign accounts or intermediaries should refer to " Non-United States Persons Foreign Account Tax Compliance Act" below.

Non-United States Persons

The rules governing the United States federal income taxation of a Non-United States Person are complex and no attempt will be made herein to provide more than a summary of such rules. Special rules may apply to certain Non-United States Persons such as "controlled foreign corporations" and "passive foreign investment companies." Non-United States Persons should consult their tax advisors about the rules concerning the tax consequences to them of the purchase, ownership and disposition of the Debentures, including withholding on payments to Non-United States Persons and the potential application of tax treaties.

Interest Income and Original Issue Discount

The following discussion applies only to beneficial owners of Debentures who are Non-United States Persons as defined above. Under present United States federal income tax law, assuming that the Debentures are treated as indebtedness for United States federal income tax purposes and subject to the discussions below under "Foreign Account Tax Compliance Act" and "Information Reporting and Backup Withholding", if you are not engaged in a trade or business in the United States, no United States federal withholding tax will be imposed with respect to payments of principal or interest, including any OID, on the Debentures under the "portfolio interest exemption," provided that:

- you do not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote;

- you are not a controlled foreign corporation as defined in the Tax Code that is related to us through stock ownership;

- you are not a bank whose receipt of interest on a Debenture is described in section 881(c)(3)(A) of the Tax Code; and

- either (a) you provide your name and address on IRS Form W-8BEN, IRS Form W-8BEN-E or other appropriate form and certify, under penalties of perjury, that you are not a United States Person, or (b) generally, a financial institution holding the Debentures on your behalf certifies, under penalties of perjury, that it has received an IRS Form W-8BEN or other appropriate form from you and provides to the withholding agent a copy thereof.

If you do not satisfy the requirements described above, or if it were determined that the Debentures should be classified as equity and not debt, payments made to you will be subject to a 30% United States federal withholding tax, unless you provide to the withholding agent a properly executed (a) IRS Form W-8BEN, IRS Form W-8BEN-E or other appropriate form claiming an exemption from, or a reduction of, withholding tax under the benefit of an applicable tax treaty; or (b) IRS Form W-8ECI or other appropriate form stating that interest received on the Debentures is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the

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United States. In the latter case, interest (including any OID) will be subject to United States federal income tax on a net income basis in generally the same matter as if you were a United States Person if such interest is effectively connected with your conduct of a trade or business in the United States and, if an income tax treaty applies, is attributable to a permanent establishment maintained in the United States by you. In addition, if you are a foreign corporation engaged in a trade or business in the United States, you may also be subject to a branch profits tax, which is generally imposed on a foreign corporation on the deemed repatriation from the United States of effectively connected earnings and profits, at a 30% rate, unless the tax is reduced or eliminated by an applicable income tax treaty.

Special rules regarding exemption from, or reduced rates of, U.S. withholding tax may apply in the case of Debentures held by partnerships or certain types of trusts. Partnerships and trusts that are prospective purchasers should consult their own tax advisors regarding special rules that may be applicable in their particular circumstances.

Sales of Debentures

Subject to the discussions below under "Foreign Account Tax Compliance Act" and "Information Reporting and Backup Withholding", any gain realized upon the sale or disposition of Debentures generally will not be subject to United States federal income tax unless (a) the gain is effectively connected with a United States trade or business conducted by you (and, if an applicable income treaty so provides, is attributable to a permanent establishment maintained in the United States by you); or (b) if you are a Non-United States Person who is an individual, you are present in the United States for 183 days or more in the taxable year of the sale or other disposition and certain other requirements are met. If you are engaged in a trade or business in the United States and income on the Debentures is effectively connected with the conduct of that trade or business (and, if an applicable income treaty so provides, is attributable to a permanent establishment maintained in the United States by you), you will be subject to United States federal income tax on that income on a net income basis in generally the same manner as if you were a United States Person. In addition, if you are a foreign corporation engaged in a trade or business in the United States, you may be subject to the branch profits tax described above.

Foreign Account Tax Compliance Act

Under the Foreign Account Tax Compliance Act provisions of the Tax Code and related IRS guidance ("FATCA"), a U.S. federal withholding tax of 30% will be imposed on certain payments (which currently include interest payments, including OID, on the Debentures and will include gross proceeds, including the return of principal at maturity, from the sale or other disposition, including redemptions, of the Debentures beginning January 1, 2019) made to a non-United States entity that fails to take required steps to provide information regarding its "United States accounts" or its direct or indirect "substantial United States owners," as applicable, or to make a required certification that it has no such accounts or owners. We will not be obligated to make any "gross up" or additional payments in respect of amounts withheld on the Debentures if we determine that we must so withhold in order to comply with FATCA in respect of the amounts described above. Prospective investors should consult their own tax advisors regarding FATCA and whether it may be relevant to the ownership and disposition of the Debentures.

Information Reporting and Backup Withholding

Information reporting and backup withholding may apply to interest and other payments to you under the circumstances discussed below. Amounts withheld under backup withholding are not an additional tax and generally may be refunded or credited against your federal income tax liability, provided that you furnish the required information to the IRS in a timely manner.

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If you are a United States Person, you may be subject to backup withholding at the applicable rate (currently 24%) when you receive interest payments on the Debentures, or proceeds upon the sale, exchange, redemption, retirement or other disposition of the Debentures. In general, you can avoid this backup withholding by properly executing under penalties of perjury an IRS Form W-9 or substantially similar form that provides:

- your correct taxpayer identification number, and

- a certification that you are not subject to backup withholding because (a) you are a corporation or come within another enumerated exempt category, (b) you have not been notified by the IRS that you are subject to backup withholding or (c) you have been notified by the IRS that you are no longer subject to backup withholding.

If you do not provide your correct taxpayer identification number on the IRS Form W-9 or substantially similar form, you may be subject to penalties imposed by the IRS. Unless you have established on a properly executed IRS Form W-9 or substantially similar form that you are a corporation or come within another enumerated exception, interest and other payments on the Debentures paid to you (including accrued OID) during the calendar year, and the amount of tax withheld, if any, may be reported to you and to the IRS. It is anticipated that income on the Debentures will be reported to United States Persons on Form 1099-INT or, if we exercise our option to defer any payment of interest, Form 1099-OID, and mailed to United States Persons by January 31 following each calendar year.

If you are a Non-United States Person, the amount of interest and OID paid to you on the Debentures during each calendar year, and the amount of tax withheld, if any, will generally be reported to you and to the IRS. This information reporting requirement applies regardless of whether you were subject to withholding or whether withholding was reduced or eliminated by an applicable tax treaty. Also, interest and OID paid to you on the Debentures may be subject to backup withholding, unless you properly certify your Non-United States Person status on an IRS Form W-8BEN, IRS Form W-8BEN-E or substantially similar form in the manner described above. Similarly, proceeds you receive upon the sale, exchange, redemption, retirement or other disposition of the Debentures may be subject to information reporting and backup withholding, unless you properly certify your Non-United States Person status on an IRS Form W-8BEN, IRS Form W-8BEN-E or substantially similar form.

The United States federal income tax discussion set forth above is included for general information only and may not be applicable depending upon your particular situation. You should consult your tax advisors regarding the tax consequences to you of the acquisition, ownership and disposition of the Debentures, including the tax consequences under state, local, foreign and other tax laws.

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BOOK-ENTRY SYSTEM

We have obtained the information in this section concerning DTC and its book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

The Debentures initially will be represented by one or more fully registered global securities. Each global security will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co., DTC's nominee.

Investors may elect to hold interests in a global security through either DTC in the United States or Clearstream or the Euroclear System in Europe if they are participants of such systems, or indirectly through organizations which are participants in such systems. Clearstream and the Euroclear System will hold interests on behalf of their participants through customers' securities accounts in Clearstream's and the Euroclear System's names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of DTC. Citibank N.A. will act as depositary for Clearstream and JPMorgan Chase Bank, N.A. will act as depositary for the Euroclear System (in such capacities, the "U.S. Depositaries").

You may hold your interests in a global security in the United States through DTC, either as a participant in such system or indirectly through organizations which are participants in such system. So long as DTC or its nominee is the registered owner of the global securities representing the Debentures, DTC or such nominee will be considered the sole owner and holder of the Debentures for all purposes of the Debentures and the Indenture. Except as provided below, owners of beneficial interests in the Debentures will not be entitled to have the Debentures registered in their names, will not receive or be entitled to receive physical delivery of the Debentures in definitive form and will not be considered the owners or holders of the Debentures under the Indenture, including for purposes of receiving any reports that we or the Trustee deliver pursuant to the Indenture. Accordingly, each person owning a beneficial interest in a Debenture must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder of Debentures.

Unless and until we issue the Debentures in fully certificated form under the limited circumstances described below under the heading " Certificated Debentures":

- you will not be entitled to receive physical delivery of a certificate representing your interest in the Debentures;

- all references in this prospectus supplement or in the accompanying prospectus to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and

- all references in this prospectus supplement or the accompanying prospectus to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the registered holder of the Debentures, for distribution to you in accordance with DTC procedures.

The Depository Trust Company

DTC will act as securities depositary for the Debentures. The Debentures will be issued as fully registered securities registered in the name of Cede & Co. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;

- a "banking organization" within the meaning of the New York Banking Law;

- a member of the Federal Reserve System;

- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and

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a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to indirect participants such as securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC. More information about DTC can be found at www.dtcc.com. The contents of such website do not constitute part of this prospectus supplement.

If you are not a direct participant or an indirect participant and you wish to purchase, sell or otherwise transfer ownership of, or other interests in the Debentures, you must do so through a direct participant or an indirect participant. DTC agrees with and represents to DTC participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law. The SEC has on file a set of the rules applicable to DTC and its direct participants.

Purchases of the Debentures under DTC's system must be made by or through direct participants, which will receive a credit for the Debentures on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the Debentures are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive physical delivery of certificates representing their ownership interests in the Debentures, except as provided below in " Certificated Debentures."

To facilitate subsequent transfers, all Debentures deposited by direct participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Debentures with DTC and their registration in the name of Cede & Co. or such other DTC nominee has no effect on beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Debentures. DTC's records reflect only the identity of the direct participants to whose accounts such Debentures are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Book-Entry Format

Under the book-entry format, the Trustee will pay interest and principal payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who will then forward

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the payment to the indirect participants or to the beneficial owners. You may experience some delay in receiving your payments under this system.

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the Debentures. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to Debentures on your behalf. We and the Trustee have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Debentures or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Trustee will not recognize you as a holder of any Debentures under the Indenture and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a Debenture if one or more of the direct participants to whom the Debenture is credited direct DTC to take such action. DTC can only act on behalf of its direct participants. Your ability to pledge Debentures to indirect participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your Debentures.

Certificated Debentures

Unless and until they are exchanged, in whole or in part, for Debentures in definitive form in accordance with the terms of the Debentures, the Debentures may not be transferred except as a whole by DTC to a nominee of DTC; as a whole by a nominee of DTC to DTC or another nominee of DTC; or as a whole by DTC or a nominee of DTC to a successor of DTC or a nominee of such successor.

We will issue Debentures to you or your nominees, in fully certificated registered form, rather than to DTC or its nominees, only if:

- DTC notifies us that it is no longer willing or able to discharge its responsibilities properly or DTC is no longer a registered clearing agency under the Exchange Act, and we are unable to locate a qualified successor within 90 days;
- an event of default has occurred and is continuing under the Indenture and beneficial owners representing a majority in aggregate principal amount of the Debentures represented by global securities advise DTC to cease acting as depositary; or
- we, at our option, and subject to DTC's procedures, elect to terminate use of the book-entry system through DTC.

If any of the above events occurs, DTC is required to notify all direct participants that Debentures in fully certificated registered form are available through DTC. DTC will then surrender each global security representing the Debentures along with instructions for re-registration. The Trustee will re-issue the Debentures in fully certificated registered form and will recognize the registered holders of the certificated Debentures as holders under the Indenture.

Global Clearance and Settlement Procedures

Initial settlement for the Debentures will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System. Secondary market trading between Clearstream participants and/or Euroclear System participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and the Euroclear System, as applicable.

Cross-market transfers between persons holding directly or indirectly through DTC on the one hand, and directly or indirectly through Clearstream participants or Euroclear System participants on

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the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear System participants may not deliver instructions directly to their respective U.S. Depositaries.

Because of time-zone differences, credits of Debentures received in Clearstream or the Euroclear System as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Debentures settled during such processing will be reported to the relevant Euroclear System participant or Clearstream participant on such business day. Cash received in Clearstream or the Euroclear System as a result of sales of the Debentures by or through a Clearstream participant or a Euroclear System participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or the Euroclear System cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and the Euroclear System have agreed to the foregoing procedures in order to facilitate transfers of Debentures among participants of DTC, Clearstream and the Euroclear System, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or changed at any time.

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UNDERWRITING (CONFLICTS OF INTEREST)

We have entered into an underwriting agreement with respect to the Debentures with the underwriters listed below, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Wells Fargo Securities, LLC are acting as representatives (the "Representatives"). Subject to certain conditions, each of the underwriters has severally agreed to purchase the principal amount of Debentures indicated in the following table:

Name	Principal Amount of Debentures
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$ 95,000,000
Morgan Stanley & Co. LLC	95,000,000
RBC Capital Markets, LLC	95,000,000
Wells Fargo Securities, LLC	95,000,000
Barclays Capital Inc.	31,250,000
TD Securities (USA) LLC	31,250,000
U.S. Bancorp Investments, Inc.	31,250,000
BB&T Capital Markets, a division of BB&T Securities, LLC	7,600,000
BNY Mellon Capital Markets, LLC	7,600,000
KeyBanc Capital Markets Inc.	7,600,000
Academy Securities, Inc.	1,725,000
C.L. King & Associates, Inc.	1,725,000
Total	$ 500,000,000

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the Debentures are subject to certain conditions, including the receipt of legal opinions relating to certain matters. The underwriters must purchase all of the Debentures, if they purchase any of the Debentures. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

The underwriters are offering the Debentures, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Debentures, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have agreed for a period beginning on the date of this prospectus supplement and continuing to and including a period of 30 days, not to offer, sell, contract to sell or otherwise dispose of any debt securities of Duke Energy Corporation which mature more than one year after the delivery date of the Debentures and which are substantially similar to the Debentures, without the prior written consent of the Representatives. This agreement does not apply to issuances of our (i) PremierNotes or (ii) senior indebtedness.

Commissions and Discounts

The Debentures sold by the underwriters to the public will initially be offered at the initial price to public set forth on the cover of this prospectus supplement and may be offered to certain dealers at that price less a concession not in excess of $0.50 per Debenture; provided that concessions will be $0.30 per Debenture for sales to institutional investors. The underwriters may allow, and those dealers may reallow, a discount not in excess of $0.45 per Debenture to certain other dealers. If all the Debentures are not sold at the initial price to public, the underwriters may change the price to public and the other selling terms.

The expenses of the offering, not including the underwriting discount, are estimated to be approximately $780,000 and are payable by us. The underwriters have agreed to reimburse us for these expenses.

Settlement

It is expected that delivery of the Debentures will be made against payment for the Debentures on or about the date specified on the cover page of this prospectus supplement, which is the fourth business day following the date of this prospectus supplement (such settlement cycle being referred to as "T+4"). Under Rule 15c6-1 under the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Debentures on the date of this prospectus supplement or the next succeeding business day will be required, by virtue of the fact that the Debentures initially will settle in T+4, to specify an alternative settlement cycle at the time of any such trade to prevent failed settlement.

New Issue of Securities

The Debentures are a new issue of securities with no established trading market. We intend to apply to list the Debentures on the NYSE and, if the application is approved, we expect trading in the Debentures to begin within 30 days after the date that the Debentures are first issued. The underwriters have advised us that they intend to make a market in the Debentures but they are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of any trading market for the Debentures.

Price Stabilization and Short Positions

In connection with the offering, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the Debentures. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater aggregate principal amount of the Debentures than they are required to purchase in this offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Debentures while this offering is in process.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the Debentures. As a result, the price of the Debentures may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include, among other activities, securities trading and underwriting, commercial and investment banking, financial advisory, corporate trust, investment management, investment research, principal investment, hedging, financing and brokerage activities. In the ordinary course of their respective businesses, some of the underwriters and/or their affiliates have in the past

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and may in the future provide us and our affiliates with commercial banking, investment banking, financial advisory and other services for which they have received and in the future will receive customary fees.

In addition, in the ordinary course of their business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates.

Certain of the underwriters or their affiliates have a lending relationship with us and our affiliates. Certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us and our affiliates consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Debentures offered hereby. Any such credit default swaps or short positions could adversely affect future trading price of the Debentures offered hereby. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Conflicts of Interest

A portion of the net proceeds from the sale of the Debentures will be used to repay a portion of our outstanding commercial paper. To the extent any of the underwriters or their affiliates own any of our commercial paper, such party would receive a portion of the net proceeds from the sale of the Debentures. Accordingly, any such underwriter may have a conflict of interest, in that it has an interest in the offering beyond the underwriting discount it receives in connection with the offering.

Theodore F. Craver, Jr., who serves as a member of Duke Energy Corporation's Board of Directors, serves as a member of Wells Fargo & Company's Board of Directors, which is an affiliate of Wells Fargo Securities, LLC, one of the underwriters.

Selling Restrictions

Prohibition of Sales to EEA Retail Investors

The Debentures may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Debentures to be offered so as to enable an investor to decide to purchase or subscribe for the Debentures.

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Notice to Prospective Investors in United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Debentures may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to Duke Energy.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Debentures in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Canada

The Debentures may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Debentures must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering.

Notice to Prospective Investors in Switzerland

We have not and will not register with the Swiss Financial Market Supervisory Authority ("FINMA") as a foreign collective investment scheme pursuant to Article 119 of the Federal Act on Collective Investment Scheme of 23 June 2006, as amended ("CISA"), and accordingly the securities being offered pursuant to this prospectus supplement and the accompanying prospectus have not and will not be approved, and may not be licenseable, with FINMA. Therefore, the Debentures have not been authorized for distribution by FINMA as a foreign collective investment scheme pursuant to Article 119 CISA and the Debentures offered hereby may not be offered to the public (as this term is defined in Article 3 CISA) in or from Switzerland. The Debentures may solely be offered to "qualified investors," as this term is defined in Article 10 CISA, and in the circumstances set out in Article 3 of the Ordinance on Collective Investment Scheme of 22 November 2006, as amended ("CISO"), such that there is no public offer. Investors, however, do not benefit from protection under CISA or CISO or supervision by FINMA. This prospectus supplement and the accompanying prospectus and any other materials relating to the Debentures are strictly personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus supplement and the accompanying prospectus may only be used by those qualified investors to whom it has been handed out in connection with the offers described herein and may neither directly or indirectly be distributed or made available to any person or entity other than its recipients. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland. This prospectus supplement and the accompanying prospectus do not constitute an issue prospectus as that term is understood pursuant to Article 652a and/or 1156 of the Swiss Federal Code of Obligations. We have not applied for a listing of the securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this prospectus

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supplement and the accompanying prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

Notice to Prospective Investors in Hong Kong

The Debentures have not been offered and will not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Debentures may be issued or has been or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Debentures which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The Debentures have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Law"), and the Debentures have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time.

Notice to Prospective Investors in Korea

The Debentures may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Korea Securities and Exchange Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The Debentures have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the Debentures may not be resold to Korean residents unless the purchaser of the Debentures complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the Debentures.

Notice to Prospective Investors in Taiwan

The Debentures have not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China ("Taiwan"), pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in any manner which would constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or would otherwise require registration with or the approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering or sale of the Debentures in Taiwan.

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LEGAL MATTERS

The validity of the Debentures will be passed upon for Duke Energy Corporation by Robert T. Lucas III, Esq., who is Deputy General Counsel of Duke Energy Business Services LLC, the service company affiliate of Duke Energy Corporation. Certain legal matters with respect to the offering of the Debentures, including matters relating to United States federal income tax considerations, will be passed upon for Duke Energy Corporation by Hunton Andrews Kurth LLP, New York, New York. Sidley Austin LLP, New York, New York, has acted as counsel to the underwriters. Sidley Austin LLP acts and, in the past has acted, as counsel to Duke Energy Corporation and certain of its subsidiaries in connection with various matters.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act, and, in accordance therewith, file annual, quarterly and current reports, proxy statements and other information with the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through our website at http://www.duke-energy.com and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on our website is not a part of this prospectus supplement or the accompanying prospectus. Our filings are also available to the public through the SEC's website at http://www.sec.gov.

