



Southwestern Energy Company

Company Profile

Publication Date: 18 Feb 2009

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COMPANY OVERVIEW

Southwestern Energy Company (SWN) is an integrated natural gas company whose wholly-owned subsidiaries are engaged in oil and gas exploration and production, natural gas gathering, transmission and marketing. The company primarily operates in the US. It is headquartered in Houston, Texas and employs about 1,521 people.

The company recorded revenues of \$1,255.1 million during the fiscal year ended December 2007, an increase of 64.5% over 2006. The operating profit of the company was \$381.5 million during fiscal year 2007, an increase of 54.9% over 2006. The net profit was \$221.2 million in fiscal year 2007, an increase of 36% over 2006.

KEY FACTS

Head Office	Southwestern Energy Company 2350 North Sam Houston Parkway East Suite 125 Houston Texas 77032 USA
Phone	1 281 618 4700
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Web Address	http://www.swn.com
Revenue / turnover (USD Mn)	1,255.1
Financial Year End	December
Employees	1,521
New York Stock Exchange Ticker	SWN

BUSINESS DESCRIPTION

Southwestern Energy Company (SWN) is an integrated energy company primarily focused on the exploration and production of natural gas. The company conducts majority of its exploration and production operations in four general regions: the Arkoma Basin, East Texas, the Permian Basin and the onshore Gulf Coast. It also provides drilling, gathering, marketing and natural gas distribution.

The company primarily operates in three segments: exploration and production, midstream services and natural gas distribution.

The company's primary business is natural gas and oil exploration, development and production, with operations principally located in Arkansas, Oklahoma, Texas and New Mexico. It is engaged in natural gas and oil exploration and production through its wholly owned subsidiaries, SEECO, Southwestern Energy Production Company (SEPCO) and Diamond 'M' Production Company. SEECO operates exclusively in Arkansas, holds a base of both developed and undeveloped gas reserves, and conducts an ongoing drilling program in the Arkansas part of the Arkoma Basin. SEPCO conducts development drilling and exploration programs in the Arkoma Basin, the Permian Basin of Texas and New Mexico. Diamond 'M' has interests in properties in the Permian Basin of Texas. DeSoto Drilling (DDI), a wholly owned subsidiary of SEPCO, operates drilling rigs in the Fayetteville Shale play and in East Texas.

The company's midstream services segment generates revenue through the marketing of its own gas production and some third-party natural gas and from gathering fees associated with the transportation of natural gas to market. The company's gas marketing subsidiary, Southwestern Energy Services Company, enables the company to capture downstream opportunities which arise through marketing and transportation activity. Its gas gathering subsidiary, DeSoto Gathering Company, engages in gathering activities primarily related to the development of its Fayetteville Shale play.

Southwestern focuses on determining the technological methods like horizontal drilling and fracture stimulation techniques suited for the unconventional plays.

HISTORY

Southwestern Energy Company (SWN) was originally organized in 1929, in Arkansas as a local gas distribution company. Since then, it became an exempt holding company under the Public Utility Holding Company Act of 1935, and began to conduct its primary activities through four wholly-owned subsidiaries and derived the vast majority of its operating income and cash flow from its natural gas and oil exploration and production (E&P).

In 1943, the company commenced a program of exploration for and development of natural gas reserves in Arkansas for supply to its utility customers.

The company initiated an E&P program outside Arkansas, unrelated to the utility's requirements in 1971. Since that time, the E&P activities outside Arkansas have continued to expand substantially.

During 1998, SWN brought in a new executive management team for its E&P business, which implemented a number of initiatives to refocus the E&P business.

SWN purchased producing properties in the Permian Basin with estimated proved reserves of 9.4 Bcf of natural gas and 576 MBbls of oil, or 12.9 Bcfe in 1999. The properties were purchased from Petro-Quest Exploration, a privately held company headquartered in Midland, Texas for \$9.4 million.

SWN purchased its initial interest in the Overton Field in Smith County, Texas, from Total Fina Elf for \$6.1 million in 2000. This purchase included 16 active gas wells in 13 spacing units, 8,800 contiguous acres in established units and 2,000 additional undeveloped acres outside those units.

