

SOUTHWESTERN ENERGY CO
Form DEF 14A
April 08, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

SOUTHWESTERN ENERGY COMPANY

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

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- No fee required
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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

2350 N. Sam Houston Parkway East, Suite 125

Houston, Texas 77032

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

ON MAY 21, 2013

The Annual Meeting of Stockholders of Southwestern Energy Company, or the Company, will be held at the Hilton Houston North Hotel, 12400 Greenspoint Drive, Houston, Texas 77060, on Tuesday, the 21st day of May, 2013, at 11:00 a.m., Central Daylight Time, for the following purposes:

- (1) To elect nine directors to serve until the 2014 Annual Meeting or until their respective successors are duly elected and qualified;
- (2) To ratify the appointment of PricewaterhouseCoopers LLP, or PwC, to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2013;
- (3) To conduct an advisory vote to approve the compensation paid to our Named Executive Officers for 2012;
- (4) To consider and act upon a proposal to approve our 2013 Incentive Plan; and
- (5) To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on April 4, 2013, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and any adjournment thereof.

The Company's 2012 Annual Report, which is not part of the proxy soliciting material, is enclosed.

You are invited to attend the meeting. If you cannot attend, it is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the proxy card or voting instruction card. As an alternative, you can also vote your shares by telephone or over the Internet.

You may revoke a proxy at any time prior to its exercise by giving written notice to that effect to the Secretary of the Company or by submitting a later-dated proxy or subsequent Internet or telephonic proxy. If you attend the meeting, you may revoke any proxy you previously granted and vote in person.

By Order of the Board of Directors

MARK K. BOLING

Secretary

April 11, 2013

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 21, 2013.

The proxy statement and annual report to stockholders are available at www.swn.com

TABLE OF CONTENTS

<u>Proxy Statement Questions</u>	1
<u>Proposal No. 1: Election of Directors</u>	5
<u>Nominees for Election</u>	5
<u>Information Regarding Corporate Governance, the Board of Directors and Committees of the Board</u>	9
<u>Corporate Governance</u>	9
<u>Identifying and Evaluating Nominees for Director</u>	9
<u>Selection Criteria for Nominees for Directors</u>	10
<u>Stockholder Nominations</u>	11
<u>Director Independence</u>	11
<u>The Board's Role in Risk Management, Including Risk Assessment Related to Our Compensation Structure</u>	12
<u>Board Leadership Structure, Presiding Director and Executive Sessions</u>	13
<u>Committees of the Board of Directors</u>	14
<u>Communications with Non-Employee Directors</u>	15
<u>Attendance at Board Meetings and Annual Meeting</u>	15
<u>Proposal No. 2: Ratification of Independent Registered Public Accounting Firm</u>	16
<u>Relationship with Independent Registered Public Accounting Firm</u>	16
<u>Audit Committee Report</u>	17
<u>Transactions with Related Persons</u>	19
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	20
<u>Security Ownership of Certain Beneficial Owners</u>	21
<u>Share Ownership of Management, Directors and Nominees</u>	22
<u>Equity Compensation Plans</u>	23
<u>Our Compensation Policies and Practices as Related to our Risk Management</u>	24
<u>Compensation Discussion and Analysis</u>	26
<u>Executive Summary</u>	26
<u>Named Executive Officers</u>	26
<u>2012 Business and Performance Highlights</u>	26
<u>Executive Compensation Highlights</u>	26
<u>Good Governance and Best Practices</u>	27
<u>How Our Performance is Linked to Pay</u>	27
<u>Compensation Philosophy and Objectives</u>	30
<u>Pay Mix Tied to Performance and Stockholder Return</u>	31
<u>Executive Compensation Process & Governance</u>	32
<u>Role of the Compensation Committee</u>	32
<u>Role of the Compensation Consultant</u>	33
<u>Role of the CEO and Other Officers</u>	33
<u>Review of & Process for Determining Executive Compensation</u>	34
<u>2012 Peer Group</u>	34
<u>2012 Compensation Assessment</u>	36
<u>Base Salary</u>	36
<u>Annual Cash Bonus</u>	36
<u>Past ICP Corporate Performance Measure Achievement</u>	37
<u>2012 Annual Incentive Compensation Bonus Opportunities</u>	38
<u>2012 Annual ICP Payouts</u>	39
<u>Long-Term Incentive Compensation</u>	39
<u>Health, Welfare and Retirement Benefits</u>	41
<u>Perquisites, Allowances and Other Benefits</u>	42
<u>Severance and Other Change in Control Benefits</u>	43

<u>Risk Management Features of our Executive Compensation Program</u>	45
<u>Recoupment of Unearned Incentive Compensation</u>	45
<u>Stock Ownership Guidelines</u>	45
<u>Anti-Hedging Policy</u>	46
<u>Anti-Pledging Policy</u>	46
<u>Board Process</u>	46
<u>Tax and Accounting Considerations</u>	46
<u>Tax Deductibility of Compensation Payments</u>	46
<u>Compensation Committee Report</u>	47
<u>Executive Compensation</u>	48
<u>Summary Compensation Table</u>	48
<u>Cost of All Other Compensation Provided To Named Executive Officers in 2012</u>	49
<u>Grants of Plan-Based Awards</u>	50
<u>Outstanding Equity Awards at Fiscal Year-End</u>	51
<u>Option Exercises and Stock Vested</u>	52
<u>Pension Benefits</u>	53
<u>Non-Qualified Deferred Compensation</u>	54
<u>Estimated Potential Payments</u>	55
<u>Proposal No. 3: Advisory Vote to Approve Executive Compensation</u>	57
<u>Director Compensation</u>	59
<u>Fees Earned or Paid in Cash to Outside Directors in 2012</u>	59
<u>Total Director Compensation</u>	60
<u>Compensation Committee Interlocks and Insider Participation</u>	62
<u>Proposal No. 4: Approval of Our 2013 Incentive Plan</u>	63
<u>Proposals for 2014 Annual Meeting</u>	72
<u>Confidential Voting</u>	72
<u>Other Business</u>	73
<u>Annex A</u>	74
<u>Exhibit A</u>	A-1

PROXY STATEMENT FOR 2013 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 21, 2013.

PROXY STATEMENT QUESTIONS

WHO IS ENTITLED TO VOTE AT THE ANNUAL MEETING?

Stockholders who own shares of common stock as of April 4, 2013, the Record Date, may vote at the meeting. There were 351,530,606 shares of common stock outstanding on that date. Each share of common stock entitles the holder to one vote on all matters submitted to a vote at the Annual Meeting and any adjournment or postponement of the meeting. A complete list of the stockholders entitled to vote will be available for examination at the meeting and for at least 10 days prior to the meeting at our corporate offices located at 2350 N. Sam Houston Parkway, Suite 125, Houston, Texas 77032.

HOW CAN I ATTEND THE ANNUAL MEETING?

Attendance at the Annual Meeting is limited to stockholders and our employees. Admission to the Annual Meeting will be on a first-come, first-served basis. Registration will begin at 10:00 a.m. Central Standard Time on the date of the Annual Meeting, and each stockholder may be asked to present valid picture identification such as a driver's license or passport and proof of stock ownership as of the Record Date. The use of cell phones, smartphones, pagers, recording and photographic equipment and computers is not permitted in the meeting room at the Annual Meeting.

WHEN WERE THE ENCLOSED SOLICITATION MATERIALS FIRST GIVEN TO STOCKHOLDERS?

This Proxy Statement and accompanying proxy are first being mailed, given or made available to stockholders, on or about April 11, 2013. We are making our proxy materials available to our stockholders on the Internet. You may read, print and download our 2012 Annual Report to Stockholders and our Proxy Statement at www.envisionreports.com/swn. On an ongoing basis, stockholders may request to receive proxy materials in printed form by mail or electronically by email.

WHAT AM I VOTING ON, AND WHAT ARE THE BOARD'S RECOMMENDATIONS?

You are being asked to vote on the following:

the election of nine directors;

the ratification of the appointment of PwC as the Company's independent registered public accounting firm for fiscal year 2013;

an advisory vote to approve our executive compensation; and

the approval of our 2013 Incentive Plan.

