



**Southwestern Energy
Company**

Presentation to

**2002 John S. Herold
Pacesetters Energy
Conference**

September 27, 2002

NYSE: SWN



The *Right People* doing the *Right Things*,
wisely investing the cash flow from the underlying
Assets will create *Value +*.

$\frac{R^2}{A} \rightarrow V^+$





Costs are only part of the equation.

SWN's focus is creating the netback!

The economic concept that is the foundation for all that we do is:

PVI

What is PVI?



PVI

= Present Value Added per Dollar Invested

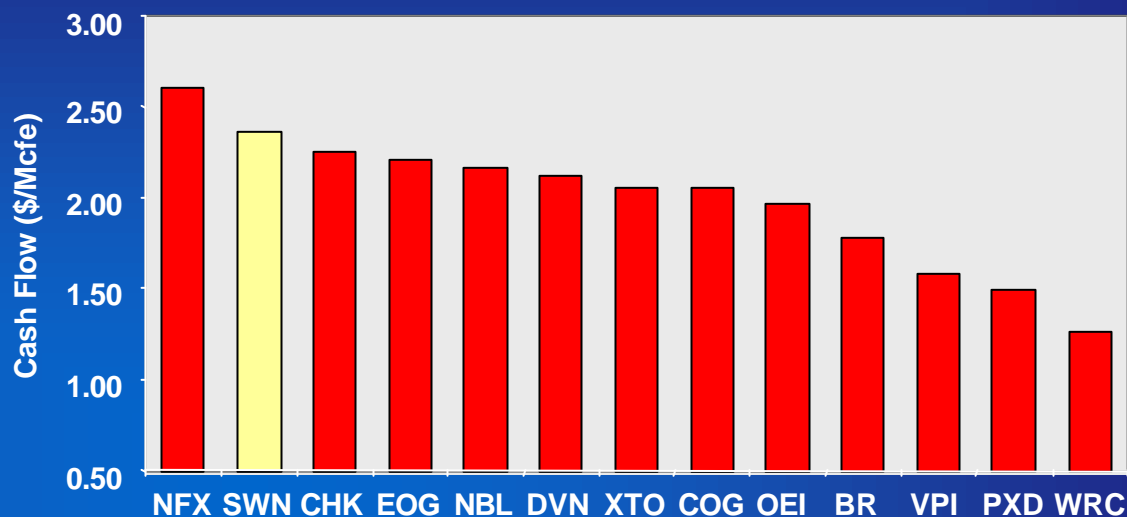
$$= \frac{PV_{10}}{\text{Investment}}$$

$$= \frac{PV_{10} ((\text{Price} * \text{Mcfe}) - (\text{Cost} * \text{Mcfe}))}{\text{Investment}}$$

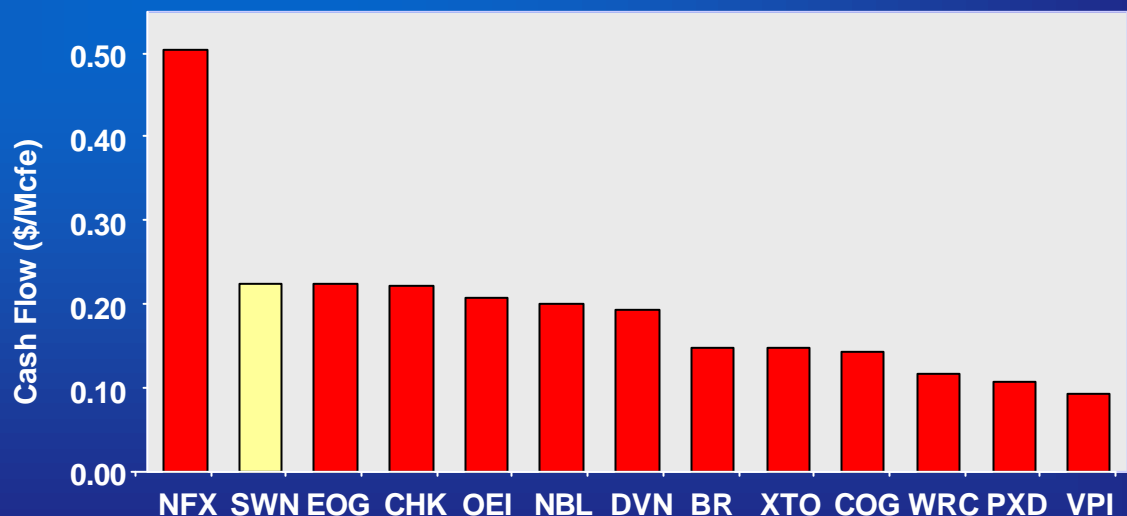
Cash Flow per Mcfe - SWN is Competitive



Cash Flow per Mcfe
of Production
(3 year average)