The SEC allows us to "incorporate by reference" into this prospectus supplement the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. This prospectus supplement incorporates by reference the documents incorporated in the accompanying prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. We incorporate by reference the documents listed below and any future documents filed by Duke Energy Corporation with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, until the offering is completed:

- Annual Report on Form 10-K for the year ended December 31, 2017;
- Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2017;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2018 and June 30, 2018; and
- Current Reports on Form 8-K filed on February 20, 2018, February 26, 2018, March 2, 2018, March 9, 2018, May 9, 2018, May 23, 2018, June 1, 2018, June 25, 2018, June 28, 2018 and July 13, 2018.

We will provide you without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus supplement. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

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Prospectus

Duke Energy Corporation

Common Stock
Debt Securities

From time to time, we may offer the securities described in the prospectus separately or together in any combination, in one or more classes or series, in amounts, at prices and on terms that we will determine at the time of the offering.

We will provide specific terms of these offerings and securities in supplements to this prospectus. You should read carefully this prospectus, the information incorporated by reference in this prospectus and any prospectus supplement before you invest. This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the trading symbol "DUK."

Investing in our securities involves risks. You should carefully consider the information in the section entitled "Risk Factors" contained in our periodic reports filed with the Securities and Exchange Commission and incorporated by reference into this prospectus before you invest in any of our securities.

We may offer and sell the securities directly, through agents we select from time to time or to or through underwriters or dealers we select. If we use any agents, underwriters or dealers to sell the securities, we will name them and describe their compensation in a prospectus supplement. The price to the public of those securities and the net proceeds we expect to receive from that sale will also be set forth in a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is January 26, 2017.

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Prospectus

REFERENCES TO ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about us from other documents that are not included in or delivered with this prospectus. This information is available for you to review at the Securities and Exchange Commission's, or SEC's, public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC's website, *www.sec.gov.* You can also obtain those documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following address and telephone number:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

See "Where You Can Find More Information" in this prospectus.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Duke Energy filed with the SEC utilizing a "shelf" registration process. Under the shelf registration process, we are registering an unspecified amount of our common stock and debt securities, and may issue any of such securities in one or more offerings.

This prospectus provides general descriptions of the securities we may offer. Each time securities are sold, a prospectus supplement will provide specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. The registration statement filed with the SEC includes exhibits that provide more details about the matters discussed in this prospectus. You should read this prospectus, the related exhibits filed with the SEC and any prospectus supplement, together with the additional information described under the caption "Where You Can Find More Information."

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

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FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus include 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. Forward-looking statements are based on our management's beliefs and assumptions and can often by identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook," or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made and we expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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THE COMPANY

Duke Energy, together with its subsidiaries, is a diversified energy company with operations in three primary business segments: Regulated Utilities, Commercial Portfolio, and International Energy. Through these businesses, we supply, deliver and process energy for customers in the United States and selected international markets.

Duke Energy's Regulated Utilities segment consists of regulated generation and electric and gas transmission and distribution systems. The segment's generation portfolio includes a balanced mix of energy resources having different operating characteristics and fuel sources. In our regulated electric operations, we serve approximately 7.4 million retail electric customers in six states in the Southeast and Midwest regions of the United States and we own 50,170 megawatts of generating capacity serving an area of approximately 95,000 square miles with an estimated population of 24 million people. Regulated Utilities also serves 525,000 retail natural gas customers in southwestern Ohio and northern Kentucky. Electricity is also sold wholesale to incorporated municipalities, electric cooperative utilities and other load-serving entities.

Duke Energy's Commercial Portfolio segment builds, develops and operates wind and solar renewable generation and storage and energy transmission projects throughout the United States. The portfolio includes nonregulated renewable energy, electric transmission, natural gas infrastructure and energy storage businesses.

Duke Energy's International Energy segment operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids outside the United States. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company ("NMC"), a large regional producer of methyl tertiary butyl ether (a gasoline additive), located in Saudi Arabia. International Energy's ownership interest will decrease to 17.5 percent upon the successful startup of NMC's polyacetal production facility, which is expected to occur in early 2017. In February 2016, we announced that we had initiated a process to divest our International Energy business segment, excluding the equity method investment in NMC. We are actively marketing the business. Non-binding offers have been received and are being evaluated. There is no assurance that this process will result in a transaction and the timing for execution of a potential transaction is uncertain.

We are a Delaware corporation. The address of our principal executive offices is 550 South Tryon Street, Charlotte, North Carolina 28202-1803 and our telephone number is (704) 382-3853. Our common stock is listed and trades on the New York Stock Exchange under the symbol "DUK".

The foregoing information about Duke Energy is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy, you should refer to the information described under the caption "Where You Can Find More Information."

RISK FACTORS

Investing in our securities involves risks. Before purchasing any securities we offer, you should carefully consider the risk factors that are incorporated by reference herein from the section captioned "Risk Factors" in our Form 10-K for the year ended December 31, 2015, together with all of the other information included in this prospectus and any prospectus supplement and any other information that we have incorporated by reference, including filings made with the SEC subsequent to the date hereof. Any of these risks, as well as other risks and uncertainties, could harm our financial condition, results of operations or cash flows.

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USE OF PROCEEDS

Unless otherwise set forth in a prospectus supplement, we intend to use the net proceeds of any offering of securities sold by us for general corporate purposes, which may include acquisitions, repayment of debt, capital expenditures and working capital. When a particular series of securities is offered, the prospectus supplement relating to that offering will set forth our intended use of the net proceeds received from the sale of those securities. The net proceeds may be invested temporarily in short-term marketable securities or applied to repay short-term debt until they are used for their stated purpose.

RATIO OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges have been calculated using the Securities and Exchange Commission guidelines.

	Six Months Ended	Year Ended December 31,				
	June 30, 2016	2015	2014	2013	2012(a)	2011
Earnings as defined for the fixed charges calculation:						
Add:						
Pretax income from continuing operations(b)	$ 1,630	$ 4,053	$ 3,998	$ 3,657	$ 2,068	$ 1,975
Fixed charges	1,071	1,859	1,871	1,886	1,510	1,057
Distributed income of equity investees	18	104	136	109	151	149
Deduct:						
Preferred dividend requirements of subsidiaries					3	
Interest capitalized	8	18	7	8	30	46
Total earnings:	$ 2,711	$ 5,998	$ 5,998	$ 5,664	$ 3,696	$ 3,135
Fixed charges:						
Interest on debt, including capitalized portions	$ 1,039	$ 1,733	$ 1,733	$ 1,760	$ 1,420	$ 1,026
Estimate of interest within rental expense	32	126	138	126	87	31
Preferred dividend requirements					3	
Total fixed charges	$ 1,071	$ 1,859	$ 1,871	$ 1,886	$ 1,510	$ 1,057
Ratio of earnings to fixed charges	2.5	3.2	3.2	3.0	2.4	3.0
Ratio of earnings to fixed charges and Preferred dividends combined(c)	2.5	3.2	3.2	3.0	2.4	3.0

(a) Includes the results of Progress Energy, Inc. beginning on July 2, 2012.

(b) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.

(c) For the periods presented, Duke Energy Corporation had no preferred stock outstanding

DESCRIPTION OF CAPITAL STOCK

The following summary of our capital stock is subject in all respects to the applicable provisions of the Delaware General Corporation Law, or the DGCL, and our amended and restated certificate of incorporation. The following discussion is a summary of our amended and restated certificate of incorporation and by-laws and is qualified in its entirety by reference to those documents.

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General

Our total number of authorized shares of capital stock consists of 2 billion shares of common stock, par value $0.001 per share, and 44 million shares of preferred stock, par value $0.001 per share.

Common Stock

Except as otherwise required by law and subject to the rights of the holders of any class or series of preferred stock, with respect to all matters upon which shareholders are entitled to vote or to which shareholders are entitled to give consent, the holders of any outstanding shares of common stock vote together as a class, and every holder of common stock is entitled to cast one vote in person or by proxy for each share of common stock standing in such holder's name on our books. We do not have a classified board of directors nor do we permit cumulative voting.

Holders of common stock are not entitled to any preemptive rights to subscribe for additional shares of common stock nor are they liable to further capital calls or to assessments by us.

Subject to applicable law and the rights, if any, of the holders of any class or series of preferred stock having a preference over the rights to participate with the common stock with respect to the payment of dividends, holders of our common stock are entitled to receive dividends or other distributions as declared by our board of directors at its discretion.

The board of directors may create a class or series of preferred stock with dividends the rate of which is calculated by reference to, and payment of which is concurrent with, dividends on shares of common stock.

Preferred Stock

Our board of directors has the full authority permitted by law, at any time and from time to time, to divide the authorized and unissued shares of preferred stock into one or more classes or series and, with respect to each such class or series, to determine by resolution or resolutions the number of shares constituting such class or series and the designation of such class or series, the voting powers, if any, of the shares of such class or series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of any such class or series of preferred stock to the full extent now or as may in the future be permitted by the law of the State of Delaware. The powers, preferences and relative, participating, optional and other special rights of each class or series of preferred stock and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other classes or series at any time outstanding. Except as otherwise required by law, as provided in the certificate of incorporation or as determined by our board of directors, holders of preferred stock will not have any voting rights and will not be entitled to any notice of shareholder meetings.

Provisions that Have or May Have the Effect of Delaying or Prohibiting a Change in Control

Under our certificate of incorporation, the board of directors has the full authority permitted by Delaware law to determine the voting rights, if any, and designations, preferences, limitations and special rights of any class or any series of any class of the preferred stock.

The certificate of incorporation also provides that a director may be removed from office with or without cause. However, subject to applicable law, any director elected by the holders of any series of preferred stock may be removed without cause only by the holders of a majority of the shares of such series of preferred stock.

Our certificate of incorporation requires an affirmative vote of the holders of at least 80% of the combined voting power of the then outstanding shares of stock of all our classes entitled to vote

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generally in the election of directors, voting together as a single class, to amend, alter or repeal provisions in the certificate of incorporation which relate to the number of directors and vacancies and newly created directorships.

Our certificate of incorporation provides that certain actions required or permitted to be taken at an annual or special meeting of shareholders may be effected without a meeting by written consent of the holders of our common stock, but only if such action is taken in accordance with our certificate of incorporation, our by-laws and applicable law.

Our by-laws provide that, except as expressly required by the certificate of incorporation or by applicable law, and subject to the rights of the holders of any series of preferred stock, special meetings of the shareholders or of any series entitled to vote may be called for any purpose or purposes only by the Chairman of the board of directors or by the board of directors. In addition, special meetings of the shareholders or of any class or series entitled to vote may also be called by our Secretary upon the written request by the holders of record at the time such request is delivered representing at least fifteen percent (15%) of the outstanding shares of our common stock.

The provisions of our certificate of incorporation and by-laws conferring on our board of directors the full authority to issue preferred stock, the restrictions on removing directors elected by holders of preferred stock, the supermajority voting requirements relating to the amendment, alteration or repeal of the provisions governing the number of directors and filling of vacancies and newly created directorships, and the requirement that shareholders act at a meeting unless all shareholders agree in writing, in certain instances could have the effect of delaying, deferring or preventing a change in control or the removal of existing management.

DESCRIPTION OF DEBT SECURITIES

Duke Energy will issue the debt securities, whether senior or subordinated, in one or more series under its Indenture, dated as of June 3, 2008, as supplemented from time to time. Unless otherwise specified in the applicable prospectus supplement, the trustee under the Indenture, or the Indenture Trustee, will be The Bank of New York Mellon Trust Company, N.A. A copy of the Indenture is an exhibit to the registration statement, of which this prospectus is a part.

Duke Energy conducts its business through subsidiaries. Accordingly, its ability to meet its obligations under the debt securities is dependent on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or to advance or repay funds to Duke Energy. In addition, the rights that Duke Energy and its creditors would have to participate in the assets of any such subsidiary upon the subsidiary's liquidation or recapitalization will be subject to the prior claims of the subsidiary's creditors. Certain subsidiaries of Duke Energy have incurred substantial amounts of debt in the operations and expansion of their businesses, and Duke Energy anticipates that certain of its subsidiaries will do so in the future.

Holders of debt securities will generally have a junior position to claims of creditors of our subsidiaries, including trade creditors, debt holders, secured creditors, taxing authorities, guarantee holders and any holders of preferred stock. In addition to trade debt, certain of our operating subsidiaries have ongoing corporate debt programs used to finance their business activities. Unless otherwise specified in a prospectus supplement, the Indenture will not limit the amount of indebtedness or preferred stock issuable by our subsidiaries.

The following description of the debt securities is only a summary and is not intended to be comprehensive. For additional information you should refer to the Indenture.

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General

The Indenture does not limit the amount of debt securities that Duke Energy may issue under it. Duke Energy may issue debt securities from time to time under the Indenture in one or more series by entering into supplemental indentures or by its board of directors or a duly authorized committee authorizing the issuance.

The debt securities of a series need not be issued at the same time, bear interest at the same rate or mature on the same date.

Provisions Applicable to Particular Series

The prospectus supplement for a particular series of debt securities being offered will disclose the specific terms related to the offering, including the price or prices at which the debt securities to be offered will be issued. Those terms may include some or all of the following:

- the title of the series;
- the total principal amount of the debt securities of the series;
- the date or dates on which principal is payable or the method for determining the date or dates, and any right that Duke Energy has to change the date on which principal is payable;
- the interest rate or rates, if any, or the method for determining the rate or rates, and the date or dates from which interest will accrue;
- any interest payment dates and the regular record date for the interest payable on each interest payment date, if any;
- whether Duke Energy may extend the interest payment periods and, if so, the terms of the extension;
- the place or places where payments will be made;
- whether Duke Energy has the option to redeem the debt securities and, if so, the terms of its redemption option;
- any obligation that Duke Energy has to redeem the debt securities through a sinking fund or to purchase the debt securities through a purchase fund or at the option of the holder;
- whether the provisions described under "Satisfaction and Discharge; Defeasance and Covenant Defeasance" will not apply to the debt securities;
- the currency in which payments will be made if other than U.S. dollars, and the manner of determining the equivalent of those amounts in U.S. dollars;
- if payments may be made, at Duke Energy's election or at the holder's election, in a currency other than that in which the debt securities are stated to be payable, then the currency in which those payments may be made, the terms and conditions of the election and the manner of determining those amounts;

the portion of the principal payable upon acceleration of maturity, if other than the entire principal;

whether the debt securities will be issuable as global securities and, if so, the securities depositary;

any changes in the events of default or covenants with respect to the debt securities;

any index or formula used for determining principal, premium or interest;

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- the terms of the subordination of any series of subordinated debt;
- if the principal payable on the maturity date will not be determinable on one or more dates prior to the maturity date, the amount which will be deemed to be such principal amount or the manner of determining it;
- the person to whom any interest shall be payable if other than the person in whose name the debt security is registered on the regular record date for such interest payment; and
- any other terms.

Unless Duke Energy states otherwise in the applicable prospectus supplement, Duke Energy will issue the debt securities only in fully registered form without coupons, and there will be no service charge for any registration of transfer or exchange of the debt securities. Duke Energy may, however, require payment to cover any tax or other governmental charge payable in connection with any transfer or exchange (excluding certain exchanges not constituting a transfer as set forth in the Indenture). Subject to the terms of the Indenture and the limitations applicable to global securities, transfers and exchanges of the debt securities may be made at The Bank of New York Mellon Trust Company, N.A., 101 Barclay Street, New York, New York 10286 or at any other office maintained by Duke Energy for such purpose.

The debt securities will be issuable in denominations of $1,000 and any integral multiples of $1,000, unless Duke Energy states otherwise in the applicable prospectus supplement. Duke Energy may at any time deliver executed debt securities to the Indenture Trustee for authentication, and the Indenture Trustee shall authenticate such debt securities upon the written request of Duke Energy and satisfaction of certain other conditions set forth in the Indenture.

Duke Energy may offer and sell the debt securities, including original issue discount debt securities, at a substantial discount below their principal amount. The applicable prospectus supplement will describe special United States federal income tax and any other considerations applicable to those securities. In addition, the applicable prospectus supplement may describe certain special United States federal income tax or other considerations, if any, applicable to any debt securities that are denominated in a currency other than U.S. dollars.

Global Securities

We may issue some or all of the Debt Securities as book-entry securities. Any such book-entry securities will be represented by one or more fully registered global certificates. We will register each global security with or on behalf of a securities depositary identified in the applicable prospectus supplement. Each global security will be deposited with the securities depositary or its nominee or a custodian for the securities depositary.

As long as the securities depositary or its nominee is the registered holder of a global security representing Debt Securities, that person will be considered the sole owner and holder of the global security and the securities it represents for all purposes. Except in limited circumstances, owners of beneficial interests in a global security:

- may not have the global security or any Debt Securities registered in their names;
- may not receive or be entitled to receive physical delivery of certificated Debt Securities in exchange for the global security; and
- will not be considered the owners or holders of the global security or any Debt Securities for any purposes under the applicable securities or the related mortgage or indenture.

We will make all payments of principal and any premium and interest on a global security to the securities depositary or its nominee as the holder of the global security. The laws of some jurisdictions

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require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions having accounts with the securities depositary or its nominee, which are called "participants" in this discussion, and to persons that hold beneficial interests through participants. When a global security representing Debt Securities is issued, the securities depositary will credit on its book-entry, registration and transfer system the principal amounts of Debt Securities the global security represents to the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by:

- the securities depositary, with respect to participants' interests; and
- any participant, with respect to interests the participant holds on behalf of other persons.

Payments participants make to owners of beneficial interests held through those participants will be the responsibility of those participants. The securities depositary may from time to time adopt various policies and procedures governing payments, transfers, exchanges and other matters relating to beneficial interests in a global security. None of the following will have any responsibility or liability for any aspect of the securities depositary's or any participant's records relating to beneficial interests in a global security representing Debt Securities, for payments made on account of those beneficial interests or for maintaining, supervising or reviewing any records relating to those beneficial interests:

- Duke Energy Corporation;
- the applicable trustee; or
- any agent of either of them.

Redemption

Provisions relating to the redemption of debt securities will be set forth in the applicable prospectus supplement. Unless Duke Energy states otherwise in the applicable prospectus supplement, Duke Energy may redeem debt securities only upon notice mailed at least thirty (30), but not more than sixty (60) days before the date fixed for redemption. Unless Duke Energy states otherwise in the applicable prospectus supplement, that notice may state that the redemption will be conditional upon the Indenture Trustee, or the applicable paying agent, receiving sufficient funds to pay the principal, premium and interest on those debt securities on the date fixed for redemption and that if the Indenture Trustee or the applicable paying agent does not receive those funds, the redemption notice will not apply, and Duke Energy will not be required to redeem those debt securities. If less than all the debt securities of a series are to be redeemed, the particular debt securities to be redeemed shall be selected by the Indenture Trustee by such method as the Indenture Trustee shall deem fair and appropriate.

Duke Energy will not be required to:

- issue, register the transfer of, or exchange any debt securities of a series during the fifteen (15) day period before the date the notice is mailed identifying the debt securities of that series that have been selected for redemption; or
- register the transfer of or exchange any debt security of that series selected for redemption except the unredeemed portion of a debt security being partially redeemed.

Consolidation, Merger, Conveyance or Transfer

The Indenture provides that Duke Energy may consolidate or merge with or into, or convey or transfer all or substantially all of its properties and assets to, another corporation or other entity. Any

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successor must, however, assume Duke Energy's obligations under the Indenture and the debt securities issued under it, and Duke Energy must deliver to the Indenture Trustee a statement by certain of its officers and an opinion of counsel that affirm compliance with all conditions in the Indenture relating to the transaction. When those conditions are satisfied, the successor will succeed to and be substituted for Duke Energy under the Indenture, and Duke Energy will be relieved of its obligations under the Indenture and the debt securities.

Modification; Waiver

Duke Energy may modify the Indenture with the consent of the holders of a majority in principal amount of the outstanding debt securities of all series of debt securities that are affected by the modification, voting as one class. The consent of the holder of each outstanding debt security affected is, however, required to:

- change the maturity date of the principal or any installment of principal or interest on that debt security;
- reduce the principal amount, the interest rate or any premium payable upon redemption of that debt security;
- reduce the amount of principal due and payable upon acceleration of maturity;
- change the currency of payment of principal, premium or interest on that debt security;
- impair the right to institute suit to enforce any such payment on or after the maturity date or redemption date;
- reduce the percentage in principal amount of debt securities of any series required to modify the Indenture, waive compliance with certain restrictive provisions of the Indenture or waive certain defaults; or
- with certain exceptions, modify the provisions of the Indenture governing modifications of the Indenture or governing waiver of covenants or past defaults.