The Board of Directors, or the Board, recommends a vote:

FOR the election of nine directors (Proposal No. 1);

FOR the ratification of the appointment of PwC as the Company's independent registered public accounting firm for 2013 (Proposal No. 2);

FOR the advisory vote to approve our executive compensation (Proposal No. 3); and

FOR the approval of our 2013 Incentive Plan (Proposal No. 4).

WHAT CONSTITUTES A QUORUM OF STOCKHOLDERS?

We must have a quorum to conduct the meeting. A quorum is the presence at the Annual Meeting in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast as of the record date. Because there were 351,530,606 shares of common stock outstanding on April 4, 2013, the quorum for the Annual Meeting requires the presence at the meeting in person or by proxy of stockholders entitled to vote at least 175,765,304 shares. Broker non-votes, abstentions and withhold-authority votes COUNT for purposes of determining a quorum. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that proposal and has not received instructions from the beneficial owner. Under the rules of the New York Stock Exchange, or NYSE, brokers do not have discretionary authority to vote shares in connection with non-routine matters without instructions from the beneficial owner.

IF I AM THE BENEFICIAL OWNER OF SHARES THAT ARE HELD IN STREET NAME BY MY BROKER, WILL MY BROKER VOTE FOR ME? HOW ARE BROKER NON-VOTES TREATED?

Under the NYSE member rules, a member broker (that is, a member of the NYSE) who holds shares in street name for customers generally has the authority to vote on certain routine or discretionary proposals if it has transmitted proxy soliciting materials to the beneficial owner but has not received instructions from that owner. However, the NYSE precludes brokers from exercising their voting discretion on certain proposals without instructions from the beneficial owner and the NYSE now expressly prohibits brokers holding in street name for their beneficial holder clients from voting in an election of directors and from voting on certain corporate governance matters without receiving specific instructions from those clients. Therefore, if you hold your shares in the name of a bank, broker or other holder of record, for your vote to be counted on Proposals 1, 3 and 4, you will need to communicate your voting decisions to your bank, broker or other holder of record before May 21, 2013.

HOW ARE ABSTENTIONS TREATED?

Abstentions are counted for purposes of determining whether a quorum is present. For the purpose of determining whether the stockholders have approved the matter addressed by a proposal, because an abstention is not treated as a vote for or against the matter, it will have no effect on the outcome of the vote.

HOW DO I VOTE?

On April 11, 2013, we mailed a notice to stockholders containing instructions on how to access our proxy materials and vote online at www.envisionreports.com/swn. Because many of our stockholders are unable to attend the meeting in person and may have limited access to the Internet, we also send proxy cards and offer electronic and telephonic voting to all of our stockholders who hold their shares in their own names (that is, whose shares are not held by a broker in street name) to enable them to direct the voting of their shares.

If you are the record holder of your shares, you may vote your shares (i) via the internet, (ii) by telephone, or (iii) in person at the Annual Meeting by proxy. If your shares are held by your broker in street name, your broker will provide you with instructions for voting your shares.

Internet Access: Record holders with Internet access may submit proxies by following the Vote-by-Internet instructions on their proxy cards. Stockholders who hold shares beneficially in street name may vote by accessing the website specified on the voting instruction cards provided by their brokers, trustee or nominees. Please check the voting instruction card for Internet voting availability.

By Telephone: Record holders may submit proxies by following the Vote-by-Telephone instructions on their proxy cards. Stockholders who hold shares beneficially in street name may vote by telephone by calling the number specified on the voting instruction card provided by their brokers, trustee or nominees. Please check the voting instruction card for telephonic voting availability.

WHAT IS THE VOTING REQUIREMENT TO APPROVE EACH OF THE PROPOSALS?

Proposal No. 1 Election of Directors: Any nominee who receives a greater number of votes cast FOR his or her election than votes cast AGAINST his or her election will be elected to the Board. Shares not represented in person or by proxy at the Annual Meeting, abstentions and broker non-votes will have no effect on the election of directors.

Proposal No. 2 Ratification of Independent Registered Public Accounting Firm: The affirmative vote of a majority of the votes properly cast on Proposal No. 2 is required to ratify the appointment of PwC as our independent registered public accounting firm. Abstentions will have no effect on the results of this vote. Brokers generally have discretionary authority to vote on the ratification of our independent registered public accounting firm. Therefore, we do not expect any broker non-votes on this proposal. However, to the extent there are any broker non-votes, they will have no effect on the results of this vote.

Proposal No. 3 An Advisory Vote to Approve Our Executive Compensation: Because Proposal No. 3 is an advisory vote, there is no minimum vote that constitutes approval of this proposal. We will consider this proposal approved if a majority of the votes properly cast are FOR this proposal.

Proposal No. 4 Approval of our 2013 Incentive Plan: The affirmative vote of a majority of the votes properly cast on Proposal No. 4 is required to approve our 2013 Incentive Plan. Abstentions and broker non-votes will have no effect on the results of this vote.

WHAT IS A PROXY?

A proxy is a person you appoint to vote on your behalf. When you vote by completing and returning the enclosed proxy card, you will be designating Vello A. Kuuskraa and Kenneth R. Mourton as your proxies. We solicit proxies so that all shares of common stock may be voted at the Annual Meeting. You must complete and return the enclosed proxy card or vote by phone or Internet to have your shares voted by proxy.

HOW WILL MY PROXY VOTE MY SHARES?

Your proxies will be voted in accordance with your instructions. If you complete and return your proxy card but do not provide instructions on how to vote, your proxies will vote FOR the nine director nominees, the ratification of PwC as the Company's independent registered public accounting firm for 2013, the proposal regarding an advisory vote on executive compensation and the approval of our 2013 Incentive Plan. Also, your proxy card or your vote via phone or Internet will give your proxies authority to vote, using their best judgment, on any other business that properly comes before the meeting.

HOW DO I VOTE BY MAIL USING MY PROXY CARD?

There are three steps:

Step 1

a. Proposal No. 1

Election of a board of nine directors to serve until the next Annual Meeting or until their successors are duly elected and qualify.

To vote for a director, you check the box marked FOR opposite the name of the director. To cast your vote against a director, mark the box AGAINST opposite the name of the director. If you are unsure how to vote, mark the box ABSTAIN.

b. Proposal No. 2

Ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for fiscal year 2013.

To vote for Proposal No. 2, you check the box marked **FOR**. If you are opposed to the proposal, check the box, **AGAINST**. If you are unsure how to vote, mark the box **ABSTAIN**.

c. Proposal No. 3

An advisory vote to approve executive compensation.

To vote for Proposal No. 3, you check the box marked **FOR**. If you are opposed to the proposal, check the box, **AGAINST**. If you are unsure how to vote, mark the box **ABSTAIN**.

d. Proposal No. 4

Approval of our 2013 Incentive Plan.

To vote for Proposal No. 4, you check the box marked **FOR**. If you are opposed to the proposal, check the box, **AGAINST**. If you are unsure how to vote, mark the box **ABSTAIN**.

Step 2

Sign and date your proxy card. **IF YOU DO NOT SIGN AND DATE YOUR PROXY CARD, YOUR VOTES CANNOT BE COUNTED. EACH PROPERLY EXECUTED PROXY WILL BE VOTED IN THE MANNER DIRECTED. IF NO DIRECTION IS MADE, EACH SUCH PROXY WILL BE VOTED IN ACCORDANCE WITH THE BOARD'S RECOMMENDATIONS AS SET FORTH IN THIS PROXY STATEMENT.**

Step 3

Mail your proxy card in the pre-addressed, postage-paid envelope.

CAN I VOTE BY PROXY EVEN IF I PLAN TO ATTEND THE ANNUAL MEETING?

Yes. If you vote by proxy, you do not need to fill out a ballot at the Annual Meeting unless you want to change your vote.

HOW MAY I REVOKE MY PROXY AFTER I HAVE DELIVERED IT?