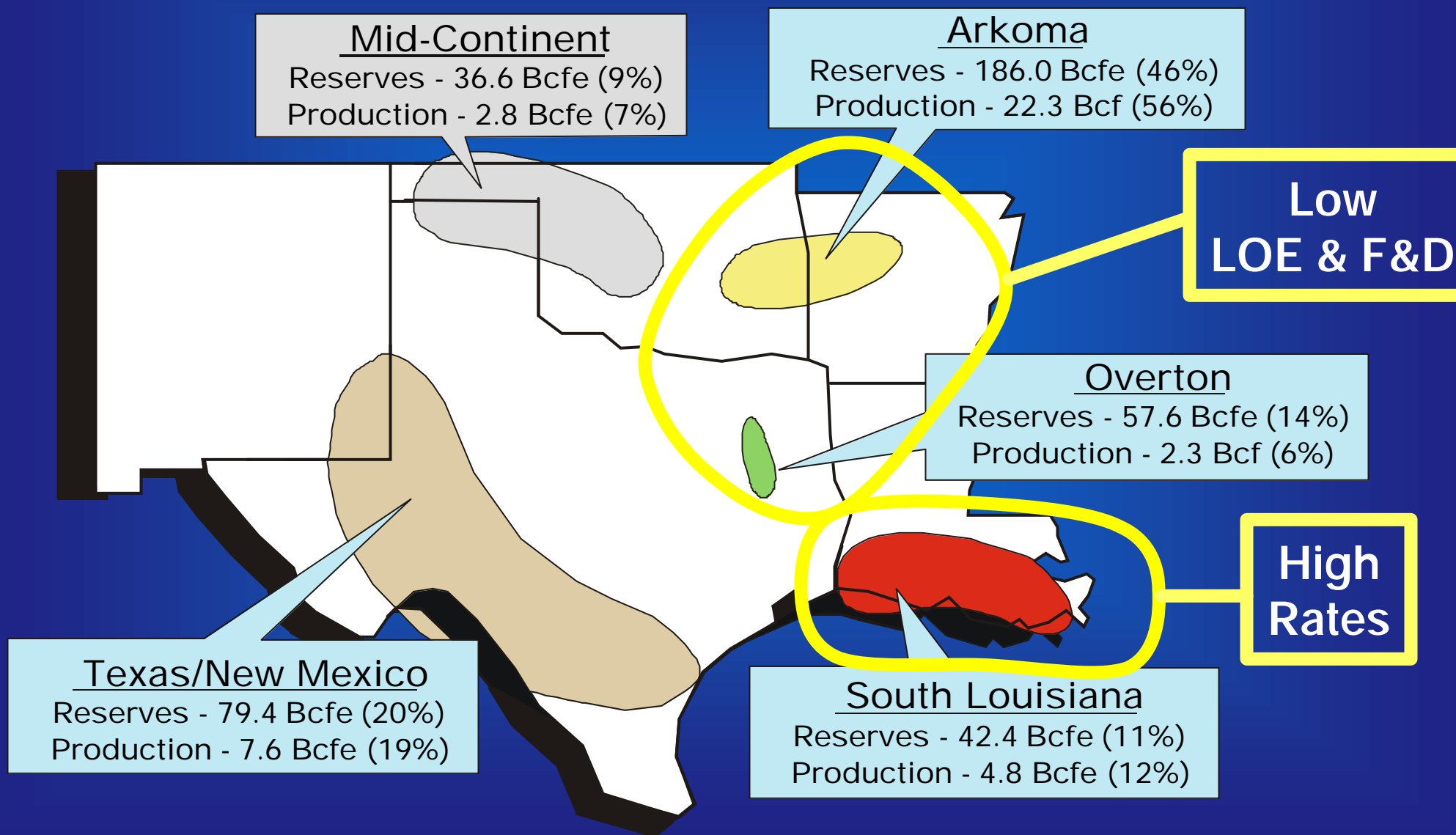
Cash Flow per Mcfe
of Reserves
(3 year average)



Notes: All data as of December 31, 1999, 2000 and 2001. Cash Flow defined as Cash Flow from Operations before changes in working capital.

BR - Burlington Resources, CHK - Chesapeake Energy, COG - Cabot Oil & Gas, DVN - Devon Energy, EOG - EOG Resources, NFX - Newfield Exploration, NBL - Noble Affiliates, OEI - Ocean Energy, PXD - Pioneer Natural Resources, VPI - Vintage Petroleum, WRC - Westport Resources, XTO - XTO Energy.