In addition, Duke Energy may modify the Indenture for certain other purposes, without the consent of any holders of debt securities.

Unless Duke Energy states otherwise in the applicable prospectus supplement, the holders of a majority in principal amount of the outstanding debt securities of any series may waive, for that series, Duke Energy's compliance with certain restrictive provisions of the Indenture. The holders of a majority in principal amount of the outstanding debt securities of all series under the Indenture with respect to which a default has occurred and is continuing, voting as one class, may waive that default for all those series, except a default in the payment of principal or any premium or interest on any debt security or a default with respect to a covenant or provision which cannot be modified without the consent of the holder of each outstanding debt security of the series affected.

Events of Default

The following are events of default under the Indenture with respect to any series of debt securities, unless Duke Energy states otherwise in the applicable prospectus supplement:

- failure to pay principal of or any premium on any debt security of that series when due;
- failure to pay when due any interest on any debt security of that series that continues for sixty (60) days; for this purpose, the date on which interest is due is the date on which Duke Energy is required to make payment following any deferral of interest payments by it under the terms of debt securities that permit such deferrals;

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- failure to make any sinking fund payment when required for any debt security of that series that continues for sixty (60) days;

- failure to perform any other covenant in the Indenture (other than a covenant expressly included solely for the benefit of other series) that continues for ninety (90) days after the Indenture Trustee or the holders of at least 33% of the outstanding debt securities of that series give Duke Energy and, if such notice is given by the holders, the Indenture Trustee written notice of the default; and

- certain bankruptcy, insolvency or reorganization events with respect to Duke Energy.

In the case of the fourth event of default listed above, the Indenture Trustee may extend the grace period. In addition, if holders of a particular series have given a notice of default, then holders of at least the same percentage of debt securities of that series, together with the Indenture Trustee, may also extend the grace period. The grace period will be automatically extended if Duke Energy has initiated and is diligently pursuing corrective action within the original grace period.

Duke Energy may establish additional events of default for a particular series and, if established, any such events of default will be described in the applicable prospectus supplement.

If an event of default with respect to debt securities of a series occurs and is continuing, then the Indenture Trustee or the holders of at least 33% in principal amount of the outstanding debt securities of that series may declare the principal amount of all debt securities of that series to be immediately due and payable. However, that event of default will be considered waived at any time after the declaration, but before a judgment or decree for payment of the money due has been obtained if:

- Duke Energy has paid or deposited with the Indenture Trustee all overdue interest, the principal and any premium due otherwise than by the declaration and any interest on such amounts, and any interest on overdue interest, to the extent legally permitted, in each case with respect to that series, and all amounts due to the Indenture Trustee; and

- all events of default with respect to that series, other than the nonpayment of the principal that became due solely by virtue of the declaration, have been cured or waived.

The Indenture Trustee is under no obligation to exercise any of its rights or powers at the request or direction of any holders of debt securities unless those holders have offered the Indenture Trustee security or indemnity against the costs, expenses and liabilities which it might incur as a result. The holders of a majority in principal amount of the outstanding debt securities of any series have, with certain exceptions, the right to direct the time, method and place of conducting any proceedings for any remedy available to the Indenture Trustee or the exercise of any power of the Indenture Trustee with respect to those debt securities. The Indenture Trustee may withhold notice of any default, except a default in the payment of principal or interest, or in the payment of any sinking or purchase fund installment, from the holders of any series if the Indenture Trustee in good faith considers it in the interest of the holders to do so.

The holder of any debt security will have an absolute and unconditional right to receive payment of the principal, any premium and, within certain limitations, any interest on that debt security on its maturity date or redemption date and to enforce those payments.

Duke Energy is required to furnish each year to the Indenture Trustee a statement by certain of its officers to the effect that it is not in default under the Indenture or, if there has been a default, specifying the default and its status.

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Payments; Paying Agent

The paying agent will pay the principal of any debt securities only if those debt securities are surrendered to it. The paying agent will pay interest on debt securities issued as global securities by wire transfer to the holder of those global securities. Unless Duke Energy states otherwise in the applicable prospectus supplement, the paying agent will pay interest on debt securities that are not in global form at its office or, at Duke Energy's option:

- by wire transfer to an account at a banking institution in the United States that is designated in writing to the Indenture Trustee at least sixteen (16) days prior to the date of payment by the person entitled to that interest; or

- by check mailed to the address of the person entitled to that interest as that address appears in the security register for those debt securities.

Unless Duke Energy states otherwise in the applicable prospectus supplement, the Indenture Trustee will act as paying agent for that series of debt securities, and the principal corporate trust office of the Indenture Trustee will be the office through which the paying agent acts. Duke Energy may, however, change or add paying agents or approve a change in the office through which a paying agent acts.

Any money that Duke Energy has paid to the Indenture Trustee or a paying agent for principal, any premium or interest on any debt securities which remains unclaimed at the end of two years after that principal, premium or interest has become due will be repaid to Duke Energy at its request. After repayment to Duke Energy, holders should look only to Duke Energy for those payments.

Satisfaction and Discharge, Defeasance and Covenant Defeasance

Upon the written request of Duke Energy, the Indenture shall be satisfied and discharged (except as to certain surviving rights and obligations specified in the Indenture) when:

- either all debt securities have been delivered to the Indenture Trustee for cancellation or all debt securities not delivered to the Indenture Trustee for cancellation are due and payable within one year (at maturity or due to redemption) and Duke Energy has deposited with the Indenture Trustee money or government obligations sufficient to pay and discharge such debt securities to the applicable maturity or redemption date (including principal, any premium and interest thereon);

- Duke Energy has paid or caused to be paid all other sums payable under the Indenture by Duke Energy; and

- Duke Energy has delivered to the Indenture Trustee an officers' certificate and an opinion of counsel stating that all conditions precedent relating to the satisfaction and discharge of the Indenture have been complied with.

The Indenture provides that Duke Energy may be:

- discharged from its obligations, with certain limited exceptions, with respect to any series of debt securities, as described in the Indenture, such a discharge being called a "defeasance" in this prospectus; and

- released from its obligations under certain restrictive covenants especially established with respect to any series of debt securities, as described in the Indenture, such a release being called a "covenant defeasance" in this prospectus.

Duke Energy must satisfy certain conditions to effect a defeasance or covenant defeasance. Those conditions include the irrevocable deposit with the Indenture Trustee, in trust, of money or government obligations which through their scheduled payments of principal and interest would provide sufficient money to pay the principal and any premium and interest on those debt securities on the maturity dates of those payments or upon redemption.

Following a defeasance, payment of the debt securities defeased may not be accelerated because of an event of default under the Indenture. Following a covenant defeasance, the payment of debt securities may not be accelerated by reference to the covenants from which Duke Energy has been released. A defeasance may occur after a covenant defeasance.

Under current United States federal income tax laws, a defeasance would be treated as an exchange of the relevant debt securities in which holders of those debt securities might recognize gain or loss. In addition, the amount, timing and character of amounts that holders would thereafter be required to include in income might be different from that which would be includible in the absence of that defeasance. Duke Energy urges investors to consult their own tax advisors as to the specific consequences of a defeasance, including the applicability and effect of tax laws other than United States federal income tax laws.

Under current United States federal income tax law, unless accompanied by other changes in the terms of the debt securities, a covenant defeasance should not be treated as a taxable exchange.

Concerning the Indenture Trustee

The Bank of New York Mellon Trust Company, N.A., or BNYM, is the Indenture Trustee. Duke Energy and certain of its affiliates maintain deposit accounts and banking relationships with BNYM or its affiliates. BNYM or its affiliates also serve as trustee or agent under other indentures and agreements pursuant to which securities of Duke Energy and of certain of its affiliates are outstanding.

The Indenture Trustee will perform only those duties that are specifically set forth in the Indenture unless an event of default under the Indenture occurs and is continuing. In case an event of default occurs and is continuing, the Indenture Trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs.

Upon any application by Duke Energy to the Indenture Trustee to take any action under any provision of the Indenture, Duke Energy is required to furnish to the Indenture Trustee such certificates and opinions as may be required under the Trust Indenture Act of 1939, as amended.

PLAN OF DISTRIBUTION

We may sell securities to one or more underwriters or dealers for public offering and sale by them, or we may sell the securities to investors directly or through agents. The prospectus supplement relating to the securities being offered will set forth the terms of the offering and the method of distribution and will identify any firms acting as underwriters, dealers or agents in connection with the offering, including:

- the name or names of any underwriters;
- the purchase price of the securities and the proceeds to us from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange or market on which the securities may be listed.

Only those underwriters identified in the prospectus supplement are deemed to be underwriters in connection with the securities offered in the prospectus supplement.

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We may distribute the securities from time to time in one or more transactions at a fixed price or prices, which may be changed, or at prices determined as the prospectus supplement specifies. We may sell securities through forward contracts or similar arrangements. In connection with the sale of securities, underwriters, dealers or agents may be deemed to have received compensation from us in the form of underwriting discounts or commissions and also may receive commissions from securities purchasers for whom they may act as agent. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent.

We may sell the securities directly or through agents we designate from time to time. Any agent involved in the offer or sale of the securities covered by this prospectus will be named in a prospectus supplement relating to such securities. Commissions payable by us to agents will be set forth in a prospectus supplement relating to the securities being offered. Unless otherwise indicated in a prospectus supplement, any such agents will be acting on a best-efforts basis for the period of their appointment.

Some of the underwriters, dealers or agents and some of their affiliates who participate in the securities distribution may engage in other transactions with, and perform other services for, us and our subsidiaries or affiliates in the ordinary course of business.

Any underwriting or other compensation which we pay to underwriters or agents in connection with the securities offering, and any discounts, concessions or commissions which underwriters allow to dealers, will be set forth in the applicable prospectus supplement. Underwriters, dealers and agents participating in the securities distribution may be deemed to be underwriters, and any discounts and commissions they receive and any profit they realize on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act of 1933, as amended. Underwriters, and their controlling persons, and agents may be entitled, under agreements we enter into with them, to indemnification against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended.

EXPERTS

The consolidated financial statements incorporated in this prospectus by reference from Duke Energy Corporation's Annual Report on Form 10-K, and the effectiveness of Duke Energy Corporation's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

VALIDITY OF THE SECURITIES

Robert T. Lucas III, Esq., who is our Deputy General Counsel and Assistant Corporate Secretary, and/or counsel named in the applicable prospectus supplement, will issue an opinion about the validity of the securities we are offering in the applicable prospectus supplement. Counsel named in the applicable prospectus supplement will pass upon certain legal matters on behalf of any underwriters.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the

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SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through Duke Energy's website at *http://www.duke-energy.com* and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on our website is not a part of this prospectus. Our filings are also available to the public through the SEC website at *http://www.sec.gov*.

The SEC allows us to "incorporate by reference" into this prospectus the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. This prospectus incorporates by reference the documents incorporated in the prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. Duke Energy incorporates by reference the documents listed below and any future documents filed by Duke Energy Corporation with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until the offering is completed.

- Annual Report on Form 10-K for the year ended December 31, 2015, including the portions of our definitive proxy statement filed on Schedule 14A on March 24, 2016 that are incorporated by reference therein;

- Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 2015;

- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2016, and June 30, 2016; and

- Current Reports on Form 8-K filed on January 4, 2016, January 6, 2016, February 18, 2016 (solely with respect to Item 5.02), February 29, 2016, March 7, 2016, April 1, 2016, April 12, 2016, May 10, 2016, June 10, 2016, August 12, 2016, and August 25, 2016.

We will provide without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the securities described in this prospectus in any state where the offer or sale is not permitted. You should assume that the information contained in the prospectus is accurate only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.

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Deferred income tax
67,344 21,294 27,162 8,072
Depreciation, depletion and amortization
295,292 60,640 55,067 10,630
Ineffectiveness of derivative instruments
(4,175)
Stock compensation
10,229 25,726
Impairment of production equipment held for use
1,845 957
Changes in operating assets and liabilities:

Receivables
(12,746) (32,916) (10,615) (8,847)
Insurance receivables
(55,690) (4,542)
Prepaid expenses and other
15,774 (5,201) (965) 551
Other assets
2,852 4,358 321 (963)
Accounts payable and accrued liabilities
(169,819) 53,759 9,697 (3,974)
Net realized loss on derivative contracts acquired
6,638
Net cash provided by operating activities
277,161 165,444 135,243 20,295
Investing Activities:

Acquisitions and additions to property and equipment
(542,581) (247,817) (133,597) (15,342)
Property conveyances
33,829 18
Purchase price adjustment
(20,808) 620 1
Restricted cash designated for investment
(31,830)
Net cash used in investing activities
(561,390) (247,799) (132,977) (15,341)
Financing Activities:

Initial borrowings from bank credit facility, net of fees
131,579
Debt and working capital acquired from Forest Energy Resources, Inc.
(176,200)
Repayment of term note
(4,000) (6,000)
Credit facility borrowings (repayments), net
202,000 47,000 (30,000)

Proceeds from private equity offering
44,331
Proceeds from note offering
300,000
Repurchase of stock
(14,027)
Net realized loss on derivative contracts acquired
(6,638)
Proceeds from exercise of stock options
718
Deferred offering costs
(12,601) (3,840)
Capital contribution from affiliates
2,879
Dividend to Mariner Energy LLC
(166,432)
Net cash provided by (used in) financing activities
289,252 84,370 (64,853)
Increase (Decrease) in Cash and Cash Equivalents
5,023 2,015 (62,587) 4,954
Cash and Cash Equivalents at Beginning of Period
4,556 2,541 65,128 60,174
Cash and Cash Equivalents at End of Period
$ 9,579 $ 4,556 $ 2,541 $ 65,128

The accompanying notes are an integral part of these financial statements

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MARINER ENERGY, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2006 and 2005,
for the Period from March 3, 2004 through December 31, 2004 (Post-Merger),
and for the Period from January 1, 2004 through March 2, 2004 (Pre-Merger)

1. Summary of Significant Accounting Policies

Operations Mariner Energy, Inc. (Mariner or the Company) is an independent oil and gas exploration, development and production company with principal operations in West Texas and in the Gulf of Mexico, both shelf and deepwater. Unless otherwise indicated, references to Mariner , the Company , we , our , ours and us refer to Ma Energy, Inc. and its subsidiaries collectively.

Organization On March 2, 2004, Mariner Energy LLC, the parent company of Mariner Energy, Inc. (the Company), merged with a subsidiary of MEI Acquisitions Holdings, LLC, an affiliate of the private equity funds Carlyle/Riverstone Global Energy and Power Fund II, L.P. and ACON Investments LLC (the Merger). Prior to the Merger, Joint Energy Development Investments Limited Partnership (JEDI), which was an indirect wholly-owned subsidiary of Enron Corp. (Enron), owned approximately 96% of the common stock of Mariner Energy LLC. In the Merger, all the shares of common stock in Mariner Energy LLC were converted into the right to receive cash and certain other consideration. As a result, JEDI no longer owns any interest in Mariner Energy LLC, and the Company is no longer affiliated with JEDI or Enron.

Simultaneously with the Merger, the Company obtained a revolving line of credit with initial advances of $135 million from a group of banks. The loan proceeds and an additional $31.2 million of Company funds distributed to Mariner Energy LLC were used to pay a portion of the gross Merger consideration (which included repayment of $197.6 million of Mariner Energy LLC debt outstanding at the time of the Merger) and estimated transaction costs and expenses associated with the Merger and bank financing. The Company also issued a $10 million note and assigned a fully reserved receivable valued at $1.9 million to JEDI as part of JEDI s Merger consideration. In addition, pursuant to the Merger agreement, JEDI agreed to indemnify the Company from certain liabilities and the Company agreed to pay additional Merger consideration contingent upon the outcome of a certain five well drilling program that was completed in the second quarter of 2004. In September 2004, the Company paid approximately $161,000 as additional Merger consideration related to the five well drilling program, and the Company believes it has fully discharged its obligations thereunder.

The sources and uses of funds related to the Merger were as follows:

Mariner Energy, Inc. bank loan proceeds	$ 135.0
Note payable issued by Mariner Energy, Inc. to former parent	10.0
Equity from new owners	100.0
Distributions from Mariner Energy, Inc.	31.2
Assignment by Mariner Energy, Inc. of receivables	1.9
Total	$ 278.1
Repayment of former parent debt obligation	$ 197.6
Merger consideration to stockholders and warrant holders	73.5
Acquisition costs and other expenses	7.0

Total	$ 278.1

As a result of the change in control, accounting principles generally accepted in the United States require the Merger and the resulting acquisition of Mariner Energy LLC by MEI Acquisitions Holdings, LLC to be accounted for as a purchase transaction in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations . Staff Accounting Bulletin No. 54 (SAB 54) requires the application of push down accounting in situations where the ownership of an entity has changed, meaning that the post-transaction financial statements of the Company reflect the new basis of accounting. Accordingly, the financial

MARINER ENERGY, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2006 and 2005, for the Period from March 3, 2004 through December 31, 2004 (Post-Merger), and for the Period from January 1, 2004 through March 2, 2004 (Pre-Merger)

statements as of December 31, 2004 reflect the Company s fair value basis resulting from the acquisition that has been pushed down to the Company. The aggregate purchase price has been allocated to the underlying assets and liabilities based upon the respective estimated fair values at March 2, 2004 (merger date). The allocation of the purchase price has been finalized. Carryover basis accounting applies for tax purposes. Based on subsequent tax filings during the year ended December 31, 2005, the Company recorded a $4.3 million adjustment to the estimated tax basis at acquisition. All financial information presented prior to March 2, 2004 represents the basis of accounting used by the Pre-Merger entity. The period January 1, 2004 through March 2, 2004 is referred to as 2004 Pre-Merger and the period March 3, 2004 through December 31, 2004 is referred to as 2004 Post-Merger.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the March 2, 2004 acquisition:

ALLOCATION OF PURCHASE PRICE TO MARINER ENERGY, INC.

	March 2, 2004 (In millions)
Oil and natural gas properties-proved	$ 203.5
Oil and natural gas properties-unproved	25.2
Other property and equipment and other assets	0.7
Current assets	83.2
Deferred tax asset(1)	9.1
Other assets	4.6
Accounts payable and accrued expenses	(62.2)
Long-Term Liability	(14.7)
Fair value of oil and natural gas derivatives	(12.4)
Debt	(145.0)
Total Allocation	$ 92.0

(1) Represents deferred income taxes recorded at the date of the Merger due to differences between the book basis and the tax basis of assets. For book purposes, we had a step-up in basis related to purchase accounting while our existing tax basis carried over.

The following reflects the unaudited pro forma results of operations as though the Merger had been consummated at January 1, 2004.

		Twelve Months Ending December 31, 2004 (In millions)
Revenues and other income	$	214.2
Income before taxes and change in accounting method		103.0
Net income		67.0

On February 10, 2005, in anticipation of the Company s private placement of 31,452,500 shares of common stock (the Private Equity Offering), Mariner Holdings, Inc. (the direct parent of Mariner Energy, Inc.) and Mariner Energy LLC (the direct parent of Mariner Holdings, Inc.) were merged into Mariner Energy,

MARINER ENERGY, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2006 and 2005,
for the Period from March 3, 2004 through December 31, 2004 (Post-Merger),
and for the Period from January 1, 2004 through March 2, 2004 (Pre-Merger)

Inc. and ceased to exist. The mergers of Mariner Holdings, Inc. and Mariner Energy LLC into the Company had no operational or financial impact on the Company; however, intercompany receivables of $0.2 million and $2.9 million in cash held by the affiliates were transferred to the Company in February 2005 and accounted for as additional paid-in capital.

On March 2, 2006, a subsidiary of the Company completed the Forest Merger. As a result of the Forest Merger, the Company acquired the offshore Gulf of Mexico operations of Forest Oil Corporation (Forest) and amended and restated the Company s bank credit facility. For further discussion of this transaction, please see Note 3, Acquisitions and Dispositions.

Significant Accounting Policies

Cash and Cash Equivalents All short-term, highly liquid investments that have an original maturity date of three months or less are considered cash equivalents.