A proxy may be revoked at any time before it is voted by sending written notice of revocation to our Secretary, by delivering a later dated proxy (by one of the methods described above) or by voting in person at the meeting. The Secretary may be contacted at the following address: Southwestern Energy Company, 2350 N. Sam Houston Parkway, Suite 125, Houston, Texas 77032, Attention: Secretary.

WHO IS SOLICITING MY PROXY, HOW IS IT BEING SOLICITED, AND WHO PAYS THE COSTS?

The Company, on behalf of the Board, through its officers and employees, is soliciting proxies primarily by mail. However, proxies may also be solicited in person, by telephone or facsimile. Morrow & Co., LLC, a proxy solicitation firm, will be assisting us for a fee of approximately \$10,500 plus out-of-pocket expenses. Southwestern Energy Company pays the cost of soliciting proxies and reimburses brokers and others for forwarding proxy materials to you.

WHEN WILL THE VOTING RESULTS BE AVAILABLE?

We will announce preliminary voting results at the Annual Meeting. Voting results will also be disclosed on a current report on Form 8-K filed with the Securities and Exchange Commission, or the SEC, within four business days after the Annual Meeting. This Form 8-K will be available on our website.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Effective as of the date of the Annual Meeting, three of the Company's directors, Lewis E. Epley, Jr., Robert L. Howard and Charles E. Scharlau, are retiring, which will reduce the number of current directors standing for election to nine. At the meeting, these nine directors are to be elected to serve until the next Annual Meeting or until their respective successors are duly elected and qualified.

Voting

The shares of common stock represented by the enclosed proxy will be voted as instructed by the stockholders for the election of the nominees named below. If no direction is made, the proxy will be voted **FOR** the election of all of the nominees named below other than in the case of broker non-votes which will be treated as described below. Our bylaws provide that in any uncontested election of directors (an election in which the number of nominees does not exceed the number of directors to be elected), any nominee who receives a greater number of votes cast **FOR** his or her election than votes cast **AGAINST** his or her election will be elected to the Board. Shares not represented in person or by proxy at the Annual Meeting, abstentions and broker non-votes will have no effect on the election of directors. The bylaws also provide that any nominee who does not receive a majority of votes cast **FOR** his or her election in an uncontested election is expected to promptly tender his or her conditional resignation to the Chairman of the Board following the certification of the vote, which resignation shall be promptly considered through a process managed by the Nominating and Governance Committee, excluding (other than in certain limited circumstances set forth in our bylaws) any nominees who did not receive a majority vote. If any nominee becomes unavailable for any reason or if a vacancy should occur before the election, the shares of common stock represented by the enclosed proxy may be voted for such other person as the Board may recommend. The Company has no knowledge that any nominee will be unavailable for election.

The Board, upon the recommendation of the Nominating and Governance Committee, has proposed the nominees set forth below for election as directors. All nominees for director are presently directors of the Company. Certain information concerning the nominees is set forth below.

Recommendation of the Board

THE BOARD RECOMMENDS THAT THE STOCKHOLDERS VOTE **FOR** THE ELECTION OF EACH OF THE NOMINEES TO THE BOARD AS SET FORTH IN THIS PROPOSAL.

Nominees for Election

JOHN D. GASS Mr. Gass is a retired Vice President of Chevron Corporation and President of Chevron Gas and Midstream, a position he held from 2003 until his retirement in 2012. In this role, he was responsible for Chevron's global natural gas marketing and trading activities, as well as Chevron's pipeline, power, and worldwide shipping operations. Mr. Gass began his career in 1974 in Chevron's Gulf of Mexico business unit in New Orleans, and over the next 38 years held positions of increasing responsibility both domestically and abroad in engineering, operations and executive management at the company. Prior to his most recent position, Mr. Gass served as the Managing Director of Chevron's Southern Africa Strategic Business Unit from 2001 to 2003 where he was responsible for Chevron's exploration and production operations in Angola and neighboring countries. From 1996 to 2000, Mr. Gass was Managing Director of Chevron's Australasia Strategic Business Unit where he was responsible for Chevron's upstream activities in Australia and Papua New Guinea. Mr. Gass served as a director of Sasol Chevron Holdings Ltd from 2003 to 2010, and GS Caltex Corporation from 2004 to 2008. Mr. Gass graduated from Vanderbilt University in 1974 with a bachelor's degree in civil engineering, and later obtained a master's degree in civil engineering from Tulane University in 1978. He

currently serves on the Board of Visitors for the Vanderbilt School of Engineering and on the Advisory Board for the Vanderbilt Eye Institute. He is a member of the American Society of Civil Engineers and the Society of Petroleum Engineers. Mr. Gass is 61 years old and first became a director of the Company in 2012.

The Nominating and Governance Committee, in reviewing and assessing Mr. Gass's contributions to the Board, determined that his experience as an executive of a leading multinational exploration and production company will continue to complement the mix of skills of the other nominees and provide significant contributions to the Company's Board.

CATHERINE A. KEHR Ms. Kehr retired in 2006 as a Senior Vice President and Director of Capital Research Company, a division of The Capital Group Companies, one of the world's largest investment management organizations and manager of the American Funds. From 1997 to 2006, she was an investment analyst and fund manager with responsibility for global energy equities for The Capital Group Companies. From 1992 to 1997, she was an investment analyst and fund manager with responsibility for global energy high yield debt for The Capital Group Companies. Prior to her tenure with The Capital Group Companies, she held various managerial positions at Atlantic Richfield Company and Payden & Rygel. In 2001, the Reuters Survey ranked Ms. Kehr among the top 10 individual U.S. fund managers. Ms. Kehr received a Bachelor of Arts from Yale University and an MBA from The Wharton School of the University of Pennsylvania. Ms. Kehr holds the Chartered Financial Analyst designation. Ms. Kehr is 50 years old and was first elected to the Company's Board in 2011.

The Nominating and Governance Committee, in reviewing and assessing Ms. Kehr's contributions to the Board, determined that her experience as an executive of an investment firm, her experience as an investment analyst and portfolio manager, her financial expertise and her global energy experience will continue to complement the mix of skills of the other nominees and provide significant contributions to the Company's Board.

GREG D. KERLEY Mr. Kerley retired as Executive Vice President and Chief Financial Officer of the Company on October 1, 2012. Mr. Kerley joined the Company in 1990 as Controller and Chief Accounting Officer and has more than 30 years of oil and gas industry experience. He also served the Company as Treasurer and Secretary before he was named Senior Vice President and Chief Financial Officer in 1998. He served as an Executive Vice President since 1999. Mr. Kerley also became a director of the Company in August 2010. Before joining the Company, Mr. Kerley held senior financial and accounting positions at Agate Petroleum Inc. and was a manager for Arthur Andersen LLP specializing in the energy sector. Mr. Kerley graduated from Oklahoma State University with a bachelor's degree in accounting. He is a certified public accountant and a member of the American Institute of Certified Public Accountants. He is also a member of the Independent Petroleum Association of America. Mr. Kerley is 57 years old.

The Nominating and Governance Committee, in reviewing and assessing Mr. Kerley's contributions to the Board, determined that his experience as the Chief Financial Officer, his prior accounting, financial and oil and gas industry experience and his involvement in industry associations complement the mix of skills of the other nominees and provide significant contributions to the Company's Board.

HAROLD M. KORELL Mr. Korell is the Chairman of the Board of the Company. From May 19, 2009 through March 31, 2010, he served as Executive Chairman of the Company. Mr. Korell served as the Chief Executive Officer of the Company from January 1, 1999 until May 19, 2009. Mr. Korell joined the Company in 1997 as Executive Vice President and Chief Operating Officer. On May 22, 1998, Mr. Korell was promoted to President and Chief Operating Officer and was promoted from Chief Operating Officer to Chief Executive Officer effective January 1, 1999. Mr. Korell was elected Chairman of the Board May 16, 2002. Previously, Mr. Korell was Senior Vice President - Operations of American Exploration Company, Executive Vice President of McCormick Resources, and held various technical and managerial positions during his 17 years with Tenneco Oil Company, including Vice President of Production. Prior to that time, he held various positions with

Mobil Corporation. He is a member of the Society of Petroleum Engineers. He also serves on the Board of Governors at the Colorado School of Mines and the Board of Trustees at the Baylor College of Medicine. Mr. Korell is 68 years old and first became a director of the Company in 1998.