E&P Assets and Strategy - Organic Growth



Strategy



- Invest in the highest PVI projects. In 2002, add \$1.30 to \$1.50 of discounted value for each dollar invested.
 - **Focus is on adding value through drilling;**
 - **Not on acquisitions - not buying just to get bigger.**
- Maximize cash flow to fund E&P program and pay down debt.
- Over a multi-year program, achieve 10% annual growth in production and reserves.
- Reduce debt-to-total capital ratio over time to 50%.

Arkoma Basin



Arkoma Basin

3-Year Avg
Results

Reserve Replacement:	96%
LOE Cost (incl. Taxes) (\$/Mcf):	\$0.26
F&D Cost (\$/Mcf):	\$1.05

Haileyville

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

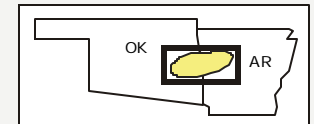
Oklahoma

Fairway

Arkansas

Ranger Anticline

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

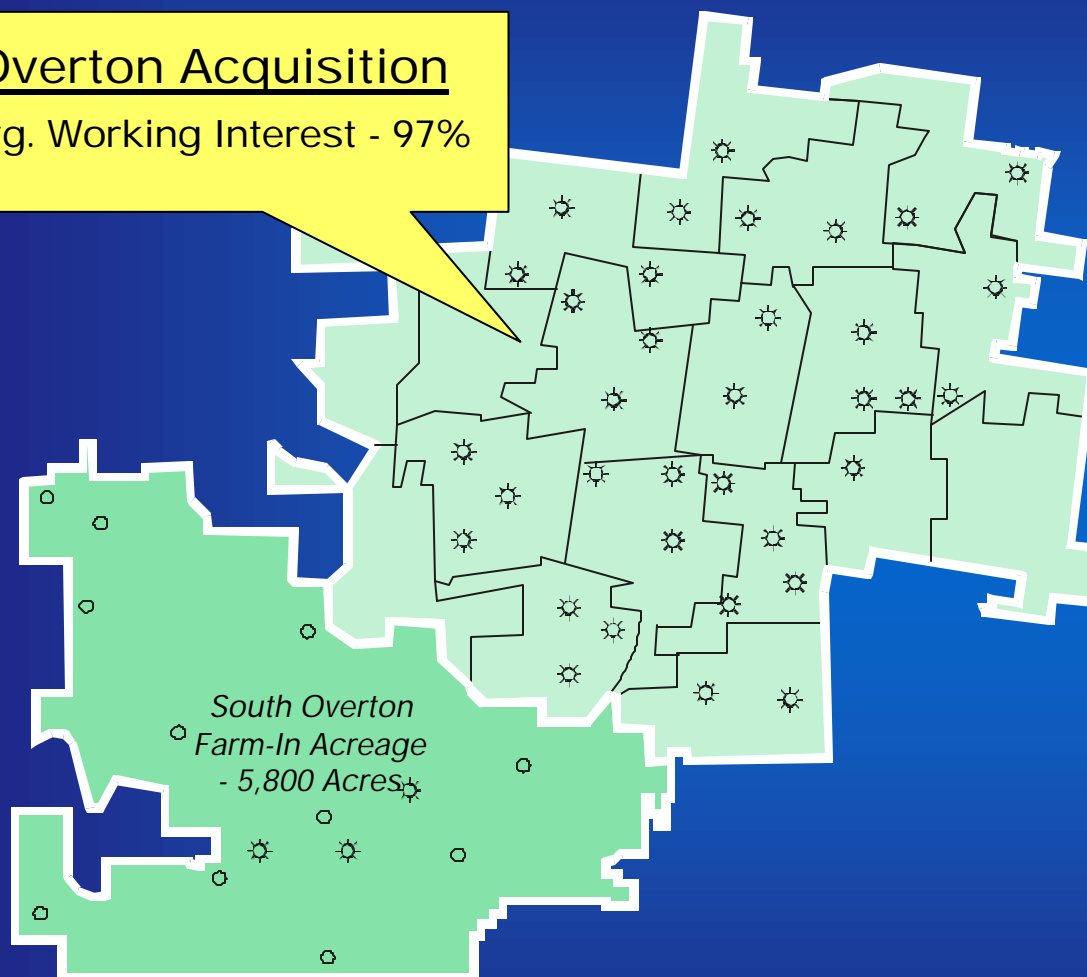


Overton Field - Multi-Year Drilling Program



Overton Acquisition

Avg. Working Interest - 97%



Overton Field Drilling Potential

	# Wells <u>@ 160s</u>	# Wells <u>@ 80s</u>
Original Wells	16	16
2001 Drilling	15	15
Future Development	<u>32</u>	<u>94</u>
TOTAL	<u>63</u>	<u>125</u>

- Purchased 7.5 Bcfe for \$6.1 million in 2000 (developed at 640-acre spacing).
- Downspacing to 160 acre units. Have drilled 7 wells in the first half of 2002.
- Opportunity to downspace to 80-acre spacing (87 wells).

