



**Southwestern Energy
Production Company**

A subsidiary of Southwestern Energy Company

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Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Subject: File Number S7-29-07; Concept Release on Possible Revisions to the
Disclosure Requirements Relating to Oil and Gas Reserves

Dear Ms. Morris:

I am the Vice President, Economic Planning and Acquisitions, of Southwestern Energy Production Company, a wholly owned subsidiary of Southwestern Energy Company (“Southwestern Energy” or the “Company”). On behalf of Southwestern Energy, I appreciate this opportunity to provide comments on the Securities and Exchange Commission (the “Commission”) Concept Release on Possible Revisions to the Disclosure Requirements Relating to Oil and Gas Reserves published in the Federal Register on December 18, 2007 (the “Release”).

Southwestern Energy would like to express its support for the Commission revisiting and modifying the oil and gas reserves disclosure requirements under Regulation S-K and Regulation S-X under the Securities Act of 1933 and the Securities Exchange Act of 1934 in order to reflect the current industry practices, technological advancements, changes in the oil and gas markets, and changes in the types of projects in which companies invest. With unconventional resources like the Fayetteville Shale representing an increasingly important portion of domestic natural gas production, Southwestern Energy believes that some modifications of the existing disclosure requirements would be appropriate.

In particular, Southwestern Energy believes that it is necessary and appropriate for the Commission to reconsider the current definition of “proved undeveloped reserves” to reflect current industry practices and accommodate existing and future technological innovations. As noted in the Release, under the current definition in Rule 4-10(a)(4), proved undeveloped reserves are restricted to “offsetting productive units that are reasonably certain of production when drilled¹ and the term “offsetting” is not defined within the rule. As indicated in the Division of Corporation Finance’s Current Issues and Rulemaking Projects dated November 14, 2000, the Staff has historically interpreted “offsetting” to mean immediately adjacent.

¹ 17 CFR 210.4-10(a)(4).

We believe that the Rule should allow for proved undeveloped reserves to be assigned to a minimum of eight wells (either vertical or horizontal) as “offsetting productive units.” In addition, with respect to horizontal wells, the Rule should require that such offsetting wells be of similar lateral length, without regard to the direction of the lateral. Based on the Company’s experiences with horizontal wells producing from the Fayetteville Shale, the Company believes that the foregoing represents an appropriate interpretation of “offsetting productive units” for horizontal wells. The Company’s data indicates that productivity of the horizontal well across the length of its lateral can be demonstrated, among other things, by:

- multi-stage hydraulic stimulations distributed throughout the horizontal lateral from where the lateral first penetrates the reservoir to the end of the lateral;
- production logs run on horizontal producing wells;
- microseismic data from the multi-stage hydraulic stimulations to the extent it shows a consistent pattern that these stimulations can treat the entire horizontal lateral length; and
- open-hole porosity and resistivity logs run on horizontal wells that indicate the entire lateral length is contributing gas production.

Furthermore, we strongly urge the Commission to reconsider its interpretation of the requirement under Rule 4-10(a)(4) that proved undeveloped reserves for other undrilled units can be claimed “only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation”² as requiring a higher threshold than “reasonable certainty.” We agree with those commentators who have expressed concern that, from a practical perspective, the Staff’s interpretation could constitute a requirement for absolute certainty. While clearly falling short of establishing absolute certainty, we believe that the recent technological advancements certainly provide sufficient assurances for the purposes of the Commission’s disclosure requirements, particularly where such advancements are utilized for unconventional resource reservoirs such as the Fayetteville Shale, a deep water, organic rich shale, which is expected to be very laterally continuous and gas bearing. We recommend that the “reasonable certainty” standard be used for these purposes.

Finally, with respect to the existing requirement under Rule 4-10(a)(2) that estimates of proved reserves be made utilizing the price as of the date the estimate is made, we believe that using the sales price on the last day of a reporting period is not necessarily representative of current economic conditions and can lead to significant fluctuations in reserve projections. We believe that an average of futures pricing, including the effect of existing hedges, is more representative of current market conditions and that such average pricing should be specifically required by the Commission to ensure consistency among reporting companies. Such average pricing should also be subject to further adjustment based on location differentials for specific reservoirs.

² Id.

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We look forward to the Commission's efforts to address the above issues under Rule 4-10 as well as the others raised in the Release through the formal rulemaking process, which will provide members of the oil and gas industry and other interested parties with an opportunity to participate in the process. Please feel free to contact the undersigned if you have any questions regarding these comments or if additional information is required.

Sincerely,



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