Restricted Cash In connection with the sale of the Company s interest in Cottonwood, see Note 3, Acquisitions and Dispositions , net cash proceeds were deposited in escrow with qualified intermediaries for potential reinvestment in like-kind exchange transactions under Section 1031 of the Internal Revenue Code. The proceeds were designated for the potential future acquisition of natural gas and oil assets and were invested in interest-bearing accounts with creditworthy financial institutions. The reporting requirements of Section 1031 required the Company to identify replacement property within 45 days. The Company did not identify replacement property within the required time period and received proceeds and interest of $32.0 million on January 19, 2007.

Receivables Substantially all of the Company s receivables arise from sales of oil or natural gas, or from reimbursable expenses billed to the other participants in oil and gas wells for which the Company serves as operator. We routinely assess the recoverability of all material trade and other receivables to determine their collectibility. We accrue a reserve on a receivable when, based on the judgment of management, it is probable that a receivable will not be collected and the amount of the reserve may be reasonably estimated.

Insurance receivables As a result of Hurricanes Ivan, Katrina and Rita in 2004 and 2005, we incurred a substantial amount of damage to our properties. As costs are incurred to bring the properties back to operating condition, we are reclassifying these costs to insurance receivables, net of any deductible, as we believe that these costs are reimbursable under our insurance policies. Any differences between our insurance recoveries and insurance receivables will be recorded as an adjustment to oil and gas properties.

Oil and Gas Properties Our oil and gas properties are accounted for using the full-cost method of accounting. All direct costs and certain indirect costs associated with the acquisition, exploration and development of oil and gas properties are capitalized. Amortization of oil and gas properties is provided using the unit-of-production method based on estimated proved oil and gas reserves. No gains or losses are recognized upon the sale or disposition of oil and gas properties unless the sale or disposition represents a significant quantity of oil and gas reserves, which would have a significant impact on the depreciation, depletion and amortization rate.

At the end of each quarter, a full-cost ceiling limitation calculation is made whereby net capitalized costs related to proved and unproved properties less related deferred income taxes may not exceed a ceiling amount equal to the present value discounted at ten percent of estimated future net revenues from proved reserves plus the lower of cost or fair value of unproved properties less estimated future production and development costs and related income tax expense. The full-cost ceiling limitation is calculated using natural gas and oil prices in effect as of the balance sheet date and is adjusted for basis or location differential. Price is held constant

MARINER ENERGY, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2006 and 2005,
for the Period from March 3, 2004 through December 31, 2004 (Post-Merger),
and for the Period from January 1, 2004 through March 2, 2004 (Pre-Merger)

over the life of the reserves. We use derivative financial instruments that qualify for cash flow hedge accounting under SFAS 133, Accounting for Derivative Instruments and Hedging Activities, to hedge against the volatility of natural gas prices and, in accordance with SEC guidelines, we include estimated future cash flows from our hedging program in our ceiling test calculation. If net capitalized costs related to proved properties less related deferred income taxes were to exceed the ceiling amount, the excess would be charged to expense. Additional guidance was provided in Staff Accounting Bulletin No. 47, Topic 12(D)(c)(3), primarily regarding the use of cash flow hedges, asset retirement obligations, and the effect of subsequent events on the ceiling test calculation. Once incurred, a write-down is not reversible at a later date.

Unproved Properties The costs associated with unevaluated properties and properties under development are not initially included in the full-cost amortization base. These costs relate to unproved leasehold acreage and include costs for seismic data, wells and production facilities in progress and wells pending determination together with interest costs capitalized for these projects. Unevaluated leasehold costs are transferred to the amortization base once determination has been made or upon expiration of a lease. Geological and geophysical costs, including 3-D seismic data costs, are included in the full-cost amortization base as incurred when such costs cannot be associated with specific unevaluated properties for which we own a direct interest. Seismic data costs are associated with specific unevaluated properties if the seismic data is acquired for the purpose of evaluating acreage or trends covered by a leasehold interest owned by us. We make this determination based on an analysis of leasehold and seismic maps and discussions with our Chief Exploration Officer. Geological and geophysical costs included in unproved properties are transferred to the full-cost amortization base along with the associated leasehold costs on a specific project basis. Costs associated with wells in progress and wells pending determination are transferred to the amortization base once a determination is made whether or not proved reserves can be assigned to the property. Costs of dry holes are transferred to the amortization base immediately upon determination that the well is unsuccessful. All items included in our unevaluated property balance are assessed on a quarterly basis for possible impairment or reduction in value.

Other Property and Equipment Other property and equipment consists of IT equipment, office furniture and fixtures, leasehold improvements as well as a gas gathering system. Depreciation of other property and equipment is provided on a straight-line basis over their estimated useful lives, which range from three to twenty-two years.

Prepaid Expenses and Other Prepaid expenses and other includes $2.4 million of oil and gas lease and well equipment held in inventory and $4.9 million of prepaid insurance at December 31, 2006. In 2005, we reduced the carrying amount of our inventory by $1.8 million to account for a reduction in the estimated value, primarily related to subsea trees and wellhead equipment held in inventory. Other current assets also includes prepaid insurance, deposits and escrow accounts.

Other Assets Other assets at December 31, 2006 were primarily comprised of $10.2 million of amortizable note offering costs and discounts, $1.1 million of amortizable bank fees and $4.0 million of prepaid seismic costs with the remaining balance consisting of long term deposits of $6.7 million. Other assets as of December 31, 2005 were primarily comprised of $1.4 million of amortizable bank fees, $2.3 million in noncurrent receivables and $4.3 million of prepaid seismic costs. Accumulated amortization as of December 31, 2006 and 2005 was $5.0 million and $2.1 million, respectively.

Goodwill Goodwill represents the excess of the purchase price over the estimated fair value of the assets acquired net of the fair value of liabilities assumed in the acquisition. We account for goodwill in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets . SFAS No. 142 requires an annual impairment assessment and a more frequent assessment if certain events occur that indicate impairment may have occurred. We performed the goodwill impairment assessment in the fourth

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quarter of 2006. The initial impairment assessment compares the Company s net book value to its estimated fair value. If impairment is indicated, then the Company is required to make estimates of the fair value of goodwill. The estimated fair value of goodwill is based on many factors, including future net cash flows of estimated proved reserves as well as the success of future exploration and development of unproved reserves. If the carrying amount of goodwill exceeds the estimated fair value, then a measurement of the loss is performed with any excess charged to expense. To date, no impairment to goodwill has been recorded.

Income Taxes Our provision for taxes includes both state and federal taxes. The Company records its federal income taxes using an asset and liability approach which results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be recovered.

We apply significant judgment in evaluating our tax positions and estimating our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The actual outcome of these future tax consequences could differ significantly from these estimates, which could impact our financial position, results of operations and cash flows.

Additionally, in May 2006, the State of Texas enacted substantial changes to its tax structure beginning in 2007 by implementing a new margin tax of 1% to be imposed on revenues less certain costs, as specified in the legislation.

Abandonment Liability Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations, addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 was adopted on January 1, 2003. SFAS No. 143 requires that the fair value of a liability for an asset s retirement obligation be recorded in the period in which it is incurred and the corresponding cost capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized.

To estimate the fair value of an asset retirement obligation, we employ a present value technique, which reflects certain assumptions, including our credit-adjusted, risk-free interest rate, the estimated settlement date of the liability and the estimated current cost to settle the liability. Changes in timing or to the original estimate of cash flows will result in changes to the carrying amount of the liability.

The following roll forward is provided as a reconciliation of the beginning and ending aggregate carrying amounts of the asset retirement obligation.

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		(In millions)
Abandonment Liability as of December 31, 2004	$	24.0
Liabilities Incurred		28.6
Liabilities Settled		(5.5)
Accretion Expense		2.4
Abandonment Liability as of December 31, 2005(1)	$	49.5
Liabilities Incurred		29.6
Liabilities Settled		(31.1)
Accretion Expense		15.3
Revisions to previous estimates		(10.5)
Liabilities incurred from assets acquired(2)		165.2
Abandonment Liability as of December 31, 2006(3)	$	218.0

(1) Includes $11.4 million classified as a current accrued liability at December 31, 2005.

(2) Represents the fair value of the asset retirement obligation acquired through the Forest Merger.

(3) Includes $29.7 million classified as a current accrued liability at December 31, 2006.

Hedging Program The Company utilizes derivative instruments in the form of natural gas and crude oil price swap agreements and costless collar arrangements in order to manage price risk associated with future crude oil and natural gas production and fixed-price crude oil and natural gas purchase and sale commitments. Such agreements are accounted for as hedges using the deferral method of accounting. Gains and losses resulting from these transactions, recorded at market value, are deferred and recorded in Accumulated Other Comprehensive Income (AOCI) as appropriate, until recognized as operating income in the Company s Statement of Operations as the physical production hedged by the contracts is delivered.

We are required to assess the effectiveness of all our derivative contracts at inception and at least every three months. If open contracts cease to qualify for hedge accounting, mark-to-market accounting is utilized and changes in the fair value of open contracts are recognized in the income statement. Loss of hedge accounting may cause volatility in earnings. Fair value is assessed, and measured and estimated by obtaining independent market quotes from counterparties and risk-free interest rate and estimated volatility factors. In addition, forward price curves and estimates of future volatility factors are used to assess and measure the effectiveness of our open contracts at the end of each period. The fair values we report in our financial statements change as estimates are revised to reflect actual results, changes in market conditions or other factors, many of which are beyond our control.

The net cash flows related to any recognized gains or losses associated with these hedges are reported as oil and gas revenues and presented in cash flows from operations. If the hedge is terminated prior to expected maturity, gains or losses are deferred and included in income in the same period as the physical production hedged by the contracts is delivered.

The conditions to be met for a derivative instrument to qualify as a cash flow hedge are the following: (i) the item to be hedged exposes the Company to price risk; (ii) the derivative reduces the risk exposure and is designated as a hedge at the time the derivative contract is entered into; and (iii) at the inception of the

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hedge and throughout the hedge period there is a high correlation of changes in the market value of the derivative instrument and the fair value of the underlying item being hedged.

When the designated item associated with a derivative instrument matures, is sold, extinguished or terminated, derivative gains or losses are recognized as part of the gain or loss on sale or settlement of the underlying item. When a derivative instrument is associated with an anticipated transaction that is no longer expected to occur or if correlation no longer exists, the gain or loss on the derivative is recognized in income to the extent the future results have not been offset by the effects of price or interest rate changes on the hedged item since the inception of the hedge.

Financial Instruments The Company s financial instruments consist of cash and cash equivalents, restricted cash, receivables, derivatives, payables and outstanding debt. The carrying amount of the Company s other instruments noted above approximate fair value due to the short-term nature of these investments. The carrying amount of our long-term debt approximates fair value as the interest rates are generally indexed to current market rates.

Revenue Recognition Our natural gas, crude oil and NGL revenues are recorded using the entitlement method. Under the entitlement method, revenue is recorded when title passes based on the Company s net interest or nominated deliveries. The Company records its entitled share of revenues based on entitled volumes and contracted sales prices. The sales price for natural gas, crude oil and NGLs are adjusted for transportation cost and other related deductions. The transportation costs and other deductions are based on contractual or historical data and do not require significant judgment. Subsequently, these deductions and transportation costs are adjusted to reflect actual charges based on third party documents. Historically, these adjustments have been insignificant. Since there is a ready market for natural gas, crude oil and NGLs, the Company sells the majority of its products soon after production at various locations at which time title and risk of loss pass to the buyer. As a result, the Company maintains a minimum amount of product inventory in storage. Gas imbalances occur when the Company sells more or less than its entitled ownership percentage of total gas production. Any amount received in excess (overproduction) of the Company s share is treated as a liability. If the Company receives less than it is entitled, the underproduction is recorded as a receivable. Imbalances are reduced either by subsequent recoupment of over-and-under deliveries or by cash settlement, as required by applicable contracts. Production imbalances are marked-to-market at the end of each month at the lowest of (i) the price in effect at the time of production; (ii) the current market price; or (iii) the contract price, if a contract is in hand.

The Company s gas balancing assets and liabilities are not material as oil and gas volumes sold are not significantly different from the Company s share of production.

Concentration of Credit Risk We extend credit, primarily in the form of uncollateralized oil and gas sales and joint interest owners receivables, to various companies in the oil and gas industry, which results in a concentration of credit risk. The concentration of credit risk may be affected by changes in economic or other conditions within our industry and may accordingly impact our overall credit risk. However, we believe that the risk of these unsecured receivables is mitigated by the size, reputation, and nature of the companies to which we extend credit.

Operating Costs We classify our operating costs as lease operating expense, severance and ad valorem taxes, transportation expense and general and administrative expense. Lease operating expense is comprised of those costs and expenses necessary to produce oil and gas after an individual well or field has been completed and prepared for production. These costs include direct costs such as field operations, general maintenance expenses, workovers and the costs associated with production handling agreements for most of our deepwater

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fields. Lease operating expense also includes indirect costs such as oil and gas property insurance and overhead allocations in accordance with joint operating agreements.

Severance and ad valorem taxes are comprised of severance, production and ad valorem taxes and are generally variable costs based on production, except for ad valorem taxes.

Transportation expense includes variable costs associated with transportation of product to sales meters from the wellhead or field gathering point.

General and administrative expense includes employee compensation costs (including stock compensation expense), the costs of third party consultants and professionals, rent and other costs of leasing and maintaining office space, the costs of maintaining computer hardware and software, and insurance and other items.

General and Administrative Costs and Expense Under the full-cost method of accounting, a portion of our general and administrative expenses that are directly attributable to our acquisition, exploration and development activities are capitalized as part of our full-cost pool. These capitalized costs include salaries, employee benefits, costs of consulting services and other costs directly identified with acquisition exploration and development activities. We capitalized general and administrative costs related to our acquisition, exploration and development activities were approximately \$11.0 million for 2006, \$5.3 million for 2005, and \$5.7 million and \$1.1 million for 2004 Post-Merger and 2004 Pre-Merger, respectively.

We receive reimbursement for administrative and overhead expenses incurred on behalf of other working interest owners on properties we operate. These reimbursements totaling \$16.7 million, \$6.9 million and \$4.4 million for the years ended December 31, 2006, 2005 and 2004, respectively, were allocated as reductions to general and administrative expenses incurred. Generally, we do not receive any reimbursements or fees in excess of the costs incurred; however, if we did, we would credit the excess to the full-cost pool to be recognized through lower cost amortization as production occurs.

Accounting for Stock Options and Restricted Stock The Company adopted SFAS No. 123 Revised 2004, Shared Based Payment, using the modified retrospective application effective January 1, 2005. As a result of the adoption of SFAS No. 123(R), we record compensation expense for the fair value of restricted stock that was granted pursuant to our Equity Participation Plan and for grants of stock options or restricted stock made pursuant to Mariner Energy, Inc. s Stock Incentive Plan. We determine compensation expense for the restricted stock grants equal to their fair value at the date of grant. The fair value will then be amortized to compensation expense over the applicable vesting period.

Capitalized Interest Costs The Company capitalizes interest based on the cost of major development projects which are excluded from current depreciation, depletion, and amortization calculations. Capitalized interest costs were approximately \$1.5 million for 2006, \$0.7 million for 2005, and \$0.4 and \$-0- million for 2004 Post-Merger and 2004 Pre-Merger, respectively.

Reclassifications and Use of Estimates in the Preparation of Financial Statements Some amounts from the previous years have been reclassified to conform to the 2006 presentation of financial statements. These reclassifications do not affect net income.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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Principles of Consolidation Our consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated.

Net Income per Share Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period. Fully diluted earnings per share assumes the conversion of all potentially dilutive securities and is calculated by dividing net income by the sum of the weighted average number of shares of common stock outstanding plus all potentially dilutive securities.

	Post-Merger			Pre-Merger
	Year Ended December 31, 2006	Year Ended December 31, 2005	Period from March 3, 2004 through December 31, 2004	Period from January 1, 2004 through March 2, 2004
	(In thousands except per share data)			
Numerator:				
Net income	$ 121,462	$ 40,481	$ 53,619	$ 14,826
Denominator:				
Weighted average shares outstanding	76,353	32,668	29,748	29,748
Add dilutive securities	457	1,099		
Total weighted average shares outstanding and dilutive securities	76,810	33,767	29,748	29,748
Net income per share basic:	$ 1.59	$ 1.24	$ 1.80	$ .50
Net income per share diluted:	$ 1.58	$ 1.20	$ 1.80	$ .50

Effective March 3, 2005, we effected a stock split increasing our authorized shares from 2,000,000 to 70,000,000 and our outstanding shares from 1,380 to 29,748,130. We also changed the stated par value of our stock from $1 to $.0001 per share. The accompanying financial and earnings per share information has been restated utilizing the post-split shares. Effective with the Merger on March 2, 2004, all company stock option plans and associated outstanding stock options were canceled.

For the periods presented prior to 2005, Mariner Energy, Inc. had no outstanding stock options so the basic and diluted earnings per share were the same. Please refer to Note 5 Stockholder s Equity for option and share activity for the years ending December 31, 2006 and 2005, respectively. Outstanding restricted stock and unexercised stock options diluted earnings by $0.01 and $0.04 per share for the years ended December 31, 2006 and 2005, respectively.

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Comprehensive Income Comprehensive income includes net income and certain items recorded directly to stockholder s equity and classified as other comprehensive income. The table below summarizes comprehensive income and provides the components of the change in accumulated other comprehensive income for years ended December 31, 2006, 2005, 2004 Post-Merger and 2004 Pre-Merger:

	Post-Merger			Pre-Merger
	Year Ended December 31, 2006	Year Ended December 31, 2005	Period from March 3, 2004 through December 31, 2004	Period from January 1, 2004 through March 2, 2004
	(In thousands)			
Net Income	$ 121,462	$ 40,481	$ 53,619	$ 14,826
Other comprehensive income (loss), net of tax				
Derivative contracts settled and reclassified, net of tax	21,431	32,035	20,541	(745)
Change in unrealized mark to market gains/(losses) arising during period, net of tax	63,139	(61,878)	(32,171)	(7,312)
Change in accumulated other comprehensive income (loss)	84,570	(29,843)	(11,630)	(8,057)
Comprehensive income	$ 206,032	$ 10,638	$ 41,989	$ 6,769

Major Customers During the twelve months ended December 31, 2006, sales of oil and gas to three purchasers accounted for 23%, 14% and 11% of total revenues. During the year ended December 31, 2005, sales of oil and gas to three purchasers accounted for 24%, 10% and 15% of total revenues. During the year ended December 31, 2004, sales of oil and gas to three purchasers accounted for 27%, 18% and 12% of total revenues. Management believes that the loss of any of these purchasers would not have a material impact on the Company s financial condition, results of operations or cash flows.

Percentage of Total Revenues for Year Ended December 31,

Customer	**2006**	**2005**	**2004**
BP Energy	14%	*	12%
Bridgeline Gas Distributing Company(**)		15%	27%
ChevronTexaco and affiliates(**)	23%	24%	18%
Louis Dreyfus Energy	10%	7%	*
Plains Marketing LP	11%	10%	

* Less than 1%

** Bridgeline Gas Distributing Company is an affiliate of ChevronTexaco

No activity in the period

Recent Accounting Pronouncements In June 2006, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 06-03, How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That Is, Gross versus Net Presentation) . EITF 06-03 requires that companies disclose the gross amounts of taxes reported. The consensus is effective for

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interim or annual reporting periods beginning after December 15, 2006.. Adoption of this guidance did not materially impact our financial statements.

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes. FIN No. 48 clarifies SFAS No. 109, Accounting for Income Taxes, and requires that realization on an uncertain income tax position must be more-likely-than-not (i.e. greater than a 50 percent likelihood of receiving a benefit) before it can be recognized in the financial statements. Further, FIN No. 48 prescribes the benefit to be recorded in the financial statements as the amount most likely to be realized assuming a review by tax authorities having all relevant information and applying current conventions. FIN No. 48 also clarifies the financial statement classification of tax-related penalties and interest and sets forth new disclosures regarding unrecognized tax benefits. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, and we will be required to adopt this interpretation in the first quarter of 2007. Based on our evaluation as of December 31, 2006, we do not believe that FIN No. 48 will have a material impact on our financial statements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS No. 157 does not require any new fair value measurements but rather it eliminates inconsistencies in the guidance found in various prior accounting pronouncements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Earlier adoption is encouraged, provided the company has not yet issued financial statements, including for interim periods, for that fiscal year. Although we are still evaluating the potential effects of this standard, we do not expect the adoption of SFAS No. 157 to have a material impact on our consolidated financial position, results of operation, or cash flows.