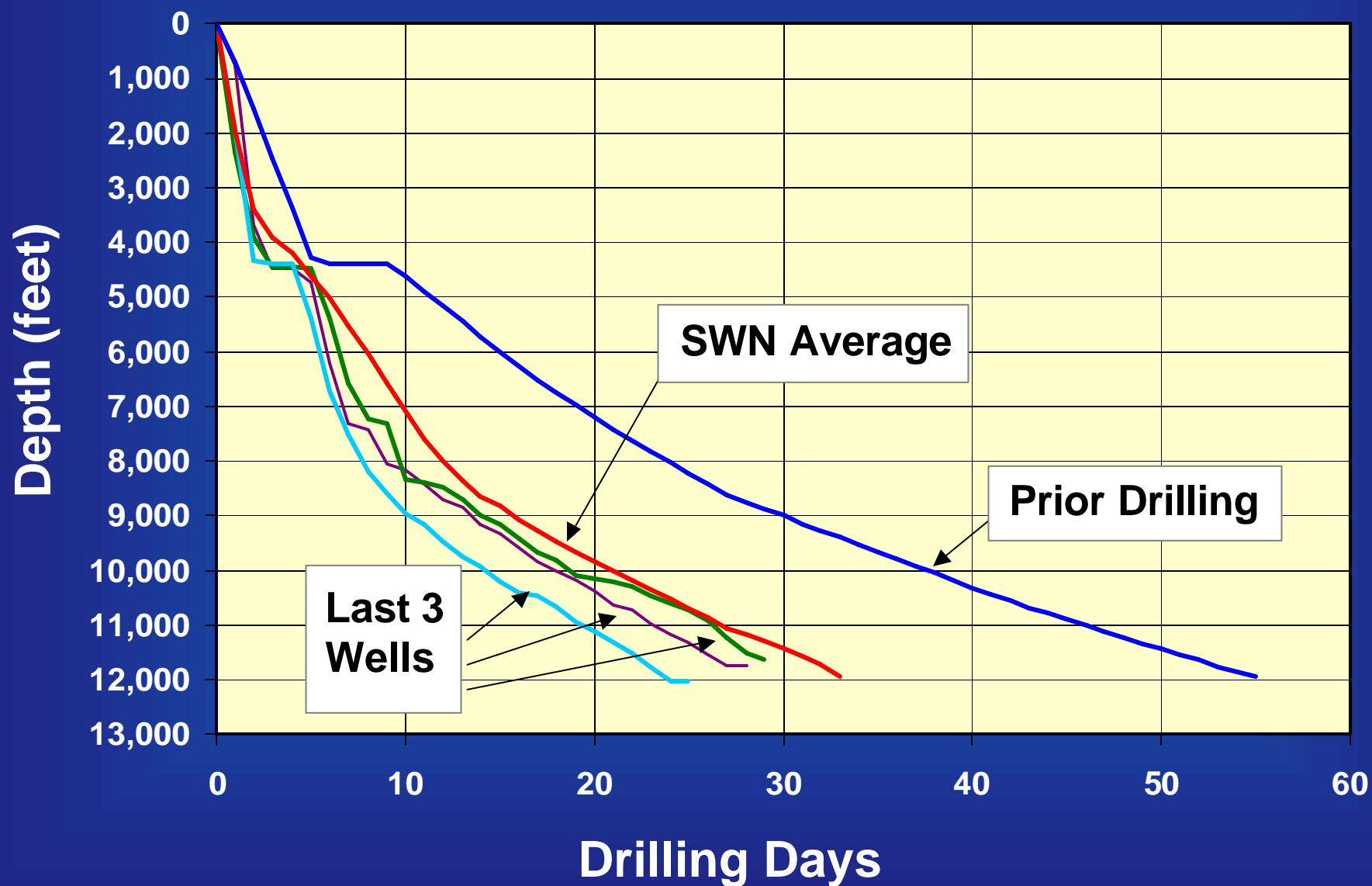
Overton Gross Production Rate



MMcfe/d



Drilling Time Improvement at Overton



Overton Drilling Economics



Revenues \$3.75 per Mcfe

Production costs \$0.40 per Mcfe

Cash netback \$3.35 per Mcfe

F&D costs \$0.85 per Mcfe

Results:

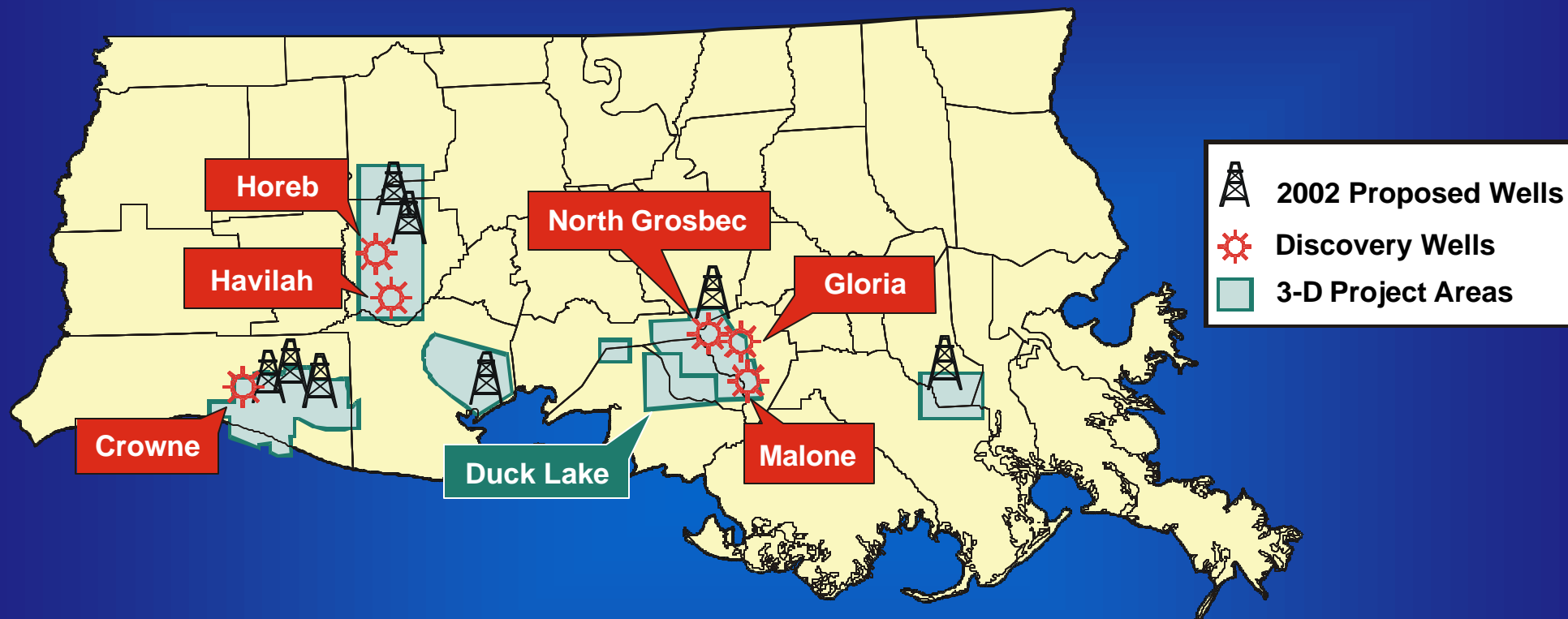
<i>Completed Well Cost</i>	<i>Pretax ROR</i>	<i>Pretax PVI</i>
\$1.5 MM⁽¹⁾	43%⁽²⁾	2.1⁽²⁾

(1) Current completed well cost estimate facilitated by pricing program.

(2) Assumes \$3.75 per Mcf flat pricing and gross EUR of 2.3 Bcfe per well.

Forward-Looking Statement

South Louisiana Exploration



	<u>Discovery Date</u>	<u>W.I.</u>	<u>Current Gross Producing Rate</u>
Gloria	Dec 1999	50%	1.0 MMcfd and 27 Bopd
North Grosbec	Feb 2000	25%	22.1 MMcfd and 802 Bopd
Havilah	Nov 2000	28%	4.2 MMcfd and 263 Bopd
Malone	Feb 2001	33%	10.3 MMcfd and 188 Bopd
Horeb	Nov 2001	21%	2.0 MMcfd and 30 Bopd
Crowne #1	Dec 2001	40%	3.0 MMcfd and 11 Bopd