During 2001, the company purchased proved reserves of 4.5 Bcfe for \$6.5 million, or \$1.46 per Mcfe. The purchase included overriding royalty interests in the Arkoma Basin of 2.2 Bcfe, and additional working interests in the Overton Field of 1.9 Bcfe. In the same year, the company relocated its corporate headquarters from Fayetteville, Arkansas to Houston, Texas.

SWN sold its remaining non-strategic Mid-Continent properties, including properties in the Sho-Vel-Tum area in Southern Oklahoma, the Anadarko Basin in Western Oklahoma and the Sooner Trend in northwestern Oklahoma, for a total of \$26.4 million in 2002. In the same year, SWN purchased 6.6 Bcfe of proved reserves for \$3.1 million, at an average cost of \$0.47 per Mcfe. The largest single transaction was the acquisition of a minority interest in the Susser #2 well located in Nueces County, Texas for \$1.7 million. The remaining \$1.2 million was spent acquiring additional working interests in the Overton Field and in several Arkoma Basin wells.

In 2003, the company purchased 1.1 Bcfe of proved reserves for \$3 million, at an average cost of \$2.73 per Mcfe. The transactions included working interests in the core Arkoma Basin, Overton Field and Permian Basin producing areas. Also in the same year, the company acquired a 100% working interest in the Wright Unit and Roberson lease, located in the northeastern portion of the company's Overton Field, on which SWN drilled and completed four wells.

SWN entered into a new \$300 million three-year unsecured revolving credit facility replacing its previous \$125 million credit facility in 2004. Additionally, in early 2004, SWN acquired 95,000 net acres in a coal bed methane play located in the Crazy Mountain Basin in Montana.

SWN closed a \$500 million five-year unsecured revolving credit facility in 2005. This credit facility amended and restated the company's existing \$300 million three-year facility.

In 2006, the company sold its 25% interest in the NOARK Pipeline System to Atlas Pipeline Partners for around \$69 million. In the same year, Southwestern Energy Services (SES), a wholly-owned subsidiary of Southwestern Energy, signed a precedent agreement for firm gas transportation services on two newly-proposed pipeline laterals and related facilities of Texas Gas Transmission, a subsidiary of Boardwalk Pipeline Partners.

SWN signed in November 2007, a Stock Sale and Purchase Agreement for the sale of all capital stock of its natural gas distribution business, Arkansas Western Gas Company, to SourceGas, an affiliate of GE Energy Financial Services and Alinda Investments for \$224 million plus working capital.

In April 2008, SWN's wholly-owned subsidiary entered into a definitive purchase and sale agreement with XTO Energy for the sale of certain oil and gas leases, wells and gathering equipment held by the company in its Fayetteville Shale play for approximately \$519.6 million in cash.

In 2008, the company has closed its utility operations in Arkansas Western Gas Company, to SourceGas, LLC. As a result of the sale of the utility, the company is no longer engaged in any natural gas distribution operations.

Mr. Jeffrey B. Sherrick was appointed as Senior Vice President—Exploitation of SEECO and Southwestern Energy Production Company in October 2008.

KEY EMPLOYEES

Name	Job Title	Board	Compensation
Harold M Korell	Chief Executive Officer and Chairman	Executive Board	1373251 USD
Lewis E Epley	Director	Non Executive Board	
Robert L Howard	Director	Non Executive Board	
Vello A Kuuskraa	Director	Non Executive Board	
Kenneth R Mourton	Director	Non Executive Board	
Charles E Scharlau	Director	Non Executive Board	
Steven L. Mueller	President and Chief Operating Officer	Senior Management	
Greg D Kerley	Executive Vice President and Chief Financial Officer	Senior Management	739490 USD
Mark K Boling	Executive Vice President, General Counsel and Secretary	Senior Management	569141 USD
Dee W Hency	Vice President, Administration and Chief Information Officer	Senior Management	
Timothy J. O'Donnell	Vice President, Human Resources and Treasurer	Senior Management	
Gene A. Hammons	President, Southwestern Midstream Services Company	Senior Management	

KEY EMPLOYEE BIOGRAPHIES

Harold M Korell

Board: Executive Board
Job Title: Chief Executive Officer and Chairman
Since: 2002
Age: 63