In September 2006, the Securities and Exchange Commission released Staff Accounting Bulletin No. 108, Quantifying Financial Statement Misstatements (SAB 108). SAB 108 gives guidance on how errors, built up over time in the balance sheet, should be considered from a materiality perspective and corrected. SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 represents the SEC Staff s views on the proper interpretation of existing rules and as such has no effective date. Adoption of this guidance did not materially impact our financial statements.

During February 2007, FASB issued SFAS No 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159) which permits all entities to choose, at specified election dates, to measure eligible items at fair value. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value, and thereby mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. We are evaluating the impact that this standard will have on our financial statements.

2. Related Party Transactions

Organization and Ownership of the Company On March 2, 2004, Mariner Energy LLC, the Company s indirect parent, merged with a subsidiary of MEI Acquisitions Holdings, LLC, an affiliate of the private equity funds Carlyle/Riverstone Global Energy and Power Fund II, L.P. and ACON Investments LLC (the Merger). Prior to the Merger, Joint Energy Development Investments Limited Partnership (JEDI), which was an

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indirect wholly-owned subsidiary of Enron Corp. (Enron), owned approximately 96% of the common stock of Mariner Energy LLC. In the Merger, all the shares of common stock in Mariner Energy LLC were converted into the right to receive cash and certain other consideration. As a result, JEDI no longer owned any interest in Mariner Energy LLC, and the Company ceased to be affiliated with JEDI or Enron.

Until February 10, 2005, the Company was a wholly-owned subsidiary of Mariner Holdings, Inc., which was a wholly-owned subsidiary of Mariner Energy LLC. On February 10, 2005, in anticipation of the private placement by the Company and its sole stockholder of an aggregate 31,452,500 shares of the Company s common stock in March 2005 (the Private Equity Placement), Mariner Holdings, Inc. and Mariner Energy LLC were merged into the Company and ceased to exist. The mergers of Mariner Holdings, Inc. and Mariner Energy LLC into the Company had no operational or financial impact on the Company; however, intercompany receivables of $0.2 million and $2.9 million in cash held by the affiliates were transferred to the Company in February 2005 and accounted for as additional paid in capital. In the Private Equity Placement, the Company sold 16,350,000 shares of its common stock and its sole stockholder sold 15,102,500 shares of the Company s common stock. The Company s net proceeds in the Private Equity Placement were $212.9 million, before offering costs of $2.2 million, of which $166.0 million was paid to its sole stockholder to redeem 12,750,000 shares of the Company s common stock in March 2005.

The Company was previously party to management agreements with two affiliates of its former parent company. These agreements provided for the payment by Mariner Energy LLC of an aggregate of $2.5 million to the affiliates in connection with the provision of management services. Such payments have been made. Mariner Energy LLC also entered into monitoring agreements with two affiliates of its former parent, providing for the payment by Mariner Energy LLC to the affiliates in connection with certain monitoring activities. Under the terms of the monitoring agreements, the affiliates provided financial advisory services in connection with the ongoing operations of Mariner. Effective February 7, 2005, these contracts were terminated in consideration of lump sum cash payments by Mariner totaling $2.3 million. The Company recorded the termination payments as general and administrative expenses for the quarter ended March 31, 2005.

3. Acquisitions and Dispositions

Forest Gulf of Mexico Operations On March 2, 2006, a subsidiary of the Company completed a merger transaction with Forest Energy Resources, Inc. (the Forest Merger). Prior to the consummation of the Forest Merger, Forest Oil Corporation (Forest) transferred and contributed the assets of, and certain liabilities associated with, its offshore Gulf of Mexico operations to Forest Energy Resources, Inc. Immediately prior to the Forest Merger, Forest distributed all of the outstanding shares of Forest Energy Resources, Inc. to Forest shareholders on a pro rata basis. Forest Energy Resources, Inc. then merged with a newly formed subsidiary of Mariner, became a new wholly owned subsidiary of Mariner and changed its name to Mariner Energy Resources, Inc. (MERI). Immediately following the Forest Merger, approximately 59% of the Mariner common stock was held by shareholders of Forest and approximately 41% of Mariner common stock was held by the Pre-Merger stockholders of Mariner.

To acquire MERI, Mariner issued 50,637,010 shares of its common stock to the shareholders of Forest Energy Resources, Inc. The aggregate consideration was valued at $890.0 million, comprised of $3.8 million in Pre-Merger costs and $886.2 million in common stock, based on the closing price of the Company s common stock of $17.50 per share on September 12, 2005 (which was the date that the terms of the acquisition were announced).

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The Forest Merger was accounted for using the purchase method of accounting under the accounting standards established in SFAS No. 141, Business Combinations (SFAS 141) and No. 142, Goodwill and Other Intangible Assets. As a result, the assets and liabilities acquired by Mariner in the Forest Merger are included in the Company s December 31, 2006 balance sheet. The Company reflected the results of operations of the Forest Merger beginning March 2, 2006. The Company recorded the estimated fair values of the assets acquired and liabilities assumed at the March 2, 2006 closing date, which are summarized in the following table:

		(In millions)
Oil and natural gas properties	$	1,211.4
Abandonment liabilities		(165.2)
Long-term debt		(176.2)
Fair value of oil and natural gas derivatives		(17.5)
Deferred tax liability		(199.4)
Other assets and liabilities		(24.5)
Goodwill		261.4
Net Assets Acquired	$	890.0

The Forest Merger includes a large undeveloped offshore acreage position which complements the Company s large seismic database and a large portfolio of potential exploratory prospects. The initial fair value estimate of the underlying assets and liabilities acquired is determined by estimating the value of the underlying proved reserves at the transaction date plus or minus the fair value of other assets and liabilities, including inventory, unproved oil and gas properties, gas imbalances, debt (at face value), derivatives, and abandonment liabilities. The deferred tax liability recognizes the difference between the historical tax basis of the assets of Forest Energy Resources, Inc. and the acquisition cost recorded for book purposes. Goodwill represents the excess of the purchase price over the estimated fair value of the assets acquired net of the fair value of liabilities assumed in the acquisition. The entire goodwill balance is non-deductible for tax purposes.

The purchase price allocation has been finalized. In 2006, we recorded a $19.9 million goodwill adjustment primarily related to insurance receivables and deferred taxes. In April 2006, Mariner made a preliminary cash payment to Forest of $20.8 million recorded as an offset to current liabilities. Carryover basis accounting applies for tax purposes.

On March 2, 2006, Mariner and MERI entered into a $500 million bank credit facility and an additional $40 million senior secured letter of credit. Please refer to Note 4, Long Term Debt for further discussion of the amended and restated bank credit facility.

Pro Forma Financial Information The pro forma information set forth below gives effect to the Forest Merger as if it had been consummated as of the beginning of the applicable period. The Forest Merger was consummated on March 2, 2006. The pro forma information has been derived from the historical consolidated financial statements of the Company and the statements of revenues and direct operating expenses of the Forest Gulf of Mexico operations. The pro forma information is for illustrative purposes only. The financial results may have been different had the Forest Gulf of Mexico operations been an independent company and had the companies always been combined. You should not rely on the pro forma financial information as being indicative of the historical results that would have been achieved had the Forest Merger occurred in the past or the future financial results that the Company will achieve after the Forest Merger.

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and for the Period from January 1, 2004 through March 2, 2004 (Pre-Merger)

	Year Ended December 31. 2006		Year Ended December 31. 2005	
	(Unaudited) (In thousands, except per share amounts)			
Pro Forma:				
Revenue	$	725,321	$	591,982
Net income available to common stockholders	$	134,428	$	57,952
Basic earnings per share	$	1.76	$	0.70
Diluted earnings per share	$	1.75	$	0.69

West Cameron 110/111 On August 7, 2006, the Company exercised its preferential right to purchase the interest of BP Exploration and Production Inc. (BP) in West Cameron Block 110 and the southeast quadrant of West Cameron Block of 111 in the Gulf of Mexico. BP retained rights to depths below 15,000 feet. The acquisition cost was $70.9 million, which was financed by borrowing under our bank credit facility. A $10.4 million letter of credit under our bank credit facility was also issued in favor of BP to secure plugging and abandonment liabilities. The acquisition adds proved reserves estimated by Mariner to be 20 Bcfe as of August 1, 2006.

Interest in Cottonwood On December 1, 2006, we sold our 20% interest in the Garden Banks 244 (Cottonwood) project to Petrobras America, Inc., for $31.8 million. The sale was effective November 1, 2006 and represented approximately 6.6 Bcfe of proved reserves. Proceeds from the sale were deposited in trust with a qualified intermediary to preserve our ability to reinvest them in a tax-deferred, like-kind exchange transaction for federal income tax purposes. Inasmuch as we elected not to identify replacement like-kind property to facilitate the exchange, proceeds and related interest totaling $32.0 million were disbursed to us on January 19, 2007 and used to repay borrowings under our bank credit facility. No gain was recorded on this disposition.

4. Long-Term Debt

Bank Credit Facility On March 2, 2004, the Company obtained a revolving line of credit with initial advances of $135 million from a group of banks led by Union Bank of California, N.A. and BNP Paribas. The bank credit facility initially provided up to $150 million of revolving borrowing capacity, subject to a borrowing base, and a $25 million term loan. The initial advance was made in two tranches: a $110 million Tranche A and a $25 million Tranche B. The Tranche B loan was converted to a Tranche A note in July 2004 and all subsequent advances under the bank credit facility were Tranche A advances.

The borrowing base is based upon the evaluation by the lenders of the Company s oil and gas reserves and other factors. Any increase in the borrowing base requires the consent of all lenders. Substantially all of the Company s assets are pledged to secure the bank credit facility.

Amendments of Bank Credit Facility In connection with the Forest Merger, the Company amended and restated its existing bank credit facility on March 2, 2006 to, among other things, increase maximum credit availability to $500 million for revolving loans, including up to $50 million in letters of credit, with a $400 million borrowing base as of that date; add an additional dedicated $40 million letter of bank credit facility that does not affect the borrowing base; and add MERI as a co-borrower. The bank credit facility will mature on March 2, 2010, and the $40 million letter of credit will mature on March 2, 2009. The Company used borrowings under its bank credit facility to facilitate the Forest Merger and to retire existing debt, and it

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may use borrowings in the future for general corporate purposes. The $40 million letter of credit was used to obtain a letter of credit in favor of Forest to secure the Company s performance of its obligations to drill and complete 150 wells under an existing drill-to-earn program and is not included as a use of the borrowing base. This letter of credit will reduce periodically by an amount equal to the product of $0.5 million times the number of wells exceeding 75 that are drilled and completed. The first reduction of approximately $4.3 million occurred in October 2006 based upon the 83 wells drilled and completed as of September 30, 2006. As of January 2007, a reduction of approximately $18 million occurred based upon the 109 wells drilled and completed as of December 31, 2006. We expect additional reductions based upon quarterly drilling activity, with the next reduction anticipated in April 2007. The letter of credit balance as of December 31, 2006 was $35.7 million.

At December 31, 2006, the Company had approximately $354.0 million in advances outstanding under its bank credit facility and four available letters of credit totaling $16.3 million, of which $14.6 million is required for plugging and abandonment obligations at certain of its offshore fields. The outstanding principal balance of loans under the bank credit facility may not exceed the borrowing base. If the borrowing base falls below the outstanding balance under the bank credit facility, the Company will be required to prepay the deficit, pledge additional unencumbered collateral, repay the deficit and cash collateralize certain letters of credit, or effect some combination of such prepayment, pledge and repayment and collateralization. Effective March 22, 2007, the borrowing base was reaffirmed at $450 million, subject to redetermination or adjustment.

The bank credit facility contains various restrictive covenants and other usual and customary terms and conditions, including limitations on the payment of cash dividends and other restricted payments, the incurrence of additional debt, the sale of assets, and speculative hedging. The financial covenants were modified under the amended and restated bank credit facility to require the Company to, among other things:

- maintain a ratio of consolidated current assets plus the unused borrowing base to consolidated current liabilities of not less than 1.0 to 1.0; and

- maintain a ratio of total debt to EBITDA, as defined in the credit agreement, of not more than 2.5 to 1.0.

The Company was in compliance with the financial covenants under the bank credit facility as of December 31, 2006.

As of December 31, 2006 and December 31, 2005, $354.0 million and $152.0 million, respectively, was outstanding under the bank credit facility, and the weighted average interest rate was 7.29% and 7.15%, respectively.

The Company must pay a commitment fee of 0.25% to 0.375% per year on the unused availability under the amended bank credit facility dated March 2, 2006.

Private Offering of 71/2% Senior Notes due 2013 On April 24, 2006, the Company sold and issued to eligible purchasers $300 million aggregate principal amount of its 71/2% Senior Notes due 2013 (the Notes) pursuant to Rule 144A under the Securities Act of 1933, as amended. The Notes were priced to yield 7.75% to maturity. Net proceeds, after deducting initial purchasers discounts and commissions and offering expenses, were approximately

$287.9 million. Mariner used the net proceeds of the offering to repay debt under the bank credit facility. The issuance of the Notes was a qualifying bond issuance under Mariner s bank credit facility and resulted in an automatic reduction of its borrowing base to $362.5 million as of April 24, 2006. On November 9, 2006, the Company replaced the original Notes issued in the private placement with new Notes with identical terms and tenor through an exchange offer registered under the Securities Act of 1933.

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The Notes are senior unsecured obligations of the Company, rank senior in right of payment to any future subordinated indebtedness, rank equally in right of payment with the Company s existing and future senior unsecured indebtedness and are effectively subordinated in right of payment to the Company s senior secured indebtedness, including its obligations under its bank credit facility, to the extent of the collateral securing such indebtedness, and to all existing and future indebtedness and other liabilities of any non-guarantor subsidiaries.

The Notes are jointly and severally guaranteed on a senior unsecured basis by the Company s existing and future domestic subsidiaries. In the future, the guarantees may be released or terminated under certain circumstances. Each subsidiary guarantee ranks senior in right of payment to any future subordinated indebtedness of the guarantor subsidiary, ranks equally in right of payment to all existing and future senior unsecured indebtedness of the guarantor subsidiary and effectively subordinate to all existing and future secured indebtedness of the guarantor subsidiary, including its guarantees of indebtedness under the Company s bank credit facility, to the extent of the collateral securing such indebtedness.

The Company will pay interest on the Notes on April 15 and October 15 of each year. The Notes mature on April 15, 2013. There is no sinking fund for the Notes.

The Company may redeem the Notes at any time prior to April 15, 2010 at a price equal to the principal amount redeemed plus a make-whole premium, using a discount rate of the Treasury rate plus 0.50% and accrued but unpaid interest. Beginning on April 15 of the years indicated below, the Company may redeem the Notes from time to time, in whole or in part, at the prices set forth below (expressed as percentages of the principal amount redeemed) plus accrued but unpaid interest:

2010 at 103.750%
2011 at 101.875%
2012 and thereafter at 100.000%

In addition, prior to April 15, 2009, the Company may redeem up to 35% of the Notes with the proceeds of equity offerings at a price equal to 107.50% of the principal amount of the Notes redeemed. If the Company experiences a change of control (as defined in the indenture governing the Notes), subject to certain exceptions, the Company must give holders of the Notes the opportunity to sell to the Company their Notes, in whole or in part, at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest and liquidated damages to the date of purchase.

The Company and its restricted subsidiaries are subject to certain negative covenants under the indenture governing the Notes. The indenture governing the Notes limits the Company s and each of its restricted subsidiaries ability to, among other things:

- make investments;

incur additional indebtedness or issue preferred stock;

create certain liens;

sell assets;

enter into agreements that restrict dividends or other payments from its subsidiaries to itself;

consolidate, merge or transfer all or substantially all of its assets;

engage in transactions with affiliates;

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pay dividends or make other distributions on capital stock or subordinated indebtedness; and

create unrestricted subsidiaries.

Costs associated with the Notes offering were approximately $8.5 million, excluding discounts of $3.8 million.

JEDI Term Promissory Note On March 2, 2004, the Company issued a $10 million term promissory note to JEDI as a part of merger consideration. The note matured on March 2, 2006, and bore interest, payable in kind at our option, at a rate of 10% per annum until March 2, 2005, and 12% per annum thereafter unless paid in cash in which event the rate remained 10% per annum. We chose to pay interest in cash rather than in kind. The JEDI note was secured by a lien on three of the Company s non-proven, non-producing properties located in the Outer Continental Shelf of the Gulf of Mexico. The Company could offset against the note the amount of certain claims for indemnification that could be asserted against JEDI under the terms of the merger agreement. The JEDI term promissory note contained customary events of default, including the occurrence of an event of default under the Company s bank credit facility. In March 2005, the Company repaid $6.0 million of the note utilizing proceeds from the Private Equity Placement in March 2005. The $4.0 million balance remaining on the JEDI note was repaid in full on its maturity date of March 2, 2006.

Cash Interest Expense For the years ended December 31, 2006 and 2005, interest payments were $28.8 million and $6.1 million, respectively. Cash paid for interest was $5.4 million and $-0- for 2004 Post-Merger and 2004 Pre-Merger, respectively.

Bank Debt Issuance Costs The Company capitalizes certain direct costs associated with the issuance of long term debt. In conjunction with the Forest Merger, the Company s bank credit facility was amended and restated to, among other things, increase the borrowing capacity from $185 million to $400 million, based upon an initial borrowing base of that amount. The amendment and restatement was treated as an extinguishment of debt for accounting purposes. This treatment resulted in a charge of approximately $1.2 million in the first quarter of 2006. This charge is included in the interest expense line of the consolidated statement of operations.

5. Stockholders Equity

Increase in Number of Shares Authorized On March 2, 2006, the Company s certificate of incorporation was amended to increase its authorized stock to 200,000,000 shares, of which 180,000,000 shares are common stock and 20,000,000 shares are preferred stock.

Equity Participation Plan We adopted an Equity Participation Plan, as amended, that provided for the one-time grant at the closing of our Private Equity Placement on March 11, 2005 of 2,267,270 restricted shares of our common stock to certain of our employees. No further grants will be made under the Equity Participation Plan, although persons who received such a grant are eligible for future awards of restricted stock or stock options under our Stock Incentive Plan, as amended or restated from time to time, described below. We intended the grants of restricted stock under the Equity Participation Plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of our common stock. Therefore, Equity Participation Plan grantees did not pay any consideration for the common stock they received, and we received no remuneration for the stock. As a result of closing the Forest Merger, all shares of restricted stock granted under the Equity Participation Plan vested as follows: (i) the 463,656 shares of restricted stock held by non-executive employees vested on March 2, 2006, and (ii) the 1,803,614 shares of restricted stock held by executive officers vested on May 31, 2006 pursuant to an agreement, made in exchange for a cash payment of $1,000 to each officer, that his or her shares of restricted

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stock would not vest before the later of March 11, 2006 or ninety days after the effective date of the Forest Merger. The Equity Participation Plan expired upon the vesting of all shares granted thereunder. Stock could be withheld by us upon vesting to satisfy our tax withholding obligations with respect to the vesting of the restricted stock. Participants in the Equity Participation Plan had the right to elect to have us withhold and cancel shares of the restricted stock to satisfy our tax withholding obligations. In such events, we would be required to pay any tax withholding obligation in cash. As a result of such participant elections, we withheld an aggregate 807,376 shares that otherwise would have remained outstanding upon vesting of the restricted stock, reducing the aggregate outstanding vested stock grants made under the Equity Participation Plan to 1,459,894 shares. The 807,376 shares withheld became treasury shares that were retired and restored to the status of authorized and unissued shares of common stock, and the Company s capital was reduced by an amount equal to the $.0001 par value of the retired shares. We paid in cash the associated withholding taxes of $14.0 million, of which $3.3 million and $10.7 million were paid in the first and second quarter of 2006, respectively.

