

SOUTHWESTERN ENERGY CO

Form 8-K

April 24, 2002

=====

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

-----

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) April 23, 2002

-----

SOUTHWESTERN ENERGY COMPANY

(Exact name of registrant as specified in its charter)

Arkansas	1 - 8246	71-0205415
(State of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

2350 N. Sam Houston Pkwy. E., Suite 300, Houston, Texas 77032  
(Address of principal executive offices, including zip code)

(281) 618-4700  
(Registrant's telephone number, including area code)

No Change  
(Former name, former address and former fiscal year; if changed  
since last report)

=====

-1-

Item 7.(c)

Exhibits

Reference

(99.1) Slide presentation accompanying the April 23, 2002 presentation and simultaneous webcast to investors at the New York Sheraton Hotel & Towers in New York, New York during the 2002 IPAA Oil & Gas Investment Symposium.

p. 3 - 12

Edgar Filing: SOUTHWESTERN ENERGY CO - Form 8-K

Item 9.

Regulation FD Disclosures

On April 23, 2002, Harold M. Korell, President and Chief Executive Officer for Southwestern Energy Company, made a presentation to investors at the New York Sheraton Hotel & Towers in New York, New York during the 2002 IPAA Oil & Gas Investment Symposium. The accompanying slideshow was made available on the Company's web site (www.swn.com) the day of the presentation and is furnished herewith as Exhibit 99.1.

Southwestern Energy Company is furnishing under Item 9 of this Current Report on Form 8-K the information included as exhibit 99.1 to this report.

Note: The information in this report (including the exhibit) is furnished pursuant to Item 9 and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section. This report will not be deemed an admission as to the materiality of any information in the report that is required to be disclosed solely by Regulation FD.

SIGNATURES

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

SOUTHWESTERN ENERGY COMPANY

-----  
Registrant

DATE: April 24, 2002

BY: /s/ GREG D. KERLEY

-----  
Greg D. Kerley  
Executive Vice President  
and Chief Financial Officer

- 2 -

Slide Presentation dated April 23, 2002

Slides prepared for use with April 23, 2002, presentation to investors at the IPAA Oil and Gas Investment Symposium.

(slide 1)  
Southwestern Energy Company  
Presentation to IPAA Oil & Gas Investment Symposium  
[NYSE: SWN]

## Edgar Filing: SOUTHWESTERN ENERGY CO - Form 8-K

[picture of crescent and other wrenches]

(slide 2)

Southwestern Energy Company (NYSE: SWN)  
General Information

Southwestern Energy Company is primarily focused on natural gas. Southwestern's strategy is to add \$1.30 to \$1.50 in discounted value for every dollar invested in a well-balanced exploration and production program in the Arkoma and Permian Basins, East Texas and the onshore Gulf Coast.

Market Data as of April 15, 2002

Shares of Common Stock Outstanding - 25,502,070  
Market Capitalization - \$357,000,000  
Institutional Ownership - 74.3%  
Management Ownership - 9.3%  
52-Week Price Range - \$9.64 (12/19/2001) - \$15.95 (5/18/2001)

Investor Contacts

Greg D. Kerley  
Executive Vice President and Chief Financial Officer  
Phone: (281) 618-4803 Fax: (281) 618-4820  
Brad D. Sylvester, CFA  
Manager, Investor Relations  
Phone: (281) 618-4897 Fax: (281) 618-4820

(slide 3)

Business Strategy

[slide stating formula which represents Company's strategy: The Right People doing the Right Things, supported by the value of our underlying Assets will create Value +.]

(slide 4)

Southwestern Energy Company

[map showing the states of Arkansas, Louisiana, Texas, Oklahoma and New Mexico with the following areas identified: Arkoma Basin with the Company's Gas distribution system and Ozark Pipeline, Anadarko Basin, Permian Basin, East Texas (Overton Field) and Gulf Coast]

- 3 -

2001 Reserves: 402.0 Bcfe, 80% PDP  
Shares Outstanding: 25.5 MM  
52-Week Range: \$9.64 - \$15.95  
Debt Ratings: BBB (S&P)  
Baa3 (Moody's)

(slide 5)

Cash Flow per Mcfe - SWN is Competitive

[graphs comparing Southwestern Energy Company's 3-year average Cash Flow per Mcfe of Production and Cash Flow per Mcfe of Reserves versus a peer group.] For E&P segment only, cash flow per Mcfe of production is \$1.90 and cash flow per Mcfe of reserves is \$.18.