Mr. Korell has been the Chief Executive Officer and Chairman at Southwestern Energy since 2002. He also served as the President at Southwestern Energy since 1998. He was elected as the Chief Executive Officer of the company in 1999 and as the Chairman of the Board in 2002. He joined the company in 1997, as Executive Vice President and Chief Operating Officer. From 1992 to 1997, he was employed by American Exploration Company where he was most recently Senior Vice President - Operations. From 1990 to 1992, he was Executive Vice President of McCormick Resources and from 1973 to 1989, he held various positions with Tenneco Oil Company, including Vice President, Production. A graduate of the Colorado School of Mines with a Professional Degree in Chemical and Petroleum Refining Engineering, he began his career with Mobil Oil Corporation and is a Licensed Professional Engineer in the states of Texas and Colorado.

Lewis E Epley

Board: Non Executive Board
Job Title: Director
Since: 1998
Age: 71

Mr. Epley has been a Director at Southwestern Energy since 1998. He is a retired Attorney at Law and a private investor. He is a member of the Arkansas Bar Association and served as President of the Carroll County Bar Association in Arkansas and Special Associate Justice of the Supreme Court of Arkansas. He has served as a Director of the Bank of Eureka Springs since 1964, and has been the Vice Chairman of its Board of Directors since 1993. He is a former member and former Chairman of the Board of Trustees of the University of Arkansas and a former President and former Director of the Northwest Arkansas Radiation Therapy Institute (NARTI). He also formerly served as Chairman of the NARTI Foundation Board. He is a Director, member of the Executive Committee and former Chairman of the University of Arkansas Foundation; and he is a Director of the University of Arkansas Alumni Association. He is presently a member of the Community Advisory Board of The Donald W. Reynolds Institute on Aging at the University of Arkansas for Medical Sciences and a member of the University of Arkansas Board of Advisors, including the Executive Committee.

Robert L Howard

Board: Non Executive Board
Job Title: Director
Since: 1995
Age: 71

Mr. Howard has been a Director at Southwestern Energy since 1995. He is a retired Vice President of Shell Oil Company. From 1991 to 1995, he was Vice President, Domestic Operations, Exploration and Production of Shell, and President of Shell Western and Shell Offshore. In these positions, he was responsible for all domestic exploration and production activities. From 1985 to 1991, Mr. Howard was President, Shell Offshore, and was responsible for all offshore exploration and production in the Gulf of Mexico, the East Coast, and Florida. During his term of 36 years with Shell, he held various positions within Shell's exploration and production operations, including General Manager, Exploration and Production, Mid-Continent Division, and General Manager, Exploration and Production, Rocky Mountain Division and Alaska Division. Mr. Howard served as a Director of Camco International of Houston, Texas, from 1995 until 1998. He served as a Director of Ocean Energy from 1996 to 2003, at which time Ocean Energy, was acquired by Devon Energy. Since 2003, Mr. Howard has served as a Director of Devon Energy, one of the company's competitors, where he is the Chairman of the Reserves Committee and a member of the Compensation Committee. Mr. Howard has also served since 1997 as a director for McDermott International of New Orleans, Louisiana, where he is the chairman of the Nominating and Governance Committee. Mr. Howard is also a Director of the Company's subsidiaries, Southwestern Energy Production Company, SEECO, DeSoto Drilling and Diamond "M" Production company.

Vello A Kuuskraa

Board: Non Executive Board
Job Title: Director
Since: 2003
Age: 67

Mr. Kuuskraa has been a Director at Southwestern Energy since 2003. He is the President and Chairman of the Board of Advanced Resources International, a privately held geological and engineering technical services company located in Arlington, Virginia. He is internationally recognized for his work in unconventional gas resources, energy economics, supply modeling, and new oil and gas recovery technologies. Mr. Kuuskraa served on the United States Secretary of Energy's Natural Gas Supply Task Force, was a member of the National Academy of Sciences Study Committee for defining the National Energy Modeling System, and has testified before the Federal Energy Regulatory Commission on the outlook for natural gas supplies. He has published over 100 technical papers, reports and presentations on energy resources and future natural gas supplies. Mr. Kuuskraa is a recognized expert on the technologies of tight gas and shale gas recovery. He is also a recognized expert on the technologies of coalbed methane and enhanced oil recovery and their adaptation for carbon dioxide sequestration. Mr. Kuuskraa is also a Director of the company's subsidiaries, Southwestern Energy Production Company, SEECO, DeSoto Drilling and Diamond "M" Production Company.