The Nominating and Governance Committee, in reviewing and assessing Mr. Korell's contributions to the Board, determined that his experience as the Company's President and Chief Executive Officer, his prior experience as an executive of other oil and gas companies and his involvement in industry associations will continue to complement the mix of skills of the other nominees and provide significant contributions to the Company's Board.

VELLO A. KUUSKRAA Mr. Kuuskraa is the President and Chairman of the Board of Directors of Advanced Resources International, Inc., a privately held geological and engineering technical services company located in Arlington, Virginia, which he has led since 1991. 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 72 years old and was first elected to the Company's Board in 2003.

The Nominating and Governance Committee, in reviewing and assessing Mr. Kuuskraa's contributions to the Board, determined that his geological and engineering background, his demonstrated knowledge of the natural gas industry as well as his leadership experience as President and Chairman of the Board of an internationally recognized geological and engineering advisory firm will continue to complement the mix of skills of the other nominees and provide significant contributions to the Company's Board.

KENNETH R. MOURTON Mr. Mourton is an Attorney at Law with and Managing Principal Attorney of the firm of Ball and Mourton, Ltd., PLLC, Fayetteville, Arkansas, where he has practiced since 1975. He is a certified public accountant (inactive) and 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 member of the Board of Directors of the Arkansas Rural Endowment Fund, a non-profit corporation created by the State of Arkansas to help lower income, rural Arkansas children obtain college and university educations. Mr. Mourton is 62 years old and was first elected to the Company's Board in 1995.

The Nominating and Governance Committee, in reviewing and assessing Mr. Mourton's contributions to the Board, determined that legal and accounting background and his considerable business experience will continue to complement the mix of skills of the other nominees and provide significant contributions to the Company's Board.

STEVEN L. MUELLER Mr. Mueller is the President and Chief Executive Officer of the Company, a position he has held since May 19, 2009. Prior to that, as of June 2, 2008, Mr. Mueller served as the President and Chief Operating Officer of the Company. He joined the Company from CDX Gas, LLC, a privately owned company where he was employed as Executive Vice President from September 2007 to May 2008. CDX voluntarily filed for bankruptcy in December 2008 and, in 2009, emerged from bankruptcy and resumed operations as Vitruvian Exploration LLC. From 2001 until its acquisition by Forest Oil in 2007 for approximately \$1.5 billion, Mr. Mueller served first as the Senior Vice President and General Manager Onshore and later as the Executive Vice President and Chief Operating Officer of The Houston Exploration Company. Mr. Mueller has over 30 years of experience in the oil and gas industry and has served in multiple operational and managerial roles at Tenneco Oil Company, Fina Oil Company, American Exploration Company, Belco Oil & Gas Company

and The Houston Exploration Company. Mr. Mueller has a degree in geologic engineering from the Colorado School of Mines. Mr. Mueller is the president of the Company's subsidiaries, Southwestern E&P Services, LLC, DeSoto Sand, LLC, SWN Well Services, LLC, SWN International, LLC, SWN Resources Canada, Inc., Southwestern Energy NGV Services, LLC and A.W. Realty Company. Mr. Mueller is also a director of the Company's subsidiaries, SWN Resources Canada, Inc., Southwestern Midstream Services Company, Southwestern Energy Services Company, Certified Title Company and A.W. Realty Company. Mr. Mueller first became a director of the Company in July 2009. Mr. Mueller is 60 years old.

The Nominating and Governance Committee, in reviewing and assessing Mr. Mueller's extensive experience in the oil and gas industry, determined that his role as the Company's President and Chief Executive Officer coupled with his past executive experience will complement the mix of skills of the other nominees and provide significant contributions to the Company's Board.

ELLIOTT PEW Mr. Pew retired in 2010 as Chief Operating Officer of Common Resources, LLC, a Houston-based exploration and production company. Mr. Pew was a co-founder of Common Resources, LLC, and served as Chief Operating Officer from 2007 until the company was sold in 2010. Prior to his employment by Common Resources, LLC, Mr. Pew was Executive Vice President - Exploration at Newfield Exploration Company where he led Newfield's diversification efforts onshore in the late 1990's in addition to leading the company's exploration program, including the formation of the deep water Gulf of Mexico business unit. Prior to his work at Newfield, Mr. Pew was with American Exploration Corporation, a natural resource exploration and production company, where he served as Senior Vice President - Exploration in 1997, as Vice President Exploration from 1993 to 1996 and Senior Geophysicist from 1992 to 1993. Mr. Pew has served as a director for Enerplus Corporation, a North American energy producer, since 2010, including current positions as a member of its audit and risk management committee and chairman of its reserves committee. Mr. Pew also currently serves as a director of Common Resources III, a private exploration and production company. Mr. Pew first became a director of the Company in 2012 and he is 58 years old.

The Nominating and Governance Committee, in reviewing and assessing Mr. Pew's contributions to the Board, determined that his experience as an executive and director of other oil and gas companies will continue to complement the mix of skills of the other nominees and provide significant contributions to the Company's Board.

ALAN H. STEVENS Mr. Stevens has an extensive background in domestic and international oil and gas exploration and production. He has over 38 years of experience in various managerial, geological and geophysical positions at Occidental Petroleum Company, Tenneco Oil Company and Exxon Corporation. Mr. Stevens was a director of Derek Oil & Gas Company from 2004 through 2010. He is also a former President and Chief Operating Officer of the company's subsidiaries, Southwestern Energy Production Company and SEECO, Inc., positions from which he retired in 2001. He received both a Bachelor of Science degree and a Master of Science degree in Geological Engineering from Michigan Technological University, and attended the UCLA Executive Management Program. Mr. Stevens is 68 years old and was first elected to the Company's Board in 2010.

The Nominating and Governance Committee, in reviewing and assessing Mr. Stevens' contributions to the Board, determined that his past executive experience and experience as director of other oil and gas companies will continue to complement the mix of skills of the other nominees and provide significant contributions to the Company's Board.

**INFORMATION REGARDING CORPORATE GOVERNANCE, THE BOARD OF DIRECTORS
AND COMMITTEES OF THE BOARD**

Corporate Governance

We have long believed that good corporate governance is important to ensure that the Company is managed for the long-term benefit of its stockholders. We periodically review our corporate governance policies and practices and compare them to those suggested by various authorities in corporate governance and to the practices of other public companies. In the past few years, as part of our ongoing efforts to improve our governance practices, we have implemented a number of new policies, including a majority vote for director elections, director stock ownership guidelines (included in our Corporate Governance Guidelines), officer stock ownership guidelines (recently revised to increase the holding requirements for our Chief Executive Officer and discussed in Compensation Discussion and Analysis below), and a political contributions policy (available on our website under Corporate Governance). We also continuously review the rules and regulations promulgated under the Sarbanes-Oxley Act of 2002, all new and proposed rules and regulations of the SEC and all new and proposed listing and compliance standards of the NYSE, on which our common stock is listed, in order to ensure compliance with all applicable requirements. The corporate governance policies implemented by us in order to meet these requirements are available on our website, www.swn.com, under the section Corporate Governance and include our:

Audit Committee Charter;

Compensation Committee Charter;

Nominating and Governance Committee Charter;

Retirement Committee Charter;

Corporate Governance Guidelines, which include a majority vote for director elections and our director stock ownership guidelines;

Business Conduct Guidelines;

Political Contributions Policy;

Code of Ethics for Section 406 Officers;

Confidential Complaint Procedures for Questionable Accounting Practices;

Non-Retaliation Policy; and

Procedures for Contacting the Board/Presiding Director.

Copies of all of these documents are also available in print free of charge to any stockholder upon request to our Investor Relations Department located at our corporate headquarters and reachable at (281) 618-4700.