Exploration Potential - 251 Net Bcfe



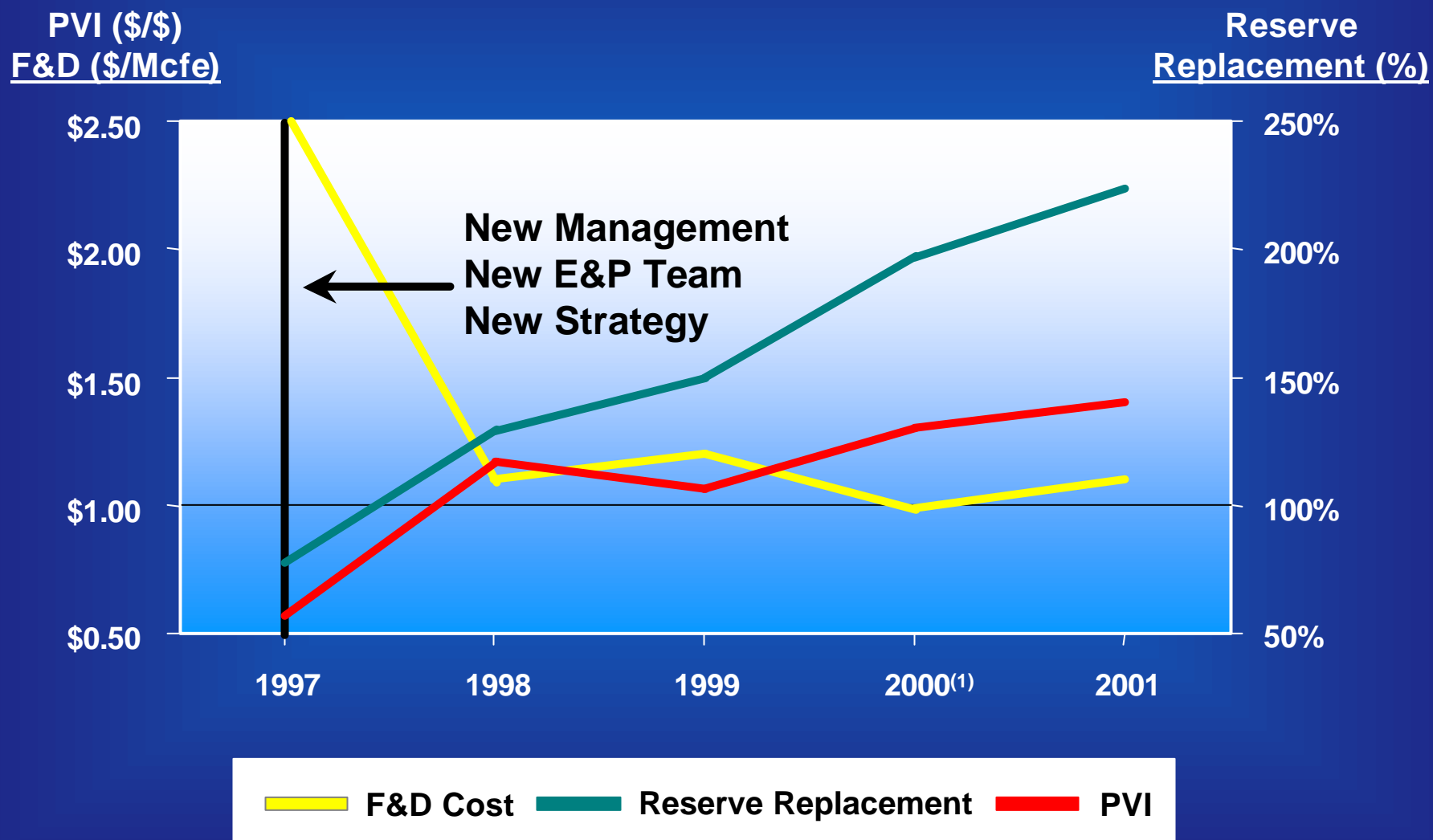
<u>Prospect Name</u>	<u>Operator</u>	<u>Spud Date</u>	<u>Working Interest</u>	<u>Depth</u>	<u>Objective</u>	<u>Gross Res. Potential (Bcfe)</u>	<u>Net Res. Potential (Bcfe)</u>
<u>Arkoma Basin</u>							
Midway	SWN	4Q	80.5%	11,400	Atoka	39.0	27.0
<u>Permian Basin</u>							
N. Roepke	SWN	Producing	88.0%	8,100	Devonian	3.0	2.0
Birds of Prey	SWN	Evaluating	100.0%	5,000	Cherry Canyon	6.0	5.0
High Lonesome	SWN	Prod/Eval	25.0%	11,000	Morrow	15.0	3.0
Gaucha Deep	Devon	1Q 2003	50.0%	15,000	Devonian	30.0	12.0
<u>Gulf Coast</u>							
Crowne	SWN	Prod/Eval	40.0%	13,500	Planulina	35.0	10.1
Tulleymore	SWN	Dry	40.0%	12,500	Planulina	-	-
Bushmills	SWN	Dry	70.0%	15,200	Planulina	-	-
W. Grand Chenier	Ballard	Completing	25.7%	6,700	Big hum	2.0	0.4
Middle Chenier	Ballard	Completing	25.7%	13,500	Planulina	45.0	8.6
SE Grand Lake	Ballard	Drilling	25.7%	14,000	Planulina	65.0	12.4
Little Chenier Bayou	Ballard	3Q	25.7%	11,000	Siph D	35.0	6.7
W. Grand Chenier Deep	Ballard	4Q	25.7%	12,500	Siph D	40.0	7.6
Piedmont	SWN	3Q	62.5%	12,700	Planulina	28.3	14.0
Jericho	SWN	1Q 2003	35.0%	14,200	Frio	72.0	18.9
Shiloh	SWN	1Q 2003	62.5%	13,500	Planulina	164.0	79.9
Ben Nevis	SWN	1Q 2003	50.0%	12,900	Miocene	45.0	16.0
Tigris	SWN	1Q 2003	50.0%	13,600	Frio	74.0	27.8