Kenneth R Mourton

Board: Non Executive Board
Job Title: Director
Since: 1995
Age: 57

Mr. Mourton has been a Director of Southwestern Energy since 1995. He is an Attorney at Law with and Managing Principal Attorney of the firm of Ball and Mourton, PLLC, Fayetteville, Arkansas, and he is an inactive certified public accountant. Mr. Mourton also owns and operates several businesses in various states related to beer distribution, lodging, warehousing and travel. He is the Chairman of the Razorback Foundation and is also a Board member of the Arkansas Rural Endowment Fund, a nonprofit corporation created by the State of Arkansas to help lower income, rural Arkansas children obtain college and university educations.

Charles E Scharlau

Board: Non Executive Board
Job Title: Director
Since: 1966
Age: 80

Mr. Scharlau has been a Director of Southwestern Energy since 1966. He retired as President and Chief Executive Officer of the company on 1998. He began his career as the company's legal counsel in 1951 and was involved in all facets of the company's business for over 47 years. In 1966, he was named Executive Vice President and first elected a Director of the company. In 1972, he was elected President and Chief Executive Officer. Mr. Scharlau is currently of counsel with the law firm of Conner & Winters and was a consultant to the company through 2005. He has been a member and past chairman of the Executive Committee for the Northwest Arkansas Council since 1999. He is also a Director of Arvest Bank, the Razorback Foundation and the University of Arkansas Foundation. He is a past member and past Chairman of the Board of Trustees of the University of Arkansas. Mr. Scharlau is also a director of the company's subsidiaries, Southwestern Energy Production Company, SEECO, DeSoto Drilling and Diamond "M" Production Company.

Steven L. Mueller

Board: Senior Management
Job Title: President and Chief Operating Officer
Since: 2008

Mr. Mueller was appointed as President and Chief Operating Officer in 2008. He graduated from the Colorado School of Mines, and has over 30 years of experience in the oil and gas industry. Mr. Mueller served in multiple operational and managerial roles at Tenneco Oil Company, Fina Oil

Company, American Exploration Company, Belco Oil & Gas Company, The Houston Exploration Company and CDX Gas, LLC.

Greg D Kerley

Board: Senior Management
Job Title: Executive Vice President and Chief Financial Officer
Since: 1999
Age: 52

Mr. Kerley has been an Executive Vice President and the Chief Financial Officer of Southwestern Energy since 1999. He was Senior Vice President and Chief Financial Officer in 1998, and previously served as Southwestern's Senior Vice President, Treasurer and Secretary. Mr. Kerley has over 25 years of oil and gas industry experience and joined Southwestern in 1990 as Controller and Chief Accounting Officer. Prior to joining Southwestern, he held senior financial and accounting positions at Agate Petroleum and was a manager for Arthur Andersen specializing in the energy sector.

Mark K Boling

Board: Senior Management
Job Title: Executive Vice President, General Counsel and Secretary
Since: 2002
Age: 50

Mr. Boling has been Executive Vice President, General Counsel and Secretary at Southwestern Energy since 2002. He joined the company in 2002 as Senior Vice President, General Counsel and Secretary. Prior to joining the company, Mr. Boling had a private law practice in Houston specializing in the oil and gas industry since 1993. Previously, Mr. Boling was a Partner with Fulbright and Jaworski where he was employed from 1982 to 1993. Mr. Boling holds a Juris Doctorate degree from Southern Methodist University and a Bachelor of Science degree in Geology from DePauw University.

Gene A. Hammons

Board: Senior Management
Job Title: President, Southwestern Midstream Services Company

Mr. Hammons has been the President of Southwestern Midstream Services Company since 2005. He joined the company in 2005 as Vice President of Southwestern Midstream Services Company. Previously, Mr. Hammons served in a range of leadership positions with El Paso Natural Gas Company and Burlington Resources. Mr. Hammons holds both a master's degree and bachelor's degree in Chemical Engineering from New Mexico State University.