(slide 6)

Key Developments

1999

- o Positive E&P results.
  - >> Reserve additions of 49 Bcfe replaced 150% of production at \$1.20 per Mcfe.\*

## Edgar Filing: SOUTHWESTERN ENERGY CO - Form 8-K

- >> First success in Gulf Coast exploration (Gloria).
- >> Developed excellent inventory of internally-generated exploration prospects.

2000

- o Strong E&P results.
  - >> Reserve additions of 70 Bcfe replaced 196% of production at \$0.99 per Mcfe.\*
  - >> Production increased over 8% from 1999 levels.
  - >> Two meaningful discoveries in South Louisiana (N. Grosbec, Havilah).
- o Supreme Court upheld jury verdict and judgment of \$109 million.

2001

- o Record E&P results.
  - >> Reserve additions of 89 Bcfe replaced 224% of production at \$1.11 per Mcfe.\*
  - >> Production increased 11% from 2000 levels.
  - >> Three exploration discoveries in South Louisiana (Malone, Horeb, Crowne).
- o Drilled 15 wells at Overton. Well performance exceeded expectations.
- o Reduced long-term debt by \$46 million.

\*Excludes reserve revisions.

(Slide 7)

E&P Results - Standing Out  
(For the periods ended December 31)

- 4 -

	1999	2000	2001
Production (Bcfe)	32.9	35.7	39.8
Reserve Replacement	150%	196%	224%
Reserve Additions (Bcfe)	49.3	70.1	89.3
F&D Cost (\$/Mcfe)	\$1.20	\$0.99	\$1.11

(Slide 8)

Objectives

- o Invest in the highest PVI projects. In 2002, add \$1.30 to \$1.50 of discounted value for each dollar invested.
- o Maximize cash flow to fund E&P program and pay down debt.
- o Over a multi-year program, achieve 10% annual growth in production and reserves.
- o Reduce debt-to-total capital ratio over time to 50 - 55%.

(slide 9)

E&P Assets and Strategy - Organic Growth

[map showing the states of Arkansas, Louisiana, Texas, Oklahoma and New Mexico with the following areas identified: Mid-Continent in north Texas and western Oklahoma, including the panhandle; Arkoma in western Arkansas and eastern Oklahoma; Texas/New Mexico in southeast New Mexico and eastern, central and the gulf coast areas of Texas; and South Louisiana in gulf coast region of Louisiana]

Mid-Continent

Reserves - 36.6 Bcfe (9%)

## Edgar Filing: SOUTHWESTERN ENERGY CO - Form 8-K

Production - 2.8 Bcfe (7%)

### Arkoma

Reserves - 186.0Bcf (46%)  
Production - 22.3 Bcf (56%)  
2002 Capital - \$18.5 MM (30%)

### Texas/New Mexico

Reserves - 137.0 Bcfe (34%)  
Production - 9.9 Bcfe (25%)  
2002 Capital - \$21.6 MM (35%)

### South Louisiana

Reserves - 42.4 Bcfe (11%)  
Production - 4.8 Bcfe (12%)  
2002 Capital - \$21.2 MM (35%)

- o Arkoma Basin Strategy: Maintain our strong position through low-risk development drilling.
- o Texas/New Mexico Strategy: Growth through medium-risk exploration and Overton infill drilling.

- 5 -

- o South Louisiana Strategy: Growth through high-potential exploration.

(slide 10)

### Arkoma Basin

[map showing location of Arkoma Basin in Arkansas and Oklahoma, the Arkoma Basin Fairway, the Ranger Anticline Prospect and the Haileyville Prospect.]

### Arkoma Basin

3-year average results	
Reserve replacement:	96%
LOE Cost (incl. Taxes) (\$/Mcf):	\$0.26
F&D Cost (\$/Mcf):	\$1.05

### Ranger Anticline

Success:	10/14 wells
Net EUR:	12.4 Bcf
F&D/Mcf:	\$.69

### Haileyville

Success:	13/20 wells
Net EUR:	9.7 Bcf
F&D/Mcf:	\$.74

- o "Legacy asset" that provides SWN with a stable production/reserve base and low-risk drilling opportunities.
- o Competitive advantages:
  - >> 50+ years of experience in the basin.
  - >> Large acreage position of 348,000 gross acres and 237,000 net acres.
- o 2001 - Drilled 52 wells (81% successful) and grew production 12% over 2000 levels.
- o 2002 capital program includes drilling 40 wells and 50 workovers.