Total Reserve Potential **698.3 251.2**

Forward-Looking Statement



The Right People Doing the Right Things

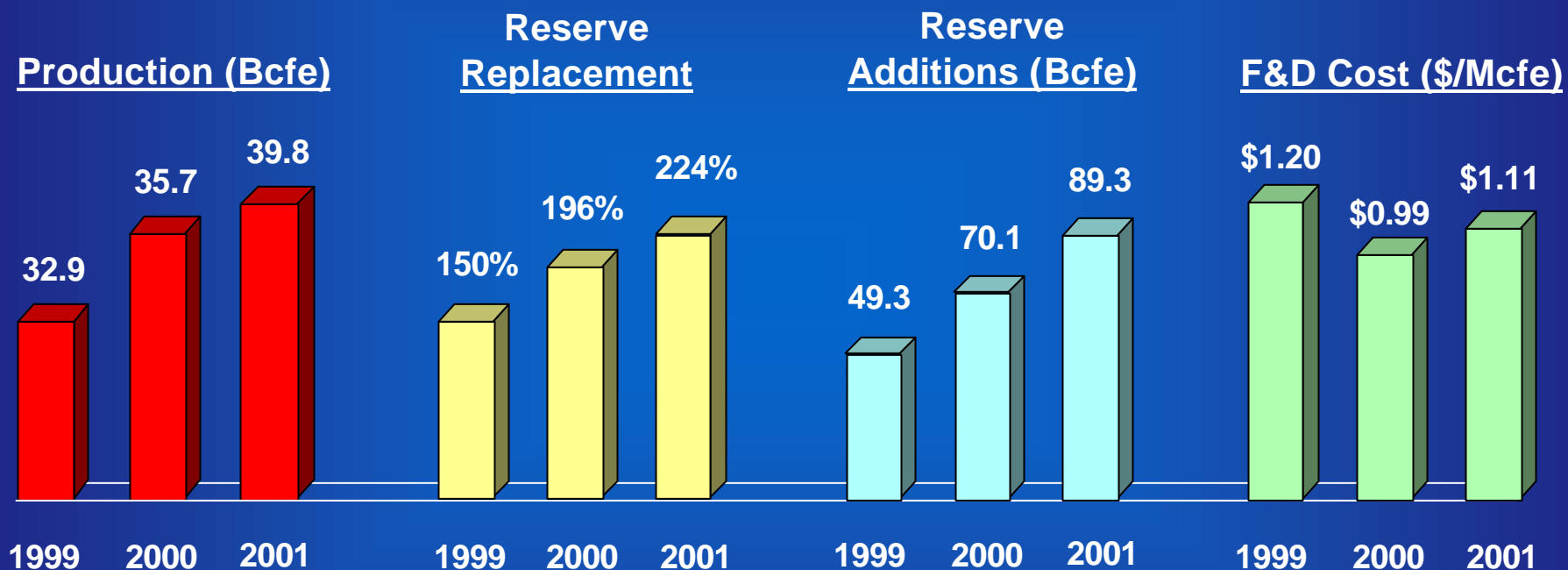


Note: PVI metrics calculated using pricing in effect at year-end (except for 2000 which was calculated at \$3.00 per Mcf natural gas price). All metrics calculated exclude reserve revisions.