MAJOR PRODUCTS AND SERVICES

Southwestern Energy Company is an integrated natural gas company. The company offers the following products and services:

Products:

Natural gas and oil

Services:

Natural gas and oil exploration

Natural gas and oil marketing and distribution

Residential and commercial gas and oil sales

Marketing and transportation of own and third parties gas

TOP COMPETITORS

The following companies are the major competitors of Southwestern Energy Company

ExxonMobil Corporation
CenterPoint Energy, Inc.
TXU Corp.
Newfield Exploration Company
Shell Oil Company
Williams Companies, Inc., The

COMPANY VIEW

A statement by Harold M Korell, Chairman and Chief Executive Officer at Southwestern Energy Company is given below. The following statement is taken from the company's 2007 annual report.

The close of 2007 recorded another banner year at Southwestern Energy — production volumes grew in 2007 at a record rate of 57% over 2006 and our reserves increased by 41% to 1.45 Tcfe. Our reserve replacement ratio of 474% in 2007 means we booked nearly 5 times as many new reserves as we produced during the year. The most heartening aspect of our 2007 success was the progress we made in our Fayetteville Shale play in Arkansas which greatly contributed to our results. During the year, we made strides in perfecting our completion techniques for the Fayetteville Shale, increased our 3-D seismic database to 525 square miles which improves our ability to reduce risk in our drilling program, and began drilling and completing longer laterals, all of which led to higher productivity in our horizontal wells.

As we look forward to 2008 and beyond, we find ourselves in a very desirable position relative to many of our peers. Our 900,000+ net acreage position in the Fayetteville Shale project continues to deliver positive results and positions us with an attractive drilling program for many years. In addition, our drilling in the conventional plays in East Texas and the Arkoma Basin are growing our opportunity set. What then are Southwestern Energy's challenges?

In the past, I have often described our E&P business as a teeter-totter. On the one end rests the opportunity set generated by the enterprise and on the other end is capital. When our opportunity set has become heavy, we have used debt and equity to bring the equation into balance. While the reality for most companies over the past several years is that they have been short on opportunities, this has not been the case for Southwestern Energy. About 10 years ago we set out to be, and have in fact become, an opportunitygenerating machine.

Today, I find myself using a different analogy to describe Southwestern Energy's challenges — it's more like a three-bladed helicopter. Two of the blades are familiar — "opportunity sets" and "capital," but the third blade represents today's reality — the need for the human resources necessary to increase activity levels and otherwise get the job done.

This not only means the ability to carry on the operation, but to absorb, understand and make use of all the information that flows out of a large operation. Our industry is particularly challenged today and will be for the foreseeable future in the human resource arena — people are in short supply. Over the past two years, Southwestern has added over 700 people to our team and, with such a large inventory of wells to drill, we will need to recruit more good people to meet our needs. So, this is our primary challenge today, but it will change from time to time. Ten years ago we were short on ideas, but we recruited a team of people to generate ideas and have done better than most at this. In early 2003 and again in 2005, we needed capital to take advantage of all the opportunities in front of us. Today and into the future, the real challenge for our company will be to keep the proper balance of ideas, people and capital to ensure that we keep Southwestern climbing up and to the right.

We have a huge opportunity set in front of us in the Fayetteville Shale, along with exciting new opportunities we have seeded in East Texas and the Marcellus Shale in Pennsylvania. In addition, we have a strong balance sheet and an organization that is growing to fill our needs. The greatest limitation today is the shortage of people needed to accelerate our program — however, we are working hard on that. As I think about these challenges, they are good ones to have!

In closing, we expect another very fine year in 2008 as we begin to hit our stride in the Fayetteville Shale. My thanks to the many stockholders of the Company who have enjoyed this time with us and most of all to the Right People of Southwestern Energy who have been doing the Right Things.

LOCATIONS AND SUBSIDIARIES

Head Office

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2350 North Sam Houston Parkway East
Suite 125
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Texas 77032
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P:1 281 618 4700
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Other Locations and Subsidiaries

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