Identifying and Evaluating Nominees for Director

The Nominating and Governance Committee of our Board has been delegated the responsibility of selecting candidates for Board membership and for extending invitations to join the Board. The Nominating and Governance Committee is responsible for screening candidates (in consultation with the Chief Executive Officer, or CEO), for establishing criteria for nominees and for recommending to the Board a slate of nominees for election to the Board at the Annual Meeting. After a concurrent review of all candidates by the Nominating and Governance Committee and the CEO, the Chairman of the Board interviews the potential candidates selected by the Nominating and Governance Committee and our CEO and reports his conclusions to the Nominating and Governance Committee, together with a recommendation of final candidates for interview by the members of the Nominating and Governance Committee. The Nominating and Governance Committee then interviews the final candidates and recommends to the full Board candidates for election based upon the results of the interview.

Final approval of any candidate is made by the full Board. Candidates are selected for their character, judgment, business experience and specific areas of expertise, among other relevant considerations, such as the requirements of applicable law and listing standards.

The Board recognizes the importance of soliciting new candidates for membership on the Board and that the needs of the Board, in terms of the relative experience and other qualifications of candidates, may change over time. Candidates for membership on the Board may be suggested by any director or stockholder, and the Board may retain professional search firms. Stockholders may nominate candidates for directors by following the procedures described below under Stockholder Nominations.

Selection Criteria for Nominees for Directors

Each member of the Board is expected to bring a unique and valuable perspective to the governance of the Company. When these unique skill sets are combined in an environment of interaction and respect, they provide the overall skill set of the Board and provide a strong governance structure. Our Corporate Governance Guidelines, which are available on our website at www.swn.com under Corporate Governance, set forth certain criteria that apply to the selection of director candidates:

Each nominee director should be an individual of the highest character and integrity and have the ability to work well with others;

Each nominee director should have an inquiring mind, vision and good judgment;

Each nominee director should be free of any conflict of interest which would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;

Each nominee director should possess substantial and significant business experience in specific areas of expertise that would be important to the Company in the performance of the duties of a director;

Each nominee director's skill set should be complementary to the background and experience of other Board members;

Each nominee director should have sufficient time available to devote to the affairs of the Company in order to carry out the responsibilities of a director; and

Each nominee director should have the capacity and desire to represent the balanced, best interests of all stockholders and objectively appraise management performance.

The Nominating and Governance Committee evaluates the qualifications of each director candidate against the foregoing criteria in connection with its recommendation to the Board concerning each nomination for election or re-election as a director, including members of the Nominating and Governance Committee. The Nominating and Governance Committee, with direct input and advice from our CEO, is responsible for assessing the appropriate mix of skills and characteristics required of Board members based on the Board's perceived needs at a given point in time and periodically reviews and updates the foregoing criteria as deemed necessary. With regard to diversity, the Company is committed to considering candidates for the Board regardless of gender, ethnicity and national origin. Any search firm retained to assist the Nominating and Governance Committee in seeking candidates will affirmatively be instructed to seek to include diverse candidates from traditional and nontraditional candidate groups.

Each director's continuation on the Board is reviewed before that director is considered for re-election at the expiration of his or her term. In connection with its annual recommendation of a slate of nominees, the Nominating and Governance Committee, in consultation with the CEO, reviews and assesses the contributions of those directors selected for re-election. At the conclusion of this process, the Chairman of the Nominating and Governance Committee reports the Nominating and Governance Committee's conclusions to the full Board.

Stockholder Nominations

Our bylaws permit stockholders to nominate directors for consideration at an annual meeting of stockholders. Such nominations must be made pursuant to timely notice in writing to the Secretary of the Company, Mark K. Boling, Southwestern Energy Company, 2350 N. Sam Houston Parkway East, Suite 125, Houston, Texas 77032. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not less than 50 nor more than 75 days prior to the meeting date; provided, however, that in the event that less than 45 days' notice of the meeting date is given to stockholders, notice by the stockholder must be received no later than the close of business on the 15th day following the day on which notice of the meeting date was mailed. As set forth in more detail in our bylaws, the written notice must set forth (a) as to each nominee whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the nominee, (ii) the principal occupation or employment of the nominee, (iii) the class and number of shares of capital stock of the Company which are owned, beneficially or of record, by the nominee, (iv) any other information relating to the nominee that is required to be disclosed in solicitations for proxies for election of directors in a contested election pursuant to Schedule 14A under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the rules and regulations promulgated thereunder and (v) a description of all direct and indirect compensation; and (b) as to the stockholder giving the notice, and each beneficial owner, if any, on whose behalf the nomination is made, (i) the name and record address of the stockholder, as they appear in the Company's books, and of such beneficial owner, (ii) the class and number of shares of capital stock of the Company that are beneficially owned by the stockholder, (iii) a description of all arrangements or understandings between such stockholder and any such beneficial owner and each proposed nominee and any other person or persons (including their names) pursuant to which nominations are to be made by such stockholder, (iv) to the extent not required by any of the above, any disclosure that would be required pursuant to Item 5 or Item 6 of Schedule 13D under the Exchange Act if applicable to such stockholder and such beneficial owner, and any other information relating to such stockholder and beneficial owner that is required to be disclosed in solicitations for proxies for election of directors in a contested election pursuant to Schedule 14A under the Securities Exchange Act; and (v) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in the notice. The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as a director of the Company.

It is the policy of the Nominating and Governance Committee to consider properly submitted stockholder nominations for directors as described above under "Identifying and Evaluating Nominees for Directors." In evaluating such nominations, the Nominating and Governance Committee seeks to address the criteria set forth above under "Selection Criteria for Nominees for Directors."

Director Independence

As set forth in the Company's Corporate Governance Guidelines, which are available on our website at www.swn.com under "Corporate Governance," it is the policy of the Board that a majority of the members of the Board be independent of the Company's management. For a director to be deemed independent, the Board must affirmatively determine that the director has no material relationship with the Company or its affiliates (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company or its affiliates) or any member of the executive management of the Company or his or her affiliates. Material relationships include commercial, banking, industrial, consulting, legal, accounting, charitable and familial relationships. For making this determination, the Board has adopted a set of director independence standards as required by the NYSE. Under the Board's independence standards, a director will not be deemed independent if he or she:

is, or within the past three years has been, employed by the Company or any of its affiliates;

has an immediate family member who is, or within the past three years has been, an officer of the Company or any of its affiliates;

has received during any twelve-month period within the last three (3) years more than \$120,000 in direct compensation from the Company and its affiliates (collectively), excluding director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

has an immediate family member who has received during any twelve-month period within the last three (3) years more than \$120,000 in direct compensation from the Company and its affiliates (collectively), excluding compensation for service as a non-officer employee of the Company;

(A) is a partner or an employee of a present or former independent registered public accounting firm of the Company or any of its affiliates; (B) is the immediate family member of a current partner of any such firm, or a current employee of such firm who personally works on the Company's audit; or (C) within the past three (3) years, has been a partner or employee of any such firm or has any immediate family member who has been a partner of such firm or an employee of any such firm, and personally worked on the Company's audit;

is, or has an immediate family member who is, currently employed (or within the last three (3) years has been employed) as an officer of another entity where any executive officer of the Company or any of its affiliates serves (or served) on the compensation committee of such entity; or

is a current employee, or has an immediate family member who is an officer, of any entity that has made payments to, or received payments from, the Company for property or services in an amount which in any of the last three (3) fiscal years of such entity exceeds the greater of \$1,000,000, or two percent (2%) of the entity's consolidated gross revenues.

Contributions to tax-exempt entities are not considered to be payments for purposes of the foregoing bullet-points, but are considered in determining whether a director has a material relationship with the Company. None of the contributions made by the Company to tax exempt organizations in which one of our independent directors serves as an officer exceeded the greater of \$1 million, or 2% of such tax exempt organization's consolidated gross revenues in any single fiscal year within the preceding three (3) years.

Our Board has determined that the following directors, comprising a majority of the Board, qualify as independent under the applicable NYSE standards: John D. Gass, Catherine A. Kehr, Harold M. Korell, Vello A. Kuuskraa, Kenneth R. Mourton, Elliott Pew and Alan H. Stevens.