E&P Results - Standing Out



For the Periods Ended December 31, 2001



Note: Reserve data excludes reserve revisions.

Keys to “Netback”



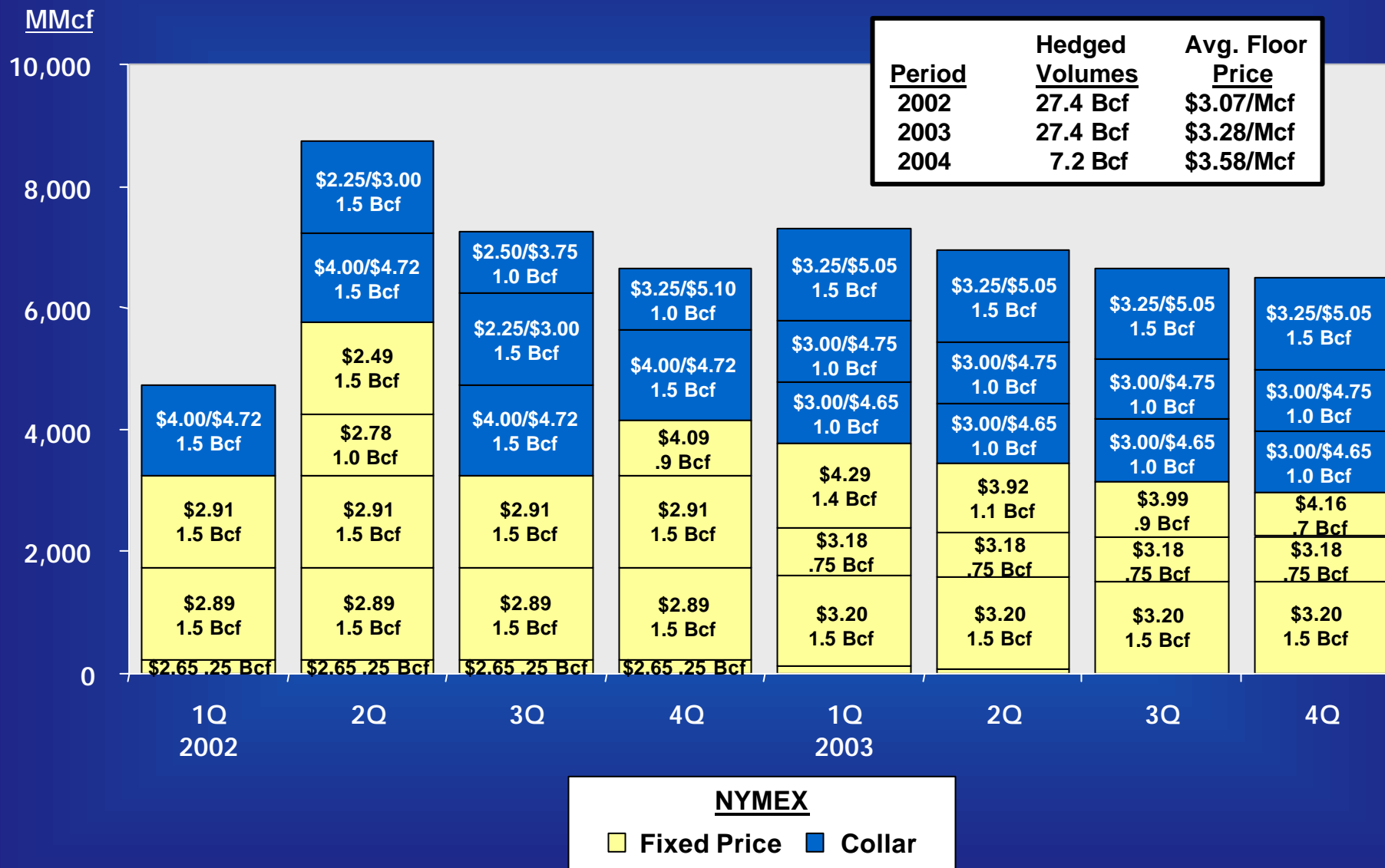
The Right People

- Creative and Innovative People.
- Appropriate Incentives for Employees and Contractors.

Doing the Right Things

- Focus on PVI.
 - ▶ Low Cost Operating Areas.
 - ▶ Areas of High Potential per \$ of Investment.
- Apply Latest Technology.
- Find Gas.

Gas Hedges in Place Through 2003



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.

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.