(slide 11)

### Overton Field - Multi-Year Drilling Program

[map showing Overton Field area, including South Overton farm-in acreage of 5,800 acres, with producing well locations]

### Overton Field Drilling Potential

Edgar Filing: SOUTHWESTERN ENERGY CO - Form 8-K

	#Wells @160s -----	#Wells @80s -----
Orginal Wells	16	16
2001 Drilling	15	15
Future Development	32	94
-	-----	-----

- 6 -

TOTAL	63 =====	125 =====
-------	-------------	--------------

- o Purchased 7.5 Bcfe for \$6.1 million in 2000 (developed at 640-acre spacing).
- o Drilled 15 wells in 2001. Currently drilled to 320-acre units.
- o Opportunity to downspace to 160-acre spacing (32 wells) and 80-acre spacing (94 wells).

Overton Field Gross Production Rate

[graph showing Overton Field gross production rate increasing from 1.7 MMcf/d in June 2000 to 16.7 MMcf/d in March 2002].

(slide 12)

South Louisiana Exploration

[map showing location of the 2002 proposed wells, the 3-D project areas, and the Horeb, Havilah, Malone, North Grosbec, Gloria, and Crowne Discoveries.

Gross EUR:

North Grosbec	90 + Bcfe
Gloria	15 + Bcfe
Malone	30 + Bcfe
Horeb	9 + Bcfe
Havilah	16 + Bcfe
Crowne	

	Discovery Date	W.I.	Current Gross Producing Rate
Gloria	Dec 1999	50%	2.1 MMcfd and 63 Bopd
North Grosbec	Feb 2000	25%	39.7 MMcfd and 1,450 Bopd
Havilah	Nov 2000	28%	5.0 MMcfd and 307 Bopd
Malone	Feb 2001	33%	27.2 MMcfd and 538 Bopd
Horeb	Nov 2001	21%	5.0 MMcfd and 53 Bopd
Crowne #1	Dec 2001	40%	12.2 MMcfd and 42 Bopd

Note: EUR - Estimated Ultimate Recovery.

(slide 13)

Exploration Potential - 219 Net Bcfe

Edgar Filing: SOUTHWESTERN ENERGY CO - Form 8-K

Prospect Name	Operator	Spud Date	Working Interest	Depth	Objective	Gross Res. Potential (Bcfe)
Arkoma Basin Midway	SWN	3Q	80.5%	11,400	Atoka	39.0
Permian Basin N. Roepke	SWN	Producing	88.0%	8,100	Devonian	3.0
- 7 -						
Billy Jack	Par	Evaluating	45.0%	6,500	Canyon	15.0
High Lonesome	SWN	3Q	37.5%	11,000	Morrow	15.0
Birds of Prey	SWN	3Q	50.0%	5,000	Cherry Canyon	6.0
Gaucha Deep	Devon	4Q	50.0%	15,000	Devonian	30.0
Gulf Coast Crowne	SWN	Prod/Eval	40.0%	13,500	Planulina	35.0
Tulleymore	SWN	Dry	40.0%	12,500	Planulina	-
Belmont	--	2Q	20.0%	13,500	Planulina	75.0
Piedmont	SWN	2Q	75.0%	13,500	Planulina	28.3
Bushmills	SWN	2Q	75.0%	15,200	Planulina	43.0
Cameron Prairie(5)	Ballard	2Q	18.0%	13,500	Planulina	200.0
Red Lion	SWN	4Q	40.0%	13,500	Planulina	19.0
Ben Nevis	SWN	4Q	50.0%	12,900	Miocene	45.0
Jericho	SWN	1Q 2003	50.0%	14,200	Frio	72.0
Tigris	SWN	1Q 2003	50.0%	13,600	Frio	74.0
Total Reserve Potential						699.3

Forward-Looking Statement

(slide 14)

E&P Capital Investments

[graph showing E&P capital investments from 1999 through the 2002 budgeted program, broken out by Property Acquisitions, Capitalized Expenses, Leasehold & Seismic, Development Drilling, and Exploration Drilling; total expenditures by year were 1999 - \$59.0 million, 2000 - \$69.2 million, 2001 - \$85.5 million (net of \$13.5 million reimbursement from Overton Field partnership), and 2002 budget - \$61.3 million. Company's 2002 budgeted capital investment program has 30% allocated to Arkoma, 35% to South Louisiana, 15% to Permian and 20% to East Texas.]

