

SOUTHWESTERN ENERGY CO  
Form 11-K  
June 04, 2002

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

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FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8246

A. Full title of the plan and the address of the plan, if different from that of the issuer  
named below:

Southwestern Energy Company 401(k) Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its  
principal executive office:

SOUTHWESTERN ENERGY COMPANY

2350 N. Sam Houston Parkway E.

Suite 300

Houston, Texas 77032

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SOUTHWESTERN ENERGY COMPANY  
401(k) SAVINGS PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE  
AS OF DECEMBER 31, 2001 AND 2000  
TOGETHER WITH REPORT OF  
INDEPENDENT PUBLIC ACCOUNTANTS

SOUTHWESTERN ENERGY COMPANY  
401(k) SAVINGS PLAN

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE  
DECEMBER 31, 2001 AND 2000

FINANCIAL STATEMENTS

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Report of Independent Public Accountants

To the Retirement Committee of  
Southwestern Energy Company:

We have audited the accompanying statements of net assets available for plan benefits of the Southwestern Energy Company 401(k) Savings Plan (the Plan) as of December 31, 2001 and 2000, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2001 and 2000, and the changes in its net assets available for plan benefits for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the

United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Tulsa, Oklahoma  
May 3, 2002

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SOUTHWESTERN ENERGY COMPANY  
401(k) SAVINGS PLAN

STATEMENTS OF NET ASSETS  
AVAILABLE FOR PLAN BENEFITS  
DECEMBER 31, 2001 AND 2000

|   | <u>2001</u>       | <u>2000</u>       |
|---|-------------------|-------------------|
| ASSETS:   |                   |                   |
| Investments, at quoted market value (Notes 1, 4 and 6): |                   |                   |
| Mutual funds  | \$ 9,103,120      | \$ 10,614,180     |
| Common collective trusts                                | 7,878,263         | 7,057,979         |
| Common stock  | 611,540           | 697,907           |
| Participant loans                                       | 441,163           | 440,428           |
|   | <u>18,034,086</u> | <u>18,810,494</u> |

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Other assets:

|                          |                |                |
|--------------------------|----------------|----------------|
| Contributions receivable | <u>105,653</u> | <u>102,193</u> |
|--------------------------|----------------|----------------|

|  |                      |                      |
|--|----------------------|----------------------|
| NET ASSETS AVAILABLE FOR PLAN BENEFITS | <u>\$ 18,139,739</u> | <u>\$ 18,912,687</u> |
|--|----------------------|----------------------|

The accompanying notes are an integral part of these statements.

SOUTHWESTERN ENERGY COMPANY  
401(k) SAVINGS PLAN

STATEMENT OF CHANGES IN  
NET ASSETS AVAILABLE FOR PLAN BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2001

|   |                      |
|---|----------------------|
| NET ASSETS AVAILABLE FOR PLAN BENEFITS, beginning of year | \$ <u>18,912,687</u> |
| CHANGES DURING THE YEAR (Note 1):                         |                      |
| Contributions-  |                      |
| Employee  | 1,808,073            |
| Employer  | 655,221              |
| Interest and dividend income                              | 460,376              |
| Net depreciation in fair value of investments             | (1,707,437 )         |
| Withdrawals by participants                               | (1,985,312 )         |
| Other   | <u>(3,869 )</u>      |
| Net change during the year                                | <u>(772,948 )</u>    |
| NET ASSETS AVAILABLE FOR PLAN BENEFITS, end of year       | \$ <u>18,139,739</u> |

The accompanying notes are an integral part of this statement.

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SOUTHWESTERN ENERGY COMPANY  
401(k) SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000

1. DESCRIPTION OF THE PLAN AND ACCOUNTING POLICIES:

Scope of the Plan

The Southwestern Energy Company 401(k) Savings Plan (the Plan) is a defined contribution plan that covers all employees of Southwestern Energy Company (the Company) and its subsidiaries except for:

- (a) Employees who have not yet completed thirty (30) days of service.
- (b) Employees who are under the age of twenty-one (21).
- (c) Seasonal employees who have one thousand (1,000) or less hours of service for the applicable computation period.

Participation by eligible employees in the Plan is voluntary.

#### Administration

The trust under the Plan is operated under a trust agreement with Scudder Trust Company.

#### Plan Assets

Mutual funds, common collective trusts, and common stock are valued at year-end market prices. Interest earned and dividends declared but not yet received are accrued and included in earnings of the Plan for the respective periods.