Stock Incentive Plan We adopted a Stock Incentive Plan that became effective March 11, 2005, was amended and restated on March 2, 2006, further amended on March 16, 2006, and amended and restated on February 6, 2007. Awards to participants under the Stock Incentive Plan may be made in the form of incentive stock options, or ISOs, non-qualified stock options or restricted stock. The participants to whom awards are granted, the type or types of awards granted to a participant, the number of shares covered by each award, and the purchase price, conditions and other terms of each award are determined by the Board of Directors or a committee thereof. A total of 6,500,000 shares of Mariner s common stock is subject to the Stock Incentive Plan. No more than 2,850,000 shares issuable upon exercise of options or as restricted stock can be issued to any individual. Unless sooner terminated, no award may be granted under the Stock Incentive Plan after October 12, 2015.

During the 12 months ended December 31, 2006, we granted 907,371 shares of restricted common stock under the Stock Incentive Plan. As of December 31, 2006, 875,380 shares of unvested restricted common stock and options exercisable for 707,920 shares of the Company s common stock remained outstanding under the Stock Incentive Plan, of which 345,256 were presently exercisable and 362,664 are expected to vest through 2008. Under the Stock Incentive Plan, 4,862,132 shares remain available for future issuance to participants. During the 12 months ended December 31, 2006, 4,500 shares of restricted stock vested, resulting in withholding tax obligations. Plan participants can elect to have us withhold and cancel shares of restricted stock to satisfy the associated tax withholding obligations. In such event, we would be required to pay any tax withholding obligation in cash. As a result of such participant elections, we withheld an aggregate 532 shares that otherwise would have remained outstanding upon vesting of the restricted stock. The shares withheld became treasury shares that were retired and restored to the status of authorized and unissued shares of common stock, and the Company s capital was reduced by an amount equal to the $.0001 par value of the retired shares. We paid in cash the associated withholding taxes of approximately $10,000.

During the 12 months ended December 31, 2005, we granted options to purchase 809,000 shares of common stock under the Stock Incentive Plan.

Rollover Options In connection with the Forest Merger and during the 12 months ended December 31, 2006, the Company granted options to acquire 156,626 shares of its common stock to certain former employees of Forest or Forest Energy Resources, Inc. (Rollover Options). The Rollover Options are evidenced by non-qualified stock option agreements and are not covered by the Stock Incentive Plan. As of December 31, 2006, Rollover Options to purchase 94,402 shares of the Company s common stock remained outstanding, of which 27,465 were presently exercisable, and 66,937 are expected to vest through 2009.

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Accounting for Stock Options and Restricted Stock The Company adopted SFAS No. 123-Revised 2004 (SFAS No. 123(R)), *Share-Based Payment,* using the modified retrospective application effective January 1, 2005. As a result of the adoption of SFAS No. 123(R), we recorded compensation expense for the fair value of restricted stock that was granted pursuant to our Equity Participation Plan. We also record compensation expense for the value of restricted stock and options granted under the Stock Incentive Plan. In general, compensation expense will be determined at the date of grant based on the fair value of the stock or options granted. The fair value will then be amortized to compensation expense over the applicable vesting period. We recorded compensation expense of $10.2 million and $25.7 million for the 12-month periods ended December 31, 2006 and 2005, respectively, related to restricted stock grants in 2005 and 2006 and stock options outstanding for the periods then ended. As of May 31, 2006, the participants were fully vested in the restricted stock granted under the Equity Participation Plan and no unrecognized compensation remains. Under the Stock Incentive Plan, unrecognized compensation expense at December 31, 2006 for the unvested portion of restricted stock granted was $14.6 million and for unvested options was $0.7 million. For the year ended December 31, 2004, the Company had no outstanding options or restricted stock, therefore, no stock compensation expense was recognized during the year.

The following table presents a summary of stock option activity for the year ended December 31, 2006:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (1) ($000)
Outstanding at beginning of year	809,000	$ 14.02	
Granted(2)	156,626	$ 11.99	
Exercised	(51,458)	$ 13.96	
Forfeited(3)	(111,846)	$ 13.01	
Outstanding at end of year	802,322	$ 13.77	$ 4,678
Vested and expected to vest	706,871	$ 14.00	3,959
Outstanding exercisable at end of year	372,721	$ 13.86	2,140
Available for future grant as options or restricted stock	4,862,132		

(1) Based upon the difference between the market price of the common stock on the last trading date of the year and the option exercise price of in-the-money options.

(2)

The options exercisable for an aggregate 156,626 shares were Rollover Options granted pursuant to the Forest Transaction merger agreement. The options exercisable for an aggregate 809,000 shares were granted under the Stock Incentive Plan.

(3) Rollover Options exercisable for an aggregate 61,366 shares and options exercisable for 41,480 shares granted under the Stock Incentive Plan were forfeited due to terminations of employment, but are not indicative of a historical forfeiture rate. In-the-money options exercisable for an aggregate 9,000 shares granted under the Stock Incentive Plan to two directors of the Company were cancelled on March 31, 2006 and replaced by restricted stock grants.

For the year ended December 31, 2006, 51,458 options were exercised resulting in a $718,000 increase in cash and a $63,177 windfall tax deduction in excess of previously recorded tax benefits, based on the option value at the time of grant. These windfalls are reflected in net operating tax carryforwards pursuant to SFAS 123(R), but the additional tax benefit associated with the windfall is not recognized until the deduction reduces taxes payable.

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The following table summarizes certain information about stock options outstanding at December 31, 2006:

	Options Outstanding			Options Exercisable
Exercise Price	Shares Outstanding	Weighted Average Remaining Contractual Life (Years)	Expected Term	Weighted Average Shares Exercisable
$ 8.81	1,056	6.16	6.00	
$ 9.48	5,283	7.15	6.00	
$ 9.67	1,321	7.08	6.00	
$11.44	4,952	7.88	6.00	1,651
$11.59	71,226	7.94	6.00	23,173
$14.00	706,880	8.31	6.00	347,216
$15.50				(3,000)
$16.86	10,564	8.62	6.00	2,641
$17.00	1,040	8.72	6.00	1,040

The following table summarizes certain information about stock options outstanding at December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$14.00 $17.00	809,000	9.5	$ 14.02		

Options generally vest over one to three-year periods and are exercisable for periods ranging from seven to ten years. The weighted average fair value of options granted during 2006 and 2005 was $2.58 and $2.69, respectively. The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. The assumptions utilized in 2005 and 2006 are noted in the following table:

	12 Months Ended December 31, 2006		2005
Black-Scholes Assumptions	**Stock Incentive Plan Options(1)**	**Rollover Options(2)**	**Stock Incentive Plan Options**
Expected Term (years)	6.0	4.7	3.0
Risk Free Interest Rate	4.80%	4.79%	3.79%
Expected Volatility	35%	35%	38%
Dividend Yield	0.00%	0.00%	0.00%

(1) Stock Incentive Plan as amended and restated

(2) There were no Rollover Options in 2005

The expected term (estimated period of time outstanding) of options granted was determined by averaging the vesting period and contractual term. The expected volatility was based on historical volatility of our closing common share price for a period equal to the stock option s expected life. The risk free rate is based

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on the U.S. Treasury-bill rate in effect at the time of grant. The dividend yield is based on the Company s ability to pay dividends.

A summary of the activity for unvested restricted stock awards under the Stock Incentive Plan as of December 31, 2006 and 2005, respectively, and changes during the 12-month period is as follows:

	Restricted Shares under the Amended and Restated Stock Incentive Plan December 31,	
	2006	**2005**
Total unvested shares at beginning of period: January 1		
Shares granted	907,371	
Shares vested	(4,500)	
Shares forfeited	(27,491)	
Total unvested shares at end of period: December 31	875,380	
Total vested shares at end of period: December 31	4,500	
Available for future grant as options or restricted stock	4,862,132	
Average fair value of shares granted during the period	$ 19.54	$

A summary of the activity for unvested restricted stock share awards under the Equity Participation Plan as of December 31, 2006 and 2005, respectively, and changes during the 12-month periods is as follows:

	Restricted Shares under the Equity Participation Plan December 31,	
	2006	**2005**
Total unvested shares at beginning of period: January 1	2,267,270	
Shares granted		2,267,270
Shares vested	(2,267,270)	
Shares forfeited		
Total unvested shares at end of period: December 31		2,267,270

Total vested shares at end of period: December 31		2,267,270		
Available for future grant under Equity Participation Plan				
Average fair value of shares granted during the period	$		$	14.00

Private Equity Placement. In March 2005, the Company sold and issued 16,350,000 shares of its common stock in the Private Equity Placement for net proceeds of $212.9 million, before offering expenses of $2.2 million, of which $166.0 million were used to redeem 12,750,000 shares of the Company s common stock from its sole stockholder.

6. Employee Benefit and Royalty Plans

Employee Capital Accumulation Plan The Company provides all full-time employees (who are at least 18 years of age) participation in the Employee Capital Accumulation Plan (the Plan) which is comprised of a contributory 401(k) savings plan and a discretionary profit sharing plan. Under the 401(k) feature, the

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Company, at its sole discretion, may contribute an employer-matching contribution equal to a percentage not to exceed 50% of each eligible participant s matched salary reduction contribution as defined by the Plan. Under the discretionary profit sharing contribution feature of the Plan, the Company s contribution, if any, must be determined annually and must be 4% of the lesser of the Company s operating income or total employee compensation and shall be allocated to each eligible participant pro rata to his or her compensation. The Company contributed $720,426 in 2006, $240,650 in 2005, and $193,521 in 2004, respectively. Currently there are no plans to terminate the Plan.

Overriding Royalty Interests Pursuant to agreements, certain employees and consultants of the Company are entitled to receive, as incentive compensation, overriding royalty interests (Overriding Royalty Interests) in certain oil and gas prospects acquired by the Company. Such Overriding Royalty Interests entitle the holder to receive a specified percentage of the gross proceeds from the future sale of oil and gas (less production taxes), if any, applicable to the prospects. Cash payments made by the Company to current employees and consultants with respect to Overriding Royalty Interests were $2.0 million for 2006, $2.6 million for 2005, and $2.5 million and $0.2 million for 2004 Post-Merger and 2004 Pre-Merger, respectively.

7. Commitments and Contingencies

Minimum Future Lease Payments The Company leases certain office facilities and other equipment under long-term operating lease arrangements. Minimum rental obligations under the Company s operating leases in effect at December 31, 2006 are as follows (in thousands):

2007	$ 1,459
2008	1,317
2009	1,086
2010	1,328
2011 and thereafter	2,371

Rental expense, before capitalization, was approximately $1.2 million for 2006, $0.5 million for 2005, and $0.5 and $-0- million, respectively for 2004 Post-Merger and 2004 Pre-Merger, respectively.

Hedging Program The energy markets have historically been very volatile, and we expect that oil and gas prices will be subject to wide fluctuations in the future. In an effort to reduce the effects of the volatility of the price of oil and natural gas on the Company s operations, management has elected to hedge oil and natural gas prices from time to time through the use of commodity price swap agreements and costless collars. While the use of these hedging arrangements limits the downside risk of adverse price movements, it also limits future gains from favorable movements. In addition, forward price curves and estimates of future volatility are used to assess and measure the ineffectiveness of our open contracts at the end of each period. If open contracts cease to qualify for hedge accounting, the mark to market change in fair value is recognized in the income statement. Loss of hedge accounting and cash flow designation will cause volatility in earnings. The fair values we report in our financial statements change as estimates are revised to reflect actual results, changes in market conditions or other factors, many of which are beyond our control.

The cash activity on contracts settled for natural gas and oil produced during 2006 resulted in an $11.3 million gain. An unrealized gain of $4.2 million was recognized for 2006 related to the ineffective portion of open contracts that were not eligible for deferral under SFAS 133 due primarily to the basis differentials between the contract price, which is NYMEX-based for oil and Henry Hub-based for gas, and the indexed price at the point of sale. In addition, the fair value of oil and natural gas derivatives acquired through the Forest Merger resulted in a $17.5 million non-cash gain. The fair value of the acquired derivatives was

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fully recognized in 2006. Hedge gains and losses are recorded by commodity type in oil and gas sales in the Statement of Operations.

As of December 31, 2006, the Company had the following fixed price swaps outstanding:

Fixed Price Swaps	Quantity	Weighted-Average Fixed Price	December 31, 2006 Fair Value Gain/(Loss) (In millions)
Natural Gas (Mmbtus)			
January 1 December 31, 2007	15,846,323	$ 9.67	$ 47.9
January 1 December 31, 2008	3,059,689	$ 9.58	4.3
Total			$ 52.2

As of December 31, 2006, the Company had the following costless collars outstanding:

Costless Collars	Quantity	Floor	Cap	December 31, 2006 Fair Value Gain/(Loss) (In millions)
Crude Oil (Bbls)				
January 1 December 31, 2007	2,032,689	$ 59.84	$ 84.21	$ 0.7
January 1 December 31, 2008	1,195,495	$ 61.66	$ 86.80	3.4
Natural Gas (MMBtus)				
January 1 December 31, 2007	14,106,750	$ 6.87	$ 11.82	5.9
January 1 December 31, 2008	12,347,000	$ 7.83	$ 14.60	9.4
Total				$ 19.4

As of December 31, 2005, the Company had the following fixed price swaps outstanding:

Fixed Price Swaps	Quantity	Weighted-Average Fixed Price		December 31, 2005 Fair Value Gain/(Loss) (In millions)	
Crude Oil (Bbls)					
January 1 December 31, 2006	140,160	$	29.56	$	(4.7)
Natural Gas (MMBtus)					
January 1 December 31, 2006	1,827,547	$	5.53		(9.9)
Total				$	(14.6)

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As of December 31, 2005, the Company had the following costless collars outstanding:

Costless Collars	Quantity	Floor	Cap	December 31, 2005 Fair Value Gain/(Loss) (In millions)
Crude Oil (Bbls)				
January 1 December 31, 2006	251,850	$ 32.65	$ 41.52	$ (5.3)
January 1 December 31, 2007	202,575	$ 31.27	$ 39.83	(4.7)
Natural Gas (MMbtus)				
January 1 December 31, 2006	7,347,450	$ 5.78	$ 7.85	(22.3)
January 1 December 31, 2007	5,310,750	$ 5.49	$ 7.22	(16.9)
Total				$ (49.2)

As of March 30, 2007, the Company has not entered into any hedge transactions subsequent to December 31, 2006 except as follows:

Fixed Price Swaps	Quantity	Weighted-Average Fixed Price
Crude Oil (Bbls)		
June 1 December 31, 2007	627,900	$ 69.20
January 1 December 31, 2008	992,350	$ 69.34

The Company has reviewed the financial strength of its counterparties and believes the credit risk associated with these swaps and costless collars to be minimal. Hedges with counterparties that are lenders under our bank credit facility are secured under the bank credit facility.

The following table sets forth the results of hedging transactions during the periods indicated:

	Post-Merger		Pre-Merger
		Period from	Period from

	Year Ended December 31, 2006	Year Ended December 31, 2005	March 3, 2004 through December 31, 2004	January 1, 2004 through March 2, 2004
	(Dollars in thousands except per share data)			
Natural Gas				
Quantity hedged (MMbtu)	30,547,997	15,917,159	16,723,063	2,100,000
Gain (Loss) on Natural Gas contracts settled (in thousands)	$ 11,182	$ (33,010)	$ (12,223)	$ 1,431
Crude Oil				
Quantity hedged (MBbls)	1,645	836	1,375	179
Gain (Loss) on Crude Oil contracts settled (in thousands)	$ 90	$ (20,789)	$ (16,221)	$ (686)

The Company s hedge transactions resulted in a $33.0 million gain for 2006, a $53.8 million loss for 2005 and a $28.4 million loss for 2004 Post-Merger and a $0.7 million gain for 2004 Pre-Merger. $4.5 million of the 2005 loss and $7.9 million of the Post-Merger loss relates to the hedge liability recorded at the merger

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date. Hedge gains and losses are recorded by commodity type in oil and gas sales in the Statement of Operations.

Other Commitments In the ordinary course of business, the Company enters into long-term commitments to purchase seismic data. The minimum annual payments under these contracts are $19.5 million and $4.0 million in 2007 and 2008, respectively. In 2005, the Company entered into a joint exploration agreement granting the joint venture partner the right to participate in prospects covered by certain seismic data licensed by the Company in return for $6.0 million in scheduled payments to be received by the Company over a two-year period.

MMS Proceedings Mariner and a subsidiary own numerous properties in the Gulf of Mexico. Certain of such properties were leased from the Minerals Management Service (MMS) subject to the 1996 Royalty Relief Act. This Act relieved lessees of the obligation to pay royalties on certain leases until a designated volume was produced. Two of these leases held by the Company and one held by MERI contained language that limited royalty relief if commodity prices exceeded predetermined levels. Since 2000, commodity prices have exceeded the predetermined levels, except in 2002. The Company and its subsidiary believe the MMS did not have the authority to include commodity price threshold language in these leases and have withheld payment of royalties on the leases while disputing the MMS authority in two pending proceedings. The Company has recorded a liability for 100% of the estimated exposure on its two leases, which at December 31, 2006 was $21.2 million, including interest. Various legal proceedings are pending concerning this potential liability and further proceedings may be initiated with respect to years not covered by the pending proceedings. In April 2005, the MMS denied Mariner s administrative appeal of the MMS April 2001 order asserting royalties were due because price thresholds had been exceeded. In October 2005, Mariner filed suit in the U.S. District Court for the Southern District of Texas seeking judicial review of the dismissal. Upon motion of the MMS, the Company s lawsuit was dismissed on procedural grounds. In August 2006, the Company filed an appeal of such dismissal. In May 2006, the MMS issued an order asserting price thresholds were exceeded in calendar years 2001, 2003 and 2004 and, accordingly, that royalties were due under such leases on oil and gas produced in those years. Mariner has filed and is pursuing an administrative appeal of that order. The MMS has not yet made demand for non-payment of royalties alleged to be due for calendar years subsequent to 2004 on the basis of price thresholds being exceeded.

The potential liability of MERI under its lease subject to the 1996 Royalty Relief Act containing such commodity price threshold language, including interest, is approximately $2.6 million as of December 31, 2006, and a reserve of that amount was recorded as of December 31, 2006. This potential liability relates to production from the lease commencing July 1, 2005, the effective date of Mariner s acquisition of MERI.

Insurance Matters

Hurricanes Katrina and Rita (2005)

In 2005, our operations were adversely affected by one of the most active and severe hurricane seasons in recorded history, resulting in substantial shut-in and delayed production, as well as necessitating extensive facility repairs and hurricane-related abandonment operations. Throughout 2006 we completed substantial facility repairs that successfully returned substantially all of our shut-in properties to production without the loss of material reserves.

As of December 31, 2006, we had incurred approximately $84.3 million in hurricane expenditures resulting from Hurricanes Katrina and Rita, of which $68.8 million were repairs and $15.5 million were hurricane-related abandonment costs. Substantially all of the costs incurred to date pertained to the Gulf of

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Mexico assets acquired from Forest. We estimate that we will incur additional hurricane-related abandonment costs of approximately $19.1 million during 2007, as well as additional facility repair costs that cannot be estimated at this time but which we do not believe will be material.

Under the terms of the acquisition from Forest, we are responsible for performing all facility repairs and hurricane-related abandonment operations on Forest s Gulf assets at our expense, and we are entitled to receive all related insurance proceeds under Forest s insurance policies at the time of the storms, subject to our meeting Forest s deductibles. At year end, we recorded an insurance receivable of approximately $56.3 million, net of deductibles, for facility repair costs in excess of insurance deductibles inasmuch as we believe it is probable that these costs will be reimbursed under Forest s insurance policies. Moreover, we believe substantially all hurricane-related abandonment costs expended to date should also be covered under Forest s insurance.

Forest s primary insurance coverage for Katrina and Rita was provided through OIL Insurance, Ltd., an energy industry insurance cooperative. The terms of Forest s coverage included a deductible of $5 million per occurrence and a $1 billion industry-wide loss limit per occurrence. OIL has advised us that the aggregate claims resulting from each of Hurricanes Katrina and Rita are expected to exceed the $1 billion per occurrence loss limit and that our insurance recovery relating to Forest s Gulf of Mexico assets is therefore expected to be reduced pro rata with all other competing claims from the storms. To the extent insurance recovery under the primary OIL policy is reduced, Mariner believes the shortfall would be covered under Forest s commercial excess insurance coverage. Forest s excess coverage is not subject to an additional deductible and has a stated limit of $50 million. Mariner does not believe the hurricane related costs associated with Mariner s legacy properties (as opposed to those acquired from Forest) will exceed Mariner s $3.8 million deductible and we do not anticipate making a claim under our insurance.