- o Well-balanced capital program in 2002:
  - >> Low-risk Arkoma (\$18.5 MM, 30%) and East Texas (\$12.1 MM, 20%),
  - >> Medium-risk Permian Basin and other (\$9.5 MM, 15%) and
  - >> Higher-risk, but larger potential South Louisiana (\$21.2 MM, 35%).
- o Over 65% of capital allocated to drilling in 2002.
- o Identified exploration inventory has a net reserve exposure of approximately 219 Bcfe.

(slide 15)

## Edgar Filing: SOUTHWESTERN ENERGY CO - Form 8-K

The Right People Doing the Right Things

[graph showing the Company's results in PVI, F&D Cost and Reserve Replacement from 1997 to 2001] Note: PVI metrics calculated using pricing in effect at year-end (except for 2000 which was calculated at \$3.00 per Mcf natural gas price). All metrics calculated exclude reserve revisions.

	1997	1998	1999	2000	2001
F&D Cost (\$/Mcf)	\$2.53	\$1.10	\$1.20	\$ .99	\$1.11
Reserve Replacement	77%	129%	150%	196%	224%
PVI (\$/\$)	\$ .56	\$1.17	\$1.07	\$1.30	\$1.40

(slide 16)

Outlook for 2002

o Targets:

- >> Production target of 41 - 43 Bcfe in 2002.
- >> Excess cash flow goes toward long-term debt reduction.

### NYMEX Commodity Price Assumptions

\$2.00 Gas	\$2.25 Gas	\$2.50 Gas	\$3.00 Gas
\$18.00 Oil	\$18.00 Oil	\$18.00 Oil	\$18.00 Oil

>> Earnings	\$7 MM	\$10 MM	\$12 MM	\$15 MM
>> EPS	\$.27	\$.38	\$.48	\$.58
>> Cash Flow	\$72 MM	\$76 MM	\$81 MM	\$85 MM
>> CFPS	\$2.83	\$2.99	\$3.16	\$3.34
>> EDITDA	\$93 MM	\$97 MM	\$102 MM	\$106 MM

Forward Looking Statement

(slide 17)

Gas Hedges in Place Through 2003

[chart showing gas hedges in place by quarter for the years 2002 and 2003]

Period	Hedged Volumes	Avg. Floor Price
2002	25.5 Bcf	\$3.03/Mcf
2003	17.3 Bcf	\$3.10/Mcf

Note: Approximately .2 Bcf hedged at a fixed NYMEX price of \$2.75 per Mcf in first six months of 2003. Southwestern also has approximately 280,000 barrels of oil hedged at a fixed WTI price of \$20.07 per barrel in 2002.

(Slide 18)

The Road to V+

- 9 -

o Invest in the Highest PVI Projects.



## Edgar Filing: SOUTHWESTERN ENERGY CO - Form 8-K

- o Maximize Cash Flow.
- o Stay the Course with Our Balanced Strategy.
- o Build on Exploration Success.
- o Reduce Debt with Excess Cash Flow.
- o Deliver the Numbers.
  - >> Production and Reserve Growth.
  - >> Add Value for Every Dollar Invested.
- o Continue to Tell Our Story.

(slide 19)

### Forward-Looking Statements

All statements, other than historical financial information may be deemed to be 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. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include, but are not limited to, the timing and extent of changes in commodity prices for gas and oil, the timing and extent of the Company's success in discovering, developing, producing, and estimating reserves, property acquisition or divestiture activities that may occur, the effects of weather and regulation on the Company's gas distribution segment, increased competition, legal and economic factors, governmental regulation, the financial impact of accounting regulations for derivative instruments, changing market conditions, the comparative cost of alternative fuels, conditions in capital markets and changes in interest rates, availability of oil field services, drilling rigs, and other equipment, as well as other factors beyond the Company's control.