#### Plan Expenses

Expenses incurred in connection with the Plan are paid by the Company. During 2001, the Company paid \$3,869 in expenses on behalf of the Plan. Brokerage commissions and transfer taxes incurred connection with securities transactions are treated as part of the purchase cost or a reduction of proceeds.

#### Contributions and Funding Policy

Participants may contribute from 1% to 16% of their compensation in Salary Reduction Contributions, as defined. The Company matches 50% up to 6% of the employee's compensation. All contributions to the Plan are invested under the direction of the participant in nine separate funds.

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#### Vesting

Contributions made by participants are fully vested. Participants vest in the Company's contributions to the Plan as set forth in the following schedule:

| <u>Years of Vesting Service</u> | <u>Percent Vested</u> |
|---------------------------------|-----------------------|
| 1                               | 0%                    |
| 2                               | 50%                   |
| 3                               | 100%                  |

#### Forfeitures

Forfeited nonvested amounts will be applied to restore matching contributions of any Plan participants because of a



valid repayment Remaining forfeitures will be used to reduce Plan expenses. Any forfeiture amounts that remain following payment of Plan expenses will be used to reduce employer matching contributions. At December 31, 2001, there was \$66 in forfeitures available to be used the purposes stated above.

#### Participants' Accounts

Each participant's account is credited with the participant's contribution and an allocation of:

- (a) The Company's contribution.
- (b) The Plan's investment earnings.

The allocation of the Plan's investment earnings is performed at the end of each calendar quarter.

The Plan permits current participants to apply for and receive loans, which represent borrowings from a participant's account. The maximum amount of any loan available under the Plan is limited to the lesser of \$50,000 or 50% of a participant's vested account balance.

Although withdrawals from active participants' accounts are restricted by the Plan, various options are available to participants, which are based on the type of contributions made, age of the participant and other factors.

On due to death or disability, a participant or a participant's estate may receive the full value of his or her account in a lump-sum. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

Participants may change their contribution percentages, investment elections, transfer balances between funds, and apply for distributions 24-hours a day either through telephone access on the Pilot System or internet access on the Scudder InterActive Account.

#### Basis of Accounting

The Plan's financial statements are presented on the accrual basis of accounting. The preparation financial statements in conformity with accounting principles generally accepted in the United States requires the Plan's management to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from these estimates.

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## 2. TERMINATION OF THE PLAN:

The Plan gives the Company the right to discontinue its contributions at any time and to terminate the Plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). In the event of Plan termination, participants will become 100% vested in the contributions made by the Company.

## 3. TAX STATUS:

The Internal Revenue Service issued a determination letter dated November 7, 1994, stating that the Plan was designed in accordance with applicable requirements of the Internal Revenue Code. On January 1, 1999, the Plan adopted the Scudder Non-Standardized Plan Document, which received a favorable Internal Revenue Service determination letter on May 9, 1996. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's legal counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

4. INVESTMENTS:

The following investments represent 5% or more of the net assets available for benefits at December 31:

|  | <u>Market Value at December 31,</u> |              |
|--|-------------------------------------|--------------|
|  | <u>2001</u>                         | <u>2000</u>  |
| Scudder Trust Company Collective Investment Trust<br>Stable Value Fund | \$ 4,360,529                        | \$ 3,441,662 |
| Scudder Trust Company Growth and Income Fund                           | 4,253,013                           | 5,323,676    |
| Scudder Trust Company Collective Investment Trust<br>Stock Index Fund  | 3,517,734                           | 3,616,317    |
| Pimco Total Return - Administrative Fund                               | 1,671,192                           | -            |
| Scudder Trust Company Pathway Series Moderate<br>Fund                  | 1,404,380                           | 1,780,476    |
| PBHG Mid Cap Value Fund  | 1,109,598                           | -            |
| INVESCO Funds Group, Inc. Selected Income Fund                         | -                                   | 1,551,501    |
| Baron Asset Fund   | -                                   | 1,146,322    |

5. BENEFITS PAYABLE:

Amounts allocated for benefits requested by participants before year end but not paid until after year end were \$248,800 and \$66,837 at December 31, 2001 and 2000, respectively.