The Board's Role in Risk Management, Including Risk Assessment Related to Our Compensation Structure

The Board, which is elected by the stockholders, is the ultimate decision making body of the Company, except with respect to matters reserved to the stockholders. The Board selects the CEO and certain other members of the executive management of the Company, who are charged with directing the Company's business. The primary function of the Board is therefore oversight—defining and enforcing standards of accountability that enable executive management to execute their responsibilities fully and in the interests of stockholders. Consistent with that function, one of the primary responsibilities of the Board is reviewing the Company's strategic plans and objectives, including the principal risk exposures of the Company. While each committee of the Board is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks. This enables the Board and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

Our Board has delegated to the Audit Committee, which is comprised solely of independent directors, oversight responsibility relating to the evaluation of our enterprise risk issues. In this connection, the Audit Committee discusses with management, the internal auditor (or internal audit service provider) and the independent auditors (i) the Company's major risk exposures (whether financial, operating or otherwise), (ii) the steps management has taken to monitor and control such exposures (including the Company's risk assessment and risk management policies) and manage legal compliance programs, and (iii) such other considerations as

may be relevant to their respective audits. In addition, at least annually, the entire Board engages in a review of the Company's strategic plan and the principal current and future risk exposures of the Company and the corporate compliance officer also discusses with the Board the focus and results of the Company's semi-annual legal compliance program conducted for employees in all locations.

Our Compensation Discussion and Analysis, or CD&A, describes our compensation policies, programs and practices for our executive officers. Our Compensation Committee evaluated the design of all of our incentive plans to assess whether any portion of our incentive compensation programs encourages excessive risk taking by plan participants. Among the program features evaluated were the types of compensation offered, the performance metrics, the alignment between performance goals and the Company's business strategy and the overall mix of incentive awards. Our compensation programs include features which we believe mitigate risk without diminishing incentives. The features that mitigate risk include: (i) establishing a maximum payout that limits the amount that can be paid under the Incentive Compensation Plan and the Performance Unit Plan; (ii) the mix of cash and equity incentives; (iii) a balanced mix of annual and longer term incentive opportunities; (iv) stock ownership guidelines for our senior executives; and (v) significant controls for business decisions.

In addition to the Audit Committee's oversight role in evaluating enterprise risk issues, our Compensation Committee evaluates the design of all of our incentive plans to assess whether any portion of our incentive compensation programs encourages excessive risk taking by plan participants. The evaluation conducted by the Compensation Committee is discussed on page 24 under "Our Compensation Policies and Practices as Related to Our Risk Management."

Additionally, the Nominating and Governance Committee manages risks associated with the composition of the Board and other types of risks within its areas of responsibility.

Board Leadership Structure, Presiding Director and Executive Sessions

The Board has determined that the most effective leadership structure for the Company at this time is to have a Chairman of the Board who is not also the CEO. Historically, our Board leadership has been structured to have our CEO also act as the Chairman of the Board, which the Board believes served the Company and its stockholders well. The decision to separate the role of the Chairman of the Board from the CEO position was made in the context of the retirement of our former Executive Chairman as part of the Board's management succession plans. The Board may modify this structure in the future to ensure that the Board leadership structure for the Company remains effective and advances the best interests of our stockholders.

In addition to the foregoing, because the Chairman of the Board is our former Executive Chairman, the Board has designated a role of "Presiding Director" as part of the Board's leadership structure. One of the Company's non-management directors (as defined by the rules of the NYSE) serves as the "Presiding Director" of executive sessions of the non-employee directors of the Company, which are held at every meeting of the Board. The Presiding Director is appointed by the non-employee directors each year at the Annual Meeting of the Board, which is generally held in May. The independent directors, to the extent not identical to the non-management directors, are required to meet in executive session as appropriate matters for their consideration arise, but, in any event, at least once a year. The agenda of these executive sessions shall include such topics as the participating directors shall determine. The Presiding Director acts as the chair of all executive sessions and is responsible for coordinating the activities of the other outside directors, as required by our corporate governance guidelines and the NYSE listing standards. The Presiding Director also acts as the liaison director for any informal, confidential communications with the CEO outside of the normal committee and Board procedures. Mr. Robert L. Howard is the current Presiding Director and upon his retirement the Board's independent directors will appoint a new Presiding Director at their annual meeting.

Committees of the Board of Directors

The Board held nine meetings in 2012, three of which were telephonic. The meetings were attended by all of the directors then appointed. The Board has four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Governance Committee and the Retirement Committee. The Audit, Compensation, and Nominating and Governance committees are comprised solely of independent directors in accordance with NYSE corporate governance listing standards. The charter of each of these committees complies with requirements of the NYSE, the Sarbanes-Oxley Act of 2002 and applicable SEC rules.

Audit Committee The Audit Committee is composed entirely of non-employee members of the Board, each of whom satisfies the independence requirements for audit committee members under Rule 10A-3 promulgated under the Exchange Act, is independent and financially literate as defined by NYSE rules and meets the Company's independence standards. Members of the Audit Committee may not simultaneously serve on the audit committee of more than two other public companies. In addition, the Board has determined that Mr. Kenneth R. Mourton, Audit Committee Chairman, a certified public accountant (inactive), is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K and is independent as defined by Item 407(d)(5)(i)(B) of Schedule 14A under the Exchange Act. The Audit Committee also includes John D. Gass (as of February 19, 2013), Robert L. Howard, Catherine A. Kehr and Vello A. Kuuskraa. During 2012, the Audit Committee held four meetings, all of which were attended by all then-serving members of the Audit Committee.

The Audit Committee is responsible to the Board for reviewing the accounting and auditing procedures and financial reporting practices of the Company and for the engagement of, and overseeing all audit work conducted by, the independent registered public accounting firm, including the pre-approval of the current year audit and non-audit fees, or the Pre-Approval Policy. The Audit Committee is governed by a charter that has been approved by the Board. The Audit Committee meets periodically with the Company's management, internal auditor and independent registered public accounting firm to review the Company's financial information and systems of internal controls and ensure such parties are properly discharging their responsibilities. The independent registered public accounting firm reports directly to the Audit Committee and periodically meets with the Audit Committee without management representatives present. The Audit Committee maintains an internal audit function that provides management and the Audit Committee with ongoing assessments of the Company's risk management processes and system of internal controls and the Audit Committee periodically meets with the internal auditor without management representatives present. The Audit Committee also meets with the Company's independent petroleum engineering firm once a year to review the results of their audit of the Company's reserves. As previously disclosed in our public filings with the Securities and Exchange Commission, we restated our financial statements for the second and third quarters of 2012 to reflect the correction of an isolated error that the Company identified in its full cost ceiling test calculations. Specifically, we did not design effective controls solely related to the review of the tax benefit associated with capitalized intangible drilling costs within the ceiling calculation of the full cost ceiling test, resulting in a material weakness in internal control over financial reporting and was not the result of intentional conduct.

Compensation Committee The Compensation Committee is governed by a charter that has been approved by the Board. Vello A. Kuuskraa, Compensation Committee Chairman, Robert L. Howard, Elliott Pew (as of February 19, 2013) and Alan H. Stevens presently serve on this committee. The Compensation Committee is composed entirely of non-employee members of the Board, each of whom is independent as defined by NYSE rules as well as under the Company's independence standards. The Compensation Committee is responsible for establishing officer compensation and discretionary awards under the various incentive plans. The Compensation Committee has engaged Ernst & Young, LLP as its independent compensation consultant to advise it on all compensation matters related to our executive management. During 2012, the Compensation Committee held four meetings, each of which was attended by all then-serving members of the Compensation Committee.