Taking into account Forest s insurance coverage in effect at the time of Hurricanes Katrina and Rita, we currently estimate our unreimbursed losses from hurricane-related repairs and abandonments should not exceed $15 million. However, due to the magnitude of the storms and the complexity of the insurance claims being processed by the insurance industry, the timing of our ultimate insurance recovery cannot be ascertained. Although we expect to begin receiving insurance proceeds in the first half of 2007, we believe that full settlement of all hurricane-related insurance claims may take several quarters to complete. As a result, we expect to maintain a possibly significant insurance receivable for the indefinite future while we actively pursue settlement of our claims to minimize the impact to our working capital and liquidity. Any differences between our insurance recoveries and insurance receivables will be recorded as adjustments to our oil and gas properties.

Hurricane Ivan (2004)

In September 2004, we incurred damage from Hurricane Ivan that affected the Mississippi Canyon 66 (Ochre) and Mississippi Canyon 357 fields. Ochre production was shut-in until September 2006, when host platform repairs were completed and production recommenced at approximately the same net rate. Mississippi Canyon 357 production was shut-in until March 2005, when necessary repairs were completed and production recommenced, however production was subsequently shut-in due to Hurricane Katrina and is expected to recommence in the first quarter of 2007. As of December 31, 2006, we had incurred approximately $8.7 million of property damage related to Hurricane Ivan. To date, approximately $2.4 million has been recovered through insurance, with the balance of $4.7 million, net of deductible, recorded as insurance receivable, as we believe it is probable that these costs will be reimbursed under our insurance policies.

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Current Insurance Against Hurricanes

Effective March 2, 2006, Mariner was accepted as a member of OIL Insurance, Ltd. As a result, all of our properties are now insured through OIL. The coverage contains a $5 million annual per-occurrence deductible for the Company s assets and a $250 million per-occurrence loss limit. However, if a single event causes losses to OIL insured assets in excess of $500 million for Atlantic Named Windstorms (ANWS) or $750 million for non-ANWS events, amounts covered for such losses will be reduced on a pro rata basis among OIL members. Our current commercially underwritten insurance coverage for all Mariner assets is effective through June 1, 2007, and will pay out after OIL coverage has eroded. We have acquired additional windstorm/physical damage insurance covering all of Mariner s assets to supplement the existing OIL coverage. The coverage provides up to $51 million of annual loss coverage (with no additional deductible) if recoveries from OIL for insured losses are reduced by the OIL overall loss limit (i.e., if losses to OIL insured assets from a single event exceed $500 million for ANWS or $750 million for non-ANWS event).

In June 2006, we acquired additional limited business interruption insurance on most of our deepwater producing fields which becomes effective 60 days after a field is shut-in due to a covered event. The coverage varies by field and is limited to a maximum recovery resulting from windstorm damage of approximately $43 million (assuming all covered fields are shut-in for the full insurance term of 365 days).

Litigation The Company, in the ordinary course of business, is a claimant and/or a defendant in various legal proceedings, including proceedings as to which the Company has insurance coverage and those that may involve the filing of liens against the Company or its assets. The Company does not consider its exposure in these proceedings, individually or in the aggregate, to be material. See MMS Proceedings .

Letters of Credit On March 2, 2006, Mariner obtained a $40 million letter of credit under its bank credit facility that is not included as a use of the borrowing base. The letter of credit was issued in favor of Forest to secure performance of our obligation to drill and complete 150 wells under an existing drill-to-earn program. This letter of credit will reduce periodically by an amount equal to the product of $0.5 million times the number of wells exceeding 75 that are drilled and completed. As of January 2007, the letter of credit had been reduced by approximately $18 million based upon 109 wells drilled and completed as of December 31, 2006. We expect additional reductions based upon quarterly drilling activity, with the next reduction anticipated in April 2007. The letter of credit balance as of December 31, 2006 was $35.7 million.

Mariner s bank credit facility also has a letter of credit of up to $50 million that is included as a use of the borrowing base. As of December 31, 2006, four such letters of credit totaling $16.3 million were outstanding. $14.6 million of this is required for plugging and abandonment obligations at certain of Mariner s offshore fields.

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8. Income Taxes

The components of the federal income tax provision are:

	Post-Merger			Pre-Merger
	Year Ending December 31, 2006	Year Ending December 31, 2005	Period from March 3, 2004 through December 31, 2004	Period from January 1 through March 2, 2004
	(In thousands)			
Current	$	$	$	$
Deferred	67,344	21,294	28,783	8,072
Total	$ 67,344	$ 21,294	$ 28,783	$ 8,072

The following table sets forth a reconciliation of the statutory federal income tax with the income tax provision (in thousands):

	Post-Merger						Pre-Merger	
	Year Ending December 31, 2006		Year Ending December 31, 2005		Period from March 3, 2004 through December 31, 2004		Period from January 1 through March 2, 2004	
	(In thousands except percentages)							
Income before income taxes including change in accounting in 2003	$ 188,806		$ 61,775		$ 82,402		$ 22,898	
Income tax expense computed at	$ 66,081	35%	$ 21,621	35%	$ 28,841	35%	$ 8,014	35%

statutory rates								
State tax expense, net of the federal benefit	946	1%						
Other	317		(327)	(1)%	(58)		58	
Tax Expense	$ 67,344	36%	$ 21,294	34%	$ 28,783	35%	$ 8,072	35%

Federal income taxes of $1.6 million were paid by the Company for the 2004 Post-Merger period for alternative minimum tax liability, and no federal income taxes were paid by the Company in the years ended December 31, 2005 and 2006.

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The Company s deferred tax position reflects the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting. Significant components of the deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2006	2005
	(In thousands)	
Deferred Tax Assets:		
Net operating loss carry forwards	$ 114,650	$ 45,171
Alternative minimum Tax Credit	1,606	1,606
Differences between book and tax basis of receivables		
Other comprehensive income-derivative instruments		22,332
Valuation allowance	(468)	(5,909)
Employee stock compensation	1,420	9,004
Other		671
Total net deferred tax assets	$ 117,208	$ 72,875
Current Deferred Tax Liabilities:		
Deferred gain	$ (9,158)	$
Other comprehensive income-derivative instruments	(19,119)	
Other	35	
Total current deferred tax liabilities	($ 28,242)	$ 0
Long Term Deferred Tax Liabilities:		
Other comprehensive income-derivative instruments	(6,019)	
Differences between book and tax basis properties	(372,771)	(72,744)
Total long term deferred tax liabilities	$ (378,790)	$ (72,744)
Total net deferred (liability) asset	$ (289,824)	$ 131

At December 31, 2006, the Company had federal and state net operating loss carryforwards of approximately $326.2 million and $6.9 million, respectively, which will expire in varying amounts between 2018 and 2024 and are subject to certain limitations on an annual basis. A valuation allowance has been established against state net operating losses where it is more likely than not that such losses will expire before they are utilized. The current portion of deferred tax liabilities is $26.9 million.

The Company has incurred changes of control as defined by the Internal Revenue Code Section 382 (Section 382). Accordingly, the rules of Section 382 will limit the utilization of our net operating losses. The limitation is determined by multiplying the value of the stock immediately before the ownership change by the applicable long-term exempt rate. It is estimated that $61.5 million of net operating losses will be subject to an annual limitation of approximately $4.0 million, and an estimated $176.4 million of net operating losses will be subject to an annual limitation of approximately $33.0 million. Any unused annual limitation may be carried over to later years. The amount of the limitation may under certain circumstances be increased by the built-in gains in assets held by us at the time of the change that are recognized in the five-year period after the change.

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Deferred tax assets relating to tax benefits of employee stock option grants have been reduced to reflect exercises in fiscal 2006. Some exercises resulted in tax deductions in excess of previously recorded benefits based on the option value at the time of grant (windfalls). Although these additional tax benefits or windfalls are reflected in net operating tax carryforwards pursuant to SFAS 123(R), the additional tax benefit associated with the windfall is not recognized until the deduction reduces taxes payable. Accordingly, since the tax benefit does not reduce our current taxes payable in fiscal 2006 due to net operating loss carryforwards, these windfall tax benefits are not reflected in our net operating losses in deferred tax assets for fiscal 2006. Windfalls included in net operating loss carryforwards but not reflected in deferred tax assets for fiscal 2006 are $7.9 million.

9. Segment Information

The Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) 131, Disclosures about Segments of an Enterprise and Related Information establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise that engage in activities from which it may earn revenues and incur expenses. Separate financial information is available and this information is regularly evaluated by the chief decision maker for the purpose of allocating resources and assessing performance.

We measure financial performance as a single enterprise, allocating capital resources on a project-by-project basis across our entire asset base to maximize profitability. We utilize a company-wide management team that administers all enterprise operations encompassing the exploration, development and production of natural gas and oil. All operations are located in the United States. Inasmuch as we are one enterprise, we do track basic operational data by area, and do not maintain comprehensive financial statement information by area.

10. Quarterly Financial Information (Unaudited)

The following table presents Mariner s unaudited quarterly financial information for 2006 and 2005:

	2006 Quarter Ended			
	December 31	September 30	June 30	March 31
	(In thousands, except share data)			
Total revenues	$ 221,114	$ 190,466	$ 167,665	$ 80,260
Operating income	$ 78,955	$ 67,713	$ 57,787	$ 23,015
Income before income taxes	$ 66,197	$ 56,226	$ 49,260	$ 17,123
Provision for income taxes	22,959	19,836	18,556	5,993
Net income	$ 43,238	$ 36,390	$ 30,704	$ 11,130

Earnings per share:(1)				
Net income per share basic	$ 0.51	$ 0.43	$ 0.36	$ 0.22
Net income per share diluted	$ 0.50	$ 0.43	$ 0.36	$ 0.21
Weighted average shares outstanding basic	85,499,227	85,493,237	84,720,331	49,615,479
Weighted average shares outstanding diluted	85,750,225	85,581,108	85,027,561	51,844,610

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	2005 Quarter Ended			
	December 31	September 30	June 30	March 31
	(In thousands, except share data)			
Total revenues	$ 48,465	$ 43,662	$ 51,776	$ 55,807
Operating income	$ 10,471	$ 12,263	$ 18,070	$ 28,364
Income before income taxes	$ 7,798	$ 10,549	$ 16,382	$ 27,046
Provision for income taxes	2,880	3,606	5,537	9,271
Net income	$ 4,918	$ 6,943	$ 10,845	$ 17,775
Earnings per share:(1)				
Net income per share basic	$ 0.15	$ 0.21	$ 0.33	$ 0.58
Net income per share diluted	$ 0.14	$ 0.20	$ 0.32	$ 0.58
Weighted average shares outstanding basic(2)	33,348,130	33,348,130	33,348,130	30,558,130
Weighted average shares outstanding diluted	35,189,290	34,806,842	33,822,079	30,599,152

(1) The sum of quarterly net income per share may not agree with total year net income per share, as each quarterly computation is based on the weighted average shares outstanding.

(2) Restated for the 1,380 to 29,748,130 stock split, effective March 3, 2005.

11. Supplemental Guarantor Information (Unaudited)

On April 24, 2006, the Company sold and issued to eligible purchasers $300 million aggregate principal amount of its 71/2% Senior Notes due 2013. The Notes are jointly and severally guaranteed on a senior unsecured basis by the Company s existing and future domestic subsidiaries (Subsidiary Guarantors). In the future, the guarantees may be released or terminated under certain circumstances. Each subsidiary guarantee ranks senior in right of payment to any future subordinated indebtedness of the guarantor subsidiary, ranks equally in right of payment to all existing and future senior unsecured indebtedness of the guarantor subsidiary and effectively subordinate to all existing and future secured indebtedness of the guarantor subsidiary, including its guarantees of indebtedness under the Company s bank credit facility, to the extent of the collateral securing such indebtedness.

On March 2, 2006, a subsidiary of the Company completed a merger transaction with Forest Energy Resources, Inc. (the Forest Merger). Prior to the transaction, Forest transferred and contributed the assets of, and certain liabilities associated with, its Gulf of Mexico operations to Forest Energy Resources, Inc. Immediately prior to the Forest Merger, Forest distributed all of the outstanding shares of Forest Energy Resources, Inc. to Forest shareholders on a pro rata basis. Forest Energy Resources, Inc. then merged with a newly formed subsidiary of Mariner, became a new wholly owned subsidiary of Mariner and changed its name to MERI. The other two guarantors were formed on December 29, 2004, did not commence operations prior to January 1, 2005 and did not have material operations in 2005. The net equity of the guarantors was $0 as of December 31, 2004 and December 31, 2005, therefore, historical information prior to 2006 is not presented.

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The following information sets forth our Consolidating Balance Sheet as of December 31, 2006, our Consolidating Statement of Operations for the year ended December 31, 2006, and our Consolidating Statement of Cash Flows for the year ended December 31, 2006. Investments in our subsidiaries are accounted for on the consolidation method; accordingly, entries necessary to consolidate the Parent Company and the Subsidiary Guarantors are reflected in the eliminations column. In the opinion of management, separate complete financial statements of the Subsidiary Guarantors would not provide additional material information that would be useful in assessing their financial composition.

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MARINER ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
December 31, 2006
(In thousands except share data)
(Unaudited)

	Parent Company	Subsidiary Guarantors	Eliminations	Consolidated Mariner Energy, Inc.
Current Assets:				
Cash and cash equivalents	$ 9,579	$	$	$ 9,579
Receivables, net	51,118	98,574		149,692
Insurance receivables	4,673	56,328		61,001
Derivative financial instruments	54,488			54,488
Prepaid seismic	19,468	1,367		20,835
Prepaid expenses and other	10,927	1,919		12,846
Total current assets	150,253	158,188		308,441
Property and Equipment:				
Oil and gas properties, full-cost method: Proved	922,385	1,422,656		2,345,041
Unproved, not subject to amortization	39,885	361		40,246
Total	962,270	1,423,017		2,385,287
Other property and equipment	13,444	68		13,512
Accumulated depreciation, depletion and amortization	(233,087)	(153,650)		(386,737)
Total property and equipment, net	742,627	1,269,435		2,012,062
Investment in subsidiaries	945,108		(945,108)	
Intercompany receivable	153,793		(153,793)	
Intercompany note receivable	176,200		(176,200)	
Restricted cash	31,830			31,830
Goodwill		288,504		288,504
Derivative financial instruments	17,153			17,153
Other Assets, Net of Amortization	22,163			22,163
TOTAL ASSETS	$ 2,239,127	$ 1,716,127	$ (1,275,101)	$ 2,680,153

Current Liabilities:				
Accounts payable	$ 1,822	$	$	$ 1,822
Accrued liabilities	61,779	13,101		74,880
Accrued capital costs	60,146	38,882		99,028
Deferred income tax	26,857			26,857
Abandonment liability	9,312	20,348		29,660
Accrued interest	7,355	125		7,480
Total current liabilities	167,271	72,456		239,727
Long-Term Liabilities:				
Abandonment liability	48,509	139,801		188,310
Deferred income tax	36,701	226,187		262,888
Intercompany payable		153,793	(153,793)	
Long term debt, bank credit facility	354,000			354,000
Long term debt, senior unsecured notes	300,000			300,000
Other long-term liabilities	30,055	2,582		32,637
Intercompany note payable		176,200	(176,200)	
Total long-term liabilities	769,265	698,563	(329,993)	1,137,835
Commitments and Contingencies Stockholders Equity:				
Preferred stock, $.0001 par value; 20,000,000 shares authorized, no shares issued and outstanding at December 31, 2006				
Common stock, $.0001 par value; 180,000,000 shares authorized, 86,375,840 shares issued and outstanding at December 31, 2006	9	5	(5)	9
Additional paid-in-capital	1,043,923	886,142	(886,142)	1,043,923
Accumulated other comprehensive income	43,097			43,097
Accumulated retained earnings	215,562	58,961	(58,961)	215,562
Total stockholders equity	1,302,591	945,108	(945,108)	1,302,591
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 2,239,127	$ 1,716,127	$ (1,275,101)	$ 2,680,153

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CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2006
(In thousands)
(Unaudited)

	Parent Company	Subsidiary Guarantors	Eliminations	Consolidated Mariner Energy, Inc.
Revenues:				
Oil sales	$ 141,862	$ 101,389	$	$ 243,251
Gas sales	185,175	227,792		412,967
Other revenues	3,287			3,287
Total revenues	330,324	329,181		659,505
Costs and Expenses:				
Lease operating expense	34,728	56,935		91,663
Severance and ad valorem taxes	7,294	1,704		8,998
Transportation expense	3,341	1,736		5,077
General and administrative expense	32,422	1,713		34,135
Depreciation, depletion and amortization	128,410	163,752		292,162
Total costs and expenses	206,195	225,840		432,035
OPERATING INCOME	124,129	103,341		227,470
Earnings of Affiliates	58,961		(58,961)	
Interest:				
Income	8,737	1	(7,753)	985
Expense, net of amounts capitalized	(35,714)	(11,688)	7,753	(39,649)
Income before taxes	156,113	91,654	(58,961)	188,806
Provision for income taxes	(34,651)	(32,693)		(67,344)
NET INCOME	$ 121,462	$ 58,961	$ (58,961)	$ 121,462

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MARINER ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2006
(In thousands)
(Unaudited)

	Parent Company	Subsidiary Guarantors	Consolidated Mariner Energy, Inc.
Operating Activities:			
Net income	$ 62,501	$ 58,961	$ 121,462
Adjustments to reconcile net loss to net cash provided by operating activities:			
Deferred income tax	18,409	48,935	67,344
Depreciation, depletion and amortization	131,554	163,738	295,292
Ineffectiveness of derivative instruments	(4,175)		(4,175)
Stock compensation	10,229		10,229
Changes in operating assets and liabilities:			
Receivables	32,991	(45,737)	(12,746)
Insurance receivables	(131)	(55,559)	(55,690)
Prepaid expenses and other	6,686	9,088	15,774
Other assets	(6,230)	9,082	2,852
Accounts payable and accrued liabilities	(60,609)	(109,210)	(169,819)
Net realized loss on derivative contracts acquired		6,638	6,638
Net cash provided by operating activities	191,225	85,936	277,161
Investing Activities:			
Acquisitions and additions to property and equipment	(330,298)	(212,283)	(542,581)
Property conveyances	33,829		33,829
Purchase price adjustment		(20,808)	(20,808)
Restricted cash designated for investment	(31,830)		(31,830)
Net cash used in investing activities	(328,299)	(233,091)	(561,390)
Financing Activities:			
Repayment of term note	(4,000)		(4,000)
Credit facility repayments, net	202,000		202,000
		(176,200)	(176,200)

Debt and working capital acquired from Forest Energy Resources, Inc.						
Proceeds from note offering		300,000				300,000
Repurchase of stock		(14,027)				(14,027)
Deferred offering costs		(12,601)				(12,601)
Net realized loss on derivative contracts acquired				(6,638)		(6,638)
Proceeds from exercise of stock options		718				718
Net activity in investments from subsidiaries		(329,993)		329,993		
Net cash provided by financing activities		142,097		147,155		289,252
Increase in Cash and Cash Equivalents		5,023				5,023
Cash and Cash Equivalents at Beginning of Period		4,556				4,556
Cash and Cash Equivalents at End of Period	$	9,579	$		$	9,579

12. Subsequent Events

None

MARINER ENERGY, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2006 and 2005,
for the Period from March 3, 2004 through December 31, 2004 (Post-Merger),
and for the Period from January 1, 2004 through March 2, 2004 (Pre-Merger)

13. Oil and Gas Producing Activities and Capitalized Costs (Unaudited)

The results of operations from the Company s oil and gas producing activities were as follows (in thousands):

	Year Ending December 31,		
	2006	2005	2004
	(In thousands)		
Oil and gas sales	$ 656,218	$ 196,122	$ 214,187
Lease operating costs	(91,663)	(24,882)	(22,806)
Severance and ad valorem taxes	(8,998)	(5,000)	(2,678)
Transportation	(5,077)	(2,336)	(3,029)
Depreciation, depletion and amortization	(292,162)	(59,426)	(64,911)
Results of operations	$ 258,318	$ 104,478	$ 120,763

The following table summarizes the Company s capitalized costs of oil and gas properties.