6. NET DEPRECIATION IN FAIR VALUE OF INVESTMENTS:

Net depreciation by investment type for the year ended December 31, 2001 was as follows:

|                          |                 |
|--------------------------|-----------------|
| Mutual funds             | \$ (1,243,368 ) |
| Common collective trusts | (460,578 )      |
| Common stock             | (3,491 )        |
|                          | \$ 1,707,437 )  |

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7. SALE OF SUBSIDIARY ASSETS:

On May 31, 2000, the Missouri assets of one of the Company's subsidiaries were sold to another company. As a result, 87 employees and their related Plan accounts were transferred to a defined contribution plan of the acquiring company in June 2001.

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SOUTHWESTERN ENERGY COMPANY  
401(k) SAVINGS PLAN

SCHEDULE OF ASSETS HELD FOR INVESTMENT  
PURPOSES - FORM 5500, SCHEDULE H, ITEM 4I

EIN 71-0205415  
DECEMBER 31, 2001

| <u>Identity of Issue, Borrower,<br/>Lessor or Similar Party</u> | <u>Description of Investment Including<br/>Maturity Date, Rate of Interest, Collateral,<br/>Par or Maturity Value</u> | <u>Current Value</u> |
|---|---|----------------------|
| Scudder Trust Company Collective Investment Trust*              | Stable Value Fund   | \$ 4,360,529         |
| Scudder Trust Company*  | Growth and Income Fund  | 4,253,013            |
| Scudder Trust Company Collective Investment Trust*              | Stock Index Fund  | 3,517,734            |
| Pimco Total Return  | Administrative Fund   | 1,671,192            |
| Scudder Trust Company*  | Pathway Series - Moderate Fund  | 1,404,380            |
| PBHG  | Mid Cap Value Fund  | 1,109,598            |
| Southwestern Energy Company*                                    | 43,316.10 Common Shares   | 450,487              |
| Scudder Trust Company*  | International Fund  | 414,064              |
| Scudder Trust Company*  | 21 <sup>st</sup> Century Growth Fund  | 250,873              |
| Entergy Corporation   | 4,117.95 Common Shares  | 161,053              |
| Various plan participants*                                      | Participant loans with interest rates from 5.75% to 10.5% and various maturities                                      | 441,163              |
|   |   | <u>\$ 18,034,086</u> |

\*

Parties-in-interest

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EXHIBIT IND

EX

| <u>EXHIBIT<br/>NUMBER</u> | <u>EXHIBIT</u>  | <u>SEQUENTIALLY<br/>NUMBERED<br/>PAGE</u> |
|---------------------------|---|---|
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| 99                        | Letter to commission Pursuant to Temporary<br>Note 3T | 11  |



Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation of our report dated May 3, 2002, included in this Form 11-K, into the Company's previously filed Registration Statements on Form S-8 (File Nos. 333-03787, 333-03789, 333-64961, 333-96161, 333-42494 and 333-69720).

/s/ AUTHUR ANDERSEN LLP

  
Arthur Andersen LLP

Tulsa, Oklahoma

June 3,2002



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EXHIBIT 99.1

SOUTHWESTERN ENERGY COMPANY

2350 N. Sam Houston Parkway East

Suite 300

Houston, Texas 77032

LETTER TO COMMISSION PURSUANT TO TEMPORARY NOTE 3T

June 4, 2002

Securities and Exchange Commission

450 Fifth Street, N.W.

Washington, D.C. 20549

Ladies and Gentlemen:

Pursuant to Temporary Note 3T to Article 3 of Regulation S-X, Southwestern Energy Company 401(k) Savings Plan (the "Plan") has obtained a letter of representation from Arthur Andersen LLP stating that the December 31, 2001 audit of the Plan was subject to their quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards, that there was appropriate continuity of Arthur Andersen LLP personnel working on the audit and availability of national office consultation. Availability of personnel at foreign affiliates of Arthur Andersen LLP is not relevant to this audit.

Very truly yours,

Southwestern Energy Company 401(k) Savings Plan

Greg D. Kerley  
Executive Vice President  
and Chief Financial Officer,  
Southwestern Energy Company

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SIGNATURES

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

SOUTHWESTERN ENERGY  
COMPANY  
401(k) SAVINGS PLAN

[REDACTED]

Date: June 04, 2002

[REDACTED]

By: /s/ GREG D. KERLEY

[REDACTED]

Greg D. Kerley  
Executive Vice President  
and Chief Financial Officer,  
Southwestern Energy Company