Nominating and Governance Committee The Nominating and Governance Committee is governed by a charter that has been approved by the Board. Catherine A. Kehr is the Chair of the Nominating and Governance Committee and the other members are Lewis E. Epley, Jr., John D. Gass (as of February 19, 2013), Robert L. Howard, Kenneth R. Mourton and Alan H. Stevens. The Nominating and Governance Committee is composed entirely of non-employee members of the Board, each of whom is independent as defined by NYSE rules as well as under the Company's independence standards. The Nominating and Governance Committee considers candidates for nomination for Board positions, including qualified candidates recommended by stockholders as discussed above under Identifying and Evaluating Nominees for Director, and oversees the Company's corporate governance matters and practices. The Nominating and Governance Committee is responsible for recommending non-management director compensation for approval by the Board. The Nominating and Governance Committee has engaged Ernst & Young, LLP as its independent compensation consultant to advise it on non-management director compensation. During 2012, the Nominating and Governance Committee held three meetings, each of which was attended by all then-serving members of the Nominating and Governance Committee.

Retirement Committee The Retirement Committee is governed by a charter that has been approved by the Board. Charles E. Scharlau, Retirement Committee Chairman, Lewis E. Epley, Jr., Kenneth R. Mourton, Catherine A. Kehr and Greg D. Kerley presently serve on this committee. The Retirement Committee is responsible for administering the Company's pension and retirement plans and for recommending retirement policy to the Board. During 2012, the Retirement Committee held five meetings, each of which was attended by all members of the Retirement Committee. It is anticipated that, at the next meeting of the Board following the Annual Meeting, the Retirement Committee will be dissolved and its functions assumed by the Compensation Committee.

Communications With Non-Employee Directors

The Board provides a process for stockholders and other interested persons to send communications to the Presiding Director, the non-employee directors as a group or any of the other directors, including the entire Board. Stockholders and other interested persons may send written communications to the non-employee directors, the Presiding Director or any of the other directors to the Secretary of the Company, Mark K. Boling, Southwestern Energy Company, 2350 N. Sam Houston Parkway East, Suite 125, Houston, Texas 77032. The Secretary will review, sort and summarize the communications and forward them to the intended recipient(s) on a periodic basis, but no less frequently than every calendar quarter.

Attendance at Board Meetings and Annual Meeting

We expect members of the Board to attend all meetings. The directors attended, as a group, 100% of the meetings of the Board and Board committees on which they served during calendar year 2012. Each director attended 100% of the meetings of the Board and Board committees on which he or she served during 2012.

It is our policy that nominee directors who are currently directors should attend the Annual Meeting of Stockholders. Each member of the Company's Board attended last year's Annual Meeting of Stockholders.

PROPOSAL NO. 2**RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has selected PricewaterhouseCoopers LLP, or PwC, as the independent registered public accounting firm of the Company for 2013. PwC has been the independent registered public accounting firm of the Company since its selection, based upon recommendation of the Audit Committee, on June 20, 2002.

Recommendation of the Board

THE BOARD RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE REAPPOINTMENT OF PWC.

Vote Required

Ratification requires the affirmative vote of a majority of the shares properly cast at the meeting. Abstentions will be treated as votes cast and will have the same effect as a vote against the proposal. Broker non-votes will have no effect on the outcome of the vote.

Our organizational documents do not require that our stockholders ratify the selection of our independent registered public accounting firm. We are requesting such ratification because we believe it is a matter of good corporate practice. If our stockholders do not ratify the selection, the Audit Committee will reconsider whether to retain PwC. Even if the selection is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interests of us and our stockholders.

Relationship with Independent Registered Public Accounting Firm

The following table presents aggregate fees for professional audit services rendered by PwC for the audit of the Company's annual financial statements for each of the years ended December 31, 2012 and 2011, and fees billed for other services rendered by PwC during those years.

	2012	2011
Audit Fees(1)	\$ 1,559,724	\$ 1,286,000
Audit-Related Fees(2)	50,000	85,000
Tax Fees(3)	76,844	31,268
All Other Fees		
Total	\$ 1,686,568	\$ 1,402,268

- (1) The Audit Fees for the years ended December 31, 2012 and 2011 were for professional services rendered for the integrated audits of the Company's internal controls and consolidated financial statements, reviews of the quarterly financial statements, subsidiary audits, services related to the issuance of comfort letters, consents and assistance with review of documents filed with the SEC.
- (2) Audit-Related Fees for the years ended December 31, 2012 and 2011 were for services related to internal control reviews.
- (3) Tax Fees for the years ended December 31, 2012 and 2011 were for services related to the review of federal and state tax returns, tax planning and consultation.

The Audit Committee pre-approves all audit services and non-audit (i.e., audit-related, tax and other) services (including the fees and terms thereof) to be performed by its independent registered public accounting firm, as required by applicable law or listing standards and subject to the terms of the Pre-Approval Policy

established by the Audit Committee, the form of which was included in our 2012 proxy statement. The Audit Committee may delegate authority to one or more of its members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of any such member to grant pre-approvals are consistent with the terms of the Pre-Approval Policy and are presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee receives periodic reports from the independent registered public accounting firm as required by the Independence Standards Board (or any successor body) regarding the auditors' independence, which is not less frequently than annually. The Audit Committee discusses such reports with the auditors, and if so determined by the Audit Committee, takes appropriate action to satisfy itself of the independence of the auditors. The Audit Committee reviews the performance of the Company's independent registered public accounting firm annually. In doing so, the Audit Committee consults with management and the internal auditor and obtains and reviews a report by the independent registered public accounting firm describing (i) their internal quality-control procedures, (ii) material issues raised by their most recent internal quality-control review, or peer review (if applicable), or by any inquiry or investigation by governmental or professional authorities for the preceding five years, (iii) the response of the independent registered public accounting firm with respect to any such issues and (iv) all relationships between the independent registered public accounting firm and the Company. The Audit Committee ensures rotation of the audit partners as required by applicable law and listing standards.

The Audit Committee approved all non-audit services for 2012. The Audit Committee also considered whether the provisions of the services by PwC described above under "All Other Fees" are compatible with maintaining the independence of PwC.

Representatives of PwC will be present at the Annual Meeting and will have an opportunity to make a statement to stockholders if they so desire. The representatives will also be available to respond to questions from stockholders. There have been no disagreements with the independent registered public accounting firm on accounting and financial disclosure.

AUDIT COMMITTEE REPORT

The purpose of the Audit Committee is to assist the Board in its general oversight of the Company's financial reporting, internal controls and audit functions. The charter of the Audit Committee describes in greater detail the full responsibilities of the Audit Committee and is available on the Company's website at www.swn.com.

The Audit Committee has reviewed and discussed the audited financial statements as of and for the fiscal year ended December 31, 2012, and management's assessment and report on internal controls over financial reporting with management and PricewaterhouseCoopers LLP, or PwC, the Company's independent registered public accounting firm. The Audit Committee also reviewed and discussed with PwC its review and report on the Company's internal control over financial reporting. Management is responsible for the preparation, presentation and integrity of financial statements and the reporting process, including the system of internal controls. PwC is responsible for performing an independent audit of the Company's financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States), or PCAOB, and issuing a report thereon, as well as expressing an opinion on the effectiveness of the Company's internal control over financial reporting. The Audit Committee monitors these processes.

The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management or the independent auditors. The Audit Committee serves a board-level oversight role, in which it provides advice, counsel and direction to management and the independent auditors on the basis of the information it receives, discussion with management and the independent auditors, and the experience of the Audit Committee's members in business, financial and

accounting matters. In accordance with law, the Audit Committee has ultimate authority and responsibility for selecting, compensating, evaluating, and, when appropriate, replacing the Company's independent audit firm. The Audit Committee has the authority to engage its own outside advisors, including experts in particular areas of accounting, as it determines appropriate, apart from counsel or advisors hired by management.

In this context, the Audit Committee discussed with the Company's internal auditors and PwC the overall scope and plans for their respective audits. The Audit Committee met with the internal auditors and PwC, with and without management present to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. Management represented to the Audit Committee that the Company's financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the Audit Committee reviewed and discussed the financial statements with management and PwC. The Audit Committee also discussed with PwC the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380), as adopted by the PCAOB in Rule 3200T.