(slide 20)

### APPENDIX

(slide 21)

### 2001 Segment Contributions

[slide depicting business segment contributions in the following areas:]

Operating Income	\$57.8 MM
Exploration & Production	84%
Gas Distribution	12%
Marketing & Other	4%
Cash Flow	\$112.7 MM
Exploration & Production	86%
Gas Distribution	12%
Marketing & Other	2%
Assets	\$743.1 MM
Exploration & Production	71%
Gas Distribution	23%
Marketing & Other	6%
Capital Investments	\$106.1 MM
Exploration & Production	93%

- 10 -

## Edgar Filing: SOUTHWESTERN ENERGY CO - Form 8-K

Gas Distribution	5%
Marketing & Other	2%

Note: Cash flow is before changes in working captial.

(slide 22)

### Financial & Operational Summary

	2001	Year Ended 2000 (1)	1999
-----			
(\$ in millions, except per share amounts)			
Revenues	\$344.9	\$363.9	\$280.4
EBITDA	134.9	103.8	76.7
Net Income	35.3	20.5	9.9
Cash Flow (2)	112.7	82.4	60.8
Diluted Earnings per Share	\$1.38	\$0.82	\$0.40
Diluted Cash Flow per Share	4.40	3.29	2.44
Production Volume (Bcfe)	39.8	35.7	32.9
Avg. Gas Price per Mcf	\$3.85	\$2.88	\$2.21
Avg. Oil Price per Bbl	\$23.55	\$22.99	\$17.11
Finding cost (\$/Mcf) (3)	\$1.11	\$0.99	\$1.20
Reserve Replacement (3)	224%	196%	150%

(slide 23)

### U.S. Gas Consumption and Sources

[graph showing U.S. gas consumption, U.S. gas production and net imports from 1975 to 2001]

U.S. gas production basically flat since 1994 at 19,000 to 20,000 Bcf/year.

- 11 -

U.S. gas consumption basically same as gas production until 1986 then increases at a higher rate (from approximately 20 Bcf/year in 1975 to a high of 23 Bcf/year in 2000 and down to 21 Bcf/year in 2001). Net imports flat until 1986 and begins increasing from 1 Bcf/year to 4 Bcf/year over time.

Source: EIA

(slide 24)

### U.S. Electricity Consumption on the Rise

[graph depicting billion kilowatt hours per month from 1977 (170/month) to 2001 (305/month)]

Source: Edison Electric Institute

(slide 25)

### NYMEX Gas Prices

[graph comparing NYMEX gas prices from January 2000 to current]

Approximately \$2/Mcf in January 2000, to a high of about \$10/Mcf in January 2001 and down to approximately \$3/Mcf currently.

Edgar Filing: SOUTHWESTERN ENERGY CO - Form 8-K

Source: Energy Directions

(slide 26)

U.S. Gas Drilling

[graph showing rigs drilling for gas 1987 - 2002]

Approximately 350 in 1987 to a high in 2001 of 1,050 and currently down to 650 in 2002.

Source: Baker Hughes

(slide 27)

West Texas Intermediate Oil Prices

[graph comparing the price of oil/Bbl from January 2000 to current]

Prices of approximately \$25/Bbl in January 2000, \$27.5/Bbl in January 2001, down to approximately \$22/Bbl in January 2002 and \$26/Bbl currently.

Source: Energy Directions

(slide 28)

Oil and Gas Price Comparison

[graph comparing the price of gas/MMBtu and Oil/Bbl 1995 - 2002]

Gas prices have varied from just over \$1/Mcf to over \$10/Mcf at different times during period. Oil prices have varied from a low of \$10/Bbl to a high of approximately \$40/Bbl during the time period.

Source: Energy Directions

- 12 -

Southwestern Energy Company  
P.O. Box 1408  
Fayetteville, AR 72702-1408

April 24, 2002

Securities and Exchange Commission

ATTN: Filing Desk, Stop 1-4

450 Fifth Street, N.W.

Washington, DC 20549-1004

Gentlemen:

Pursuant to regulations of the Securities and Exchange Commission, submitted herewith for filing on behalf of Southwestern Energy Company is Form 8-K dated April 23, 2002.

This filing is being effected by direct transmission to the Commission's EDGAR System.

Very truly yours,

Stan Wilson  
Controller