	As of December 31,		
	2006	2005	2004
	(In thousands)		
Unevaluated properties, not subject to amortization	$ 40,246	$ 40,176	$ 36,245
Properties subject to amortization	2,345,041	574,725	319,553
Capitalized costs	2,385,287	614,901	355,798
Accumulated depreciation, depletion and amortization	(384,948)	(109,183)	(52,680)
Net capitalized costs	$ 2,000,339	$ 505,718	$ 303,118

Costs incurred in property acquisition, exploration and development activities were as follows (in thousands, except per equivalent mcf amounts):

	Year Ending December 31,		
	2006	2005	2004

	(In thousands)		
Property acquisition costs			
Unproved properties	$ 47,655	$ 12,366	$ 4,844
Unproved properties Forest Acquisition	116,699		
Proved properties Forest Acquisition(1)	1,094,712		
Proved properties West Cameron 110/111	70,928		
Proved properties Other		52,503	4,863
Exploration costs	143,054	50,049	43,022
Development costs	323,843	121,685	88,626
Capitalized internal costs	14,471	6,016	7,334
Total costs incurred	$ 1,811,362	$ 242,619	$ 148,689
Depreciation, depletion and amortization rate per equivalent Mcf	$ 3.63	$ 2.04	$ 1.73

(1) In conjunction with the acquisition, includes asset retirement cost of approximately $165.2

The Company capitalizes interest and internal costs associated with exploration activities in progress. These capitalized costs were approximately 32%, 35% and 46% of the Company s gross general and

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MARINER ENERGY, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2006 and 2005,
for the Period from March 3, 2004 through December 31, 2004 (Post-Merger),
and for the Period from January 1, 2004 through March 2, 2004 (Pre-Merger)

administrative expenses, excluding stock compensation expense for the years ended December 31, 2006, 2005 and 2004, respectively.

The following table summarizes costs related to unevaluated properties that have been excluded from amounts subject to amortization at December 31, 2006. There are no individually significant properties or significant development projects included in our unevaluated property balance. The Company regularly evaluates these costs to determine whether impairment has occurred. The majority of these costs are expected to be evaluated and included in the amortization base within three years.

	Period Incurred Year Ended December 31, 2006	2005	2004	Prior	Total at December 31, 2006
Unproved leasehold acquisition and geological and geophysical costs	$ 22,734	$ 7,619	$ 2,300	$ 4,460	$ 37,113
Unevaluated exploration and development costs	2,500	(23)	171		2,648
Capitalized interest	185	128	104	68	485
Total	$ 25,419	$ 7,724	$ 2,575	$ 4,528	$ 40,246

All of the excluded costs at December 31, 2006 relate to activities in the Gulf of Mexico.

14. Supplemental Oil and Gas Reserve and Standardized Measure Information (Unaudited)

Estimated proved net recoverable reserves as shown below include only those quantities that are expected to be commercially recoverable at prices and costs in effect at the balance sheet dates under existing regulatory practices and with conventional equipment and operating methods. Proved developed reserves represent only those reserves expected to be recovered through existing wells. Proved undeveloped reserves include those reserves expected to be recovered from new wells on undrilled acreage or from existing wells on which a relatively major expenditure is required for recompletion. Also included in the Company s proved undeveloped reserves as of December 31, 2006 were reserves expected to be recovered from wells for which certain drilling and completion operations had occurred as of that date, but for which significant future capital expenditures were required to bring the wells into commercial production.

Reserve estimates are inherently imprecise and may change as additional information becomes available. Furthermore, estimates of oil and gas reserves, of necessity, are projections based on engineering data, and there are uncertainties inherent in the interpretation of such data as well as in the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured exactly, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Accordingly, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of the future net cash flows expected therefrom prepared by different engineers or by the same engineers at different times may vary substantially. There also can be no assurance that the reserves set forth herein will ultimately be produced or that the proved undeveloped reserves set forth herein will be developed within the periods anticipated. It is likely that variances from the estimates will be material. In addition, the estimates of future net revenues from proved reserves of the Company and the present value thereof are based upon certain assumptions about future production levels, prices and costs that may not be correct when judged against actual subsequent experience. The Company emphasizes with respect to the estimates prepared by independent petroleum engineers that the discounted future net cash flows should not be

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MARINER ENERGY, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2006 and 2005,
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construed as representative of the fair market value of the proved reserves owned by the Company since discounted future net cash flows are based upon projected cash flows which do not provide for changes in oil and natural gas prices from those in effect on the date indicated or for escalation of expenses and capital costs subsequent to such date. The meaningfulness of such estimates is highly dependent upon the accuracy of the assumptions upon which they are based. Actual results will differ, and are likely to differ materially, from the results estimated.

ESTIMATED QUANTITIES OF PROVED RESERVES

	Oil (Mbbl)	Natural Gas (MMcf)	Natural Gas Equivalent (MMcfe)
December 31, 2003	13,079	127,584	206,060
Revisions of previous estimates	1,249	19,797	27,291
Extensions, discoveries and other additions	2,225	28,334	41,684
Sale of reserves in place			
Production	(2,298)	(23,782)	(37,570)
December 31, 2004	14,255	151,933	237,465
Revisions of previous estimates	835	963	5,971
Extensions, discoveries and other additions	1,167	22,307	29,309
Purchases of reserves in place	7,181	50,837	93,923
Sales of reserves in place			
Production	(1,791)	(18,354)	(29,100)
December 31, 2005	21,647	207,686	337,568
Revisions of previous estimates	8,685	(58,055)	(5,947)
Extensions, discoveries and other additions	9,823	93,112	152,050
Purchases of reserves in place	12,410	244,741	319,201
Sales of reserves in place	(354)	(4,733)	(6,857)
Production	(4,075)	(56,064)	(80,512)
December 31, 2006	48,136	426,687	715,503

ESTIMATED QUANTITIES OF PROVED DEVELOPED RESERVES

	Oil (Mbbl)	Natural Gas (MMcf)	Natural Gas Equivalent (MMcfe)
December 31, 2003	5,951	60,881	96,587
December 31, 2004	6,339	71,361	109,395
December 31, 2005	9,564	110,011	167,395
December 31, 2006	26,807	247,821	408,663

The following is a summary of a Standardized Measure of discounted net future cash flows related to the Company s proved oil and gas reserves. The information presented is based on a calculation of proved reserves using discounted cash flows based on year-end prices, costs and economic conditions and a 10% discount rate.

MARINER ENERGY, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
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The additions to proved reserves from new discoveries and extensions could vary significantly from year to year. Additionally, the impact of changes to reflect current prices and costs of reserves proved in prior years could also be significant. Accordingly, the information presented below should not be viewed as an estimate of the fair value of the Company s oil and gas properties, nor should it be considered indicative of any trends.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

	Year Ending December 31,		
	2006	2005	2004
	(In thousands)		
Future cash inflows	$ 4,858,420	$ 3,451,321	$ 1,601,240
Future production costs	(1,278,228)	(687,583)	(308,190)
Future development costs	(1,016,519)	(386,497)	(193,689)
Future income taxes	(528,135)	(695,921)	(285,701)
Future net cash flows	2,035,538	1,681,320	813,660
Discount of future net cash flows at 10% per annum	(795,677)	(774,755)	(319,278)
Standardized measure of discounted future net cash flows	$ 1,239,861	$ 906,565	$ 494,382

During recent years, there have been significant fluctuations in the prices paid for crude oil in the world markets and in the United States, including the posted prices paid by purchasers of the Company s crude oil. The Henry Hub cash prices of oil and gas at December 31, 2006, 2005 and 2004, used in the above table, were $61.06, $61.04 and $43.45 per Bbl, respectively, and $5.62, $10.05 and $6.15 per Mmbtu, respectively, and do not include the effect of hedging contracts in place at period end.

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MARINER ENERGY, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
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and for the Period from January 1, 2004 through March 2, 2004 (Pre-Merger)

The following are the principal sources of change in the Standardized Measure of discounted future net cash flows (in thousands):

	Year Ending December 31,		
	2006	2005	2004
	(In thousands)		
Sales and transfers of oil and gas produced, net of production costs	$ (553,766)	$ (213,189)	$ (185,673)
Net changes in prices and production costs	(434,364)	425,317	27,767
Extensions and discoveries, net of future development and production costs	311,077	119,501	88,167
Purchases of reserves in place	568,576	189,782	14,738
Development costs during period and net change in development costs	245,050	46,632	44,417
Revision of previous quantity estimates	101,331	16,323	89,814
Sales of reserves in place	(10,642)		
Net change in income taxes	53,549	(201,647)	(27,634)
Accretion of discount before income taxes	90,656	49,438	41,816
Changes in production rates (timing) and other	(38,172)	(19,974)	(17,189)
Net change	$ 333,295	$ 412,183	$ 76,223

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.***

None

Item 9A. ***Controls and Procedures.***

Evaluation of Disclosure Controls and Procedures

Mariner, under the supervision and with the participation of its management, including Mariner s principal executive officer and principal financial officer, evaluated the effectiveness of its disclosure controls and procedures, as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, our principal executive officer and principal financial officer concluded that Mariner s disclosure controls and procedures are effective.

Changes in Internal Controls Over Financial Reporting.

There were no changes that occurred during the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information.***

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance.***

The information required by this item is incorporated by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year covered by this Form 10-K, and with respect to information regarding our executive officers, to Item 4. Submission of Matters to a Vote of Security Holders Executive Officers of the Registrant in this Form 10-K.

Item 11. ***Executive Compensation.***

The information required by this item is incorporated by reference from our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year covered by this Form 10-K.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The information required by this item is incorporated by reference from our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year covered by this Form 10-K.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

The information required by this item is incorporated by reference from our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year covered by this Form 10-K.

Item 14. ***Principal Accounting Fees and Services.***

The information required by this item is incorporated by reference from our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year covered by this Form 10-K.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

(a)(1) *Financial Statements:*

The financial statements included in Item 8 above are filed as part of this Form 10-K.

(a)(2) *Financial Statement Schedules:*

None.

(a)(3) and (b) *Exhibits:*

The exhibits listed on the Exhibit Index which follows the Signatures hereto are filed as part of this Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Mariner Energy, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 2007.

Mariner Energy, Inc.

By:	/s/ Scott D. Josey
Name:	Scott D. Josey
Title:	Chairman of the Board, Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of Mariner Energy, Inc. in the capacities indicated as of March 30, 2007:

Signature	Title
/s/ Scott D. Josey Scott D. Josey	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)
/s/ John H. Karnes John H. Karnes	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
/s/ Bernard Aronson Bernard Aronson	Director
/s/ Alan R. Crain, Jr. Alan R. Crain, Jr.	Director
/s/ Jonathan Ginns Jonathan Ginns	Director
/s/ John F. Greene John F. Greene	Director
/s/ H. Clayton Peterson H. Clayton Peterson	Director
/s/ John L. Schwager John L. Schwager	Director

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INDEX TO EXHIBITS

Exhibit Number	Description of Document
2.1*	Agreement and Plan of Merger dated as of September 9, 2005 among Forest Oil Corporation, SML Wellhead Corporation, Mariner Energy, Inc. and MEI Sub, Inc. (incorporated by reference to Exhibit 2.1 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
2.2*	Letter Agreement dated as of February 3, 2006 among Forest Oil Corporation, Forest Energy Resources, Inc., Mariner Energy, Inc. and MEI Sub, Inc. amending the transaction agreements (incorporated by reference to Exhibit 2.2 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
2.3*	Letter Agreement, dated as of February 28, 2006, among Forest Oil Corporation, Forest Energy Resources, Inc., Mariner Energy, Inc. and MEI Sub, Inc. amending the transaction agreements (incorporated by reference to Exhibit 2.1 to Mariner s Form 8-K filed on March 3, 2006).
2.4*	Letter Agreement, dated April 12, 2006, among Forest Oil Corporation, Mariner Energy Resources, Inc., and Mariner Energy, Inc. amending the transaction agreements (incorporated by reference to Exhibit 2.1 to Mariner s Form 8-K filed on April 13, 2006).
3.1*	Second Amended and Restated Certificate of Incorporation of Mariner Energy, Inc., as amended (incorporated by reference to Exhibit 3.1 to Mariner s Registration Statement on Form S-8 (File No. 333-132800) filed on March 29, 2006).
3.2*	Fourth Amended and Restated Bylaws of Mariner Energy, Inc. (incorporated by reference to Exhibit 3.2 to Mariner s Registration Statement on Form S-4 (File No. 333-129096) filed on October 18, 2005).
4.1*	Indenture, dated as of April 24, 2006, among Mariner Energy, Inc., the guarantors party thereto and Wells Fargo Bank, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Mariner s Form 8-K filed on April 25, 2006).
4.2*	Exchange and Registration Rights Agreement, dated as of April 24, 2006, among Mariner Energy, Inc., the guarantors party thereto and the initial purchasers party thereto (incorporated by reference to Exhibit 4.2 to Mariner s Form 8-K filed on April 25, 2006).
4.3*	Amended and Restated Credit Agreement, dated as of March 2, 2006, among Mariner Energy, Inc. and Mariner Energy Resources, Inc., as Borrowers, the Lenders party thereto from time to time, as Lenders, and Union Bank of California, N.A., as Administrative Agent and as Issuing Lender (incorporated by reference to Exhibit 4.1 to Mariner s Form 8-K filed on March 3, 2006).
4.4*	Amendment No. 1 and Consent, dated as of April 7, 2006, among Mariner Energy, Inc. and Mariner Energy Resources, Inc., as Borrowers, the Lenders party thereto, and Union Bank of California, N.A., as Administrative Agent for such Lenders and as Issuing Lender for such Lenders (incorporated by reference to Exhibit 4.1 to Mariner s Form 8-K filed on April 13, 2006).
4.5*	Credit Agreement among Mariner Energy Inc., the Lenders party thereto and Union Bank of California, N.A., dated as of March 2, 2004 (incorporated by reference to Exhibit 4.5 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
4.6*	Amendment No. 1 and Assignment Agreement among Mariner Energy, Inc., Mariner Holdings, Inc., Mariner Energy LLC, the Lenders party thereto, and Union Bank of California, N.A., dated as of July 14, 2004 (incorporated by reference to Exhibit 4.6 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
4.7*	Waiver and Consent among Mariner Energy, Inc., Mariner Holdings, Inc., Mariner Energy LLC, the Union Bank of California, N.A. and the Lenders party thereto, dated December 29, 2004 (incorporated by reference to Exhibit 4.7 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).

4.8*	Amendment No. 2 and Consent among Mariner Energy, Inc., Mariner Holdings, Inc., Mariner Energy LLC, the Lenders party thereto, and the Union Bank of California, N.A., dated February 7, 2005 (incorporated by reference to Exhibit 4.8 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
4.9*	Amendment No. 3 and Consent among Mariner Energy, Inc., Mariner LP LLC, Mariner Energy Texas LP, the Lenders party thereto, and the Union Bank of California, N.A., dated March 3, 2005 (incorporated by reference to Exhibit 4.9 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).

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Exhibit Number	Description of Document
4.10*	Amendment No. 4 among Mariner Energy, Inc., Mariner LP LLC, Mariner Energy Texas LP, the Lenders party thereto, and Union Bank of California, N.A., dated as of July 14, 2005 (incorporated by reference to Exhibit 4.10 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
4.11*	Amendment No. 5 among Mariner Energy, Inc., Mariner LP LLC, Mariner Energy Texas LP, the Lenders party thereto, and Union Bank of California, N.A., dated as of August 5, 2005 (incorporated by reference to Exhibit 4.11 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
4.12*	Amendment No. 6, Waiver and Agreement among Mariner Energy, Inc., Mariner LP LLC, Mariner Energy Texas LP, the Lenders party thereto, and Union Bank of California, N.A., dated as of January 20, 2006 (incorporated by reference to Exhibit 4.12 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.1*	Purchase Agreement, dated as of April 19, 2006, among Mariner Energy, Inc., Mariner LP LLC, Mariner Energy Resources, Inc., Mariner Energy Texas LP and the initial purchasers party thereto (incorporated by reference to Exhibit 10.1 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.2*	Form of Indemnification Agreement between Mariner Energy, Inc. and each of its directors and officers (incorporated by reference to Exhibit 10.2 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.3	Mariner Energy, Inc. Second Amended and Restated Stock Incentive Plan, effective as of February 6, 2007.
10.4*	Form of Non-Qualified Stock Option Agreement, Mariner Energy, Inc. Amended and Restated Stock Incentive Plan for employees without employment agreements (incorporated by reference to Exhibit 10.5 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.5*	Form of Non-Qualified Stock Option Agreement, Mariner Energy, Inc. Amended and Restated Stock Incentive Plan for employees with employment agreements (incorporated by reference to Exhibit 10.6 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.6	Form of Restricted Stock Agreement (directors) under Mariner Energy, Inc. Second Amended and Restated Stock Incentive Plan.
10.7	Form of Restricted Stock Agreement (employee with employment agreement) under Mariner Energy, Inc. Second Amended and Restated Stock Incentive Plan.
10.8	Form of Restricted Stock Agreement (employee without employment agreement) under Mariner Energy, Inc. Second Amended and Restated Stock Incentive Plan.
10.9*	Mariner Energy, Inc. Equity Participation Plan, effective March 11, 2005 (incorporated by reference to Exhibit 10.10 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.10*	First Amendment to Mariner Energy, Inc. Equity Participation Plan, effective as of March 16, 2006 (incorporated by reference to Exhibit 10.11 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.11*	Form of Restricted Stock Agreement, Mariner Energy, Inc. Equity Participation Plan for employees with employment agreements (incorporated by reference to Exhibit 10.12 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.12*	Form of Restricted Stock Agreement, Mariner Energy, Inc. Equity Participation Plan for employees without employment agreements (incorporated by reference to Exhibit 10.13 to Mariner s Registration

	Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.13*	Form of Nonstatutory Stock Option Agreement for certain employees of Mariner Energy, Inc. or Mariner Energy Resources, Inc. who formerly held unvested options issued by Forest Oil Corporation (incorporated by reference to Exhibit 10.14 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.14*	Employment Agreement by and between Mariner Energy, Inc. and Scott D. Josey, dated February 7, 2005 (incorporated by reference to Exhibit 10.15 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).

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Exhibit Number	Description of Document
10.15*	Employment Agreement by and between Mariner Energy, Inc. and Dalton F. Polasek, dated February 7, 2005 (incorporated by reference to Exhibit 10.16 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.16*	Employment Agreement by and between Mariner Energy, Inc. and Michiel C. van den Bold, dated February 7, 2005 (incorporated by reference to Exhibit 10.17 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.17*	Amendment to Employment Agreement by and between Mariner Energy, Inc. and Michiel C. van den Bold, dated as of June 8, 2006 (incorporated by reference to Exhibit 10.18 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.18*	Second Amended and Restated Employment Agreement by and between Mariner Energy, Inc., Mariner Energy Resources, Inc. and Judd Hansen, dated June 8, 2006 (incorporated by reference to Exhibit 10.19 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.19*	Employment Agreement by and between Mariner Energy, Inc. and Teresa Bushman, dated February 7, 2005 (incorporated by reference to Exhibit 10.20 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.20*	Amendment to Employment Agreement by and between Mariner Energy, Inc. and Teresa G. Bushman, dated as of June 8, 2006 (incorporated by reference to Exhibit 10.21 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.21*	Employment Agreement by and between Mariner Energy, Inc. and Ricky G. Lester, dated February 7, 2005 (incorporated by reference to Exhibit 10.22 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.22*	Consulting Agreement between Mariner Energy, Inc. and Ricky G. Lester, dated effective August 16, 2006 (incorporated by reference to Exhibit 10.23 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.23*	Registration Rights Agreement among Mariner Energy, Inc. and each of the investors identified therein, dated March 11, 2005 (incorporated by reference to Exhibit 10.24 to Mariner s Registration Statement on Form S-4 (File No. 333-137441) filed on September 19, 2006).
10.24*	Amendment No. 2, dated as of October 13, 2006, among Mariner Energy, Inc. and Mariner Energy Resources, Inc., as Borrowers, the Lenders party thereto, and Union Bank of California, N.A., as Administrative Agent for such Lenders and as Issuing Lender for such Lenders (incorporated by Reference to Exhibit 4.1 to Mariner s current report on Form 8-K filed on October 18, 2006).
10.25*	Employment Agreement, by and between Mariner Energy, Inc. and John H. Karnes, dated as of October 16, 2006 (incorporated by reference to Exhibit 10.1 to Mariner s current report on Form 8-K filed on October 18, 2006).
12	Statement regarding Computation of Ratio of Earnings to Fixed Charges.
21	List of subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Ryder Scott Company, L.P.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated by reference as indicated.

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.