In addition, the Audit Committee discussed with PwC its independence, considered the compatibility of non-audit services with the auditors independence and received and reviewed the written disclosures and letter required by the applicable requirements of the PCAOB regarding the independent auditors' communications with the Audit Committee concerning independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that (i) the year-end audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, for filing with the Securities and Exchange Commission; (ii) PwC meets the requirements for independence; and (iii) the appointment of PwC for 2013 be submitted to the stockholders for ratification.

February 18, 2013

Members of the Audit Committee

KENNETH R. MOURTON, CHAIRMAN

ROBERT L. HOWARD

CATHERINE A. KEHR

VELLO A. KUUSKRAA

The above report of the Audit Committee will not be deemed to be incorporated by reference into any filing by the Company under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates the same by reference. John D. Gass has been a member of the Audit Committee since his appointment thereto on February 19, 2013, but did not participate in any of the activities covered by this Audit Committee report.

TRANSACTIONS WITH RELATED PERSONS

The Board has adopted a written policy that governs the approval of transactions with related parties, including, among others, officers, directors and their immediate family members. The related party transaction policy applies to any potential related party transaction other than a transaction involving less than \$5,000 or involving compensation by the Company of a related party who is a director or officer. Under the Company's related party transaction policy, directors and officers are required to bring any possible related party transaction to the attention of the Company's General Counsel. The Board has determined that the Audit Committee is best suited to review such transactions. At the first regularly scheduled Audit Committee meeting in each calendar year, management recommends transactions to be entered into by the Company for that calendar year with related parties, including the proposed aggregate value of such transactions, if applicable. After review, the Audit Committee approves or disapproves such transactions. At each subsequently scheduled meeting, management updates the Audit Committee as to any material change to those proposed transactions. In the event management recommends any additional transactions subsequent to the first calendar year meeting, such transactions may be presented to the Audit Committee for approval or preliminarily entered into by management subject to ratification by the Audit Committee; provided that if a transaction is not so ratified, management must cancel or annul such transaction.

Pursuant to the policy, the Audit Committee has reviewed and established a standing pre-approval for each of the following types of transactions:

1. Any employment by the Company of an executive officer of the Company or any of its subsidiaries if: the related compensation is required to be reported in the Company's proxy statement under Item 402 of Regulation S-K promulgated by the SEC regarding compensation disclosure requirements (generally applicable to named executive officers) and is approved (or recommended to the Board for approval) by the Company's Compensation Committee; or the executive officer is not an immediate family member of another executive officer or director of the Company, the related compensation would be reported in the Company's proxy statement under Item 402 if the executive officer was a named executive officer, and the Company's Compensation Committee approved (or recommended that the Board approve) such compensation;
2. Any compensation paid to a director if the compensation is required to be reported in the Company's proxy statement under Item 402 of Regulation S-K;
3. Any transaction with another company at which a related party's only relationship is as an employee (other than an executive officer or director) or beneficial owner of less than ten percent of that company's equity, if the aggregate amount involved does not exceed the greater of \$1,000,000, or two percent of that company's total annual revenues;
4. Any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a related party's only relationship is as an employee (other than an executive officer or director), if the aggregate amount involved does not exceed the lesser of \$1,000,000, or two percent of the charitable organization's total annual receipts;
5. Any transaction where the related party's interest arises solely from the ownership of the Company's common stock and all holders of the Company's common stock received the same benefit on a pro rata basis (e.g., dividends);
6. Reimbursement or payment of expenses of a related party who is an officer or director pursuant to the Company's travel and business expense reimbursement policies;
7. Transactions available to all employees generally; or
8. Transactions in the ordinary course of business that do not exceed \$120,000 in any fiscal year.

Unless otherwise deemed to be pre-approved under the policy, the Audit Committee reviews each related party transaction of which it becomes aware and may approve or ratify a related party transaction if the Audit Committee determines the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party. The Audit Committee, in discharging its authority to review and approve related party transactions, must (i) review with management any decisions to undertake a significant collaboration or business dealing that may directly or indirectly benefit a related party; (ii) establish guidelines for management to follow in its ongoing dealings with related parties; (iii) periodically review and assess ongoing relationships with related parties to ensure compliance with the Audit Committee's guidelines and directives and to ensure the continuation of such relationship remains fair to the Company; and (iv) analyze and assess applicable potential conflicts of interests and usurpation of corporate opportunities. The Audit Committee reports periodically to the Board on the nature of the related party transactions that have been presented to the Audit Committee and the determinations that the Audit Committee has made with respect to those transactions.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of the Company's common stock, to report their initial ownership of the common stock and any subsequent changes in that ownership to the SEC and the NYSE, and to furnish the Company with a copy of each such report.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, its directors, executive officers and more than ten percent stockholders complied with all applicable Section 16(a) filing requirements.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following persons were known by the Company to beneficially own more than 5% of the Company's common stock as of December 31, 2012 based on their filing of a Schedule 13G with the SEC under the Exchange Act:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Capital World Investors 333 South Hope Street Los Angeles, California 90071	22,160,000(1)	6.30%
Common Stock	BlackRock, Inc. 40 East 52nd Street New York, New York 10022	21,453,267(2)	6.12%
Common Stock	Wellington Management Company, LLP 280 Congress Street Boston, Massachusetts 02210	18,623,632(3)	5.32%
Common Stock	The Growth Fund of America, Inc. 333 South Hope Street Los Angeles, California 90071	18,130,000(4)	5.20%
Common Stock	T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	17,988,245(5)	5.10%

- (1) The Schedule 13G filed by Capital World Investors stated that it had sole voting power and sole dispositive power with respect to these shares.
- (2) The Schedule 13G/A filed by BlackRock, Inc. stated that it is the parent holding company or control person of the entities holding these shares and that it had sole power to vote or to direct the vote of, and sole power to dispose or to direct the disposition of 21,453,267 shares.
- (3) The Schedule 13G filed by Wellington Management Company, LLP, stated that it had shared voting power of 7,783,253 of the shares beneficially owned and shared dispositive power of 18,623,632 of the shares beneficially owned.
- (4) The Schedule 13G/A filed by The Growth Fund of America, Inc. stated that it had no voting power and no dispositive power, sole or shared, respectively, with respect to these shares, but that under certain circumstances it may vote shares held by the fund. In addition, these shares may also be reflected in a filing made by Capital Research Global Investors and/or Capital World Investors.

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- (5) These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc., or Price Associates, serves as an investment adviser with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

SHARE OWNERSHIP OF MANAGEMENT, DIRECTORS AND NOMINEES

The following table sets forth information as of April 4, 2013, with respect to the beneficial ownership of the Company's common stock by each director, nominee and each executive officer named in the Summary Compensation Table, whom we collectively refer to as our Named Executive Officers, or NEOs, and by all directors, nominees and executive officers as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership				Total Number of Shares of Common Stock	Percent of Class
	Shares Owned Directly	Shares Owned 401(k)	Restricted Stock Outstanding (Voting Power)	Options Exercisable		
Named Executive Officers:						
Steven L. Mueller	82,995		100,223	201,302	384,520	*
R. Craig Owen	5,942	297	18,068	21,229	45,526	*
William J. Way	24,268		98,236	46,090	168,594	*
Mark K. Boling	390,342		31,668	101,794	523,804	*
Jeffrey B. Sherrick	7,945		17,985	39,288	65,218	*
Greg D. Kerley	615,298(1)	25,727	23,246	60,972	725,243(1)	*
Directors and Nominees:						
Lewis E. Epley, Jr.	101,011			29,100	130,111	*
John D. Gass			2,400		2,400	*
Robert L. Howard	158,470			35,100	193,570	*
Catherine A. Kehr	4,777		4,733	2,083	11,593	*
Harold M. Korell	2,406,490		5,233	377,567	2,789,290	*
Vello A. Kuuskraa	106,074		5,736	25,746	137,556	*
Kenneth R. Mourton	294,814(2)		5,736	25,746	326,296(2)	*
Elliott Pew			3,900		3,900	*
Charles E. Scharlau	1,026,542			29,100	1,055,642	*
Alan H. Stevens	2,352		5,583	5,416	13,351	*
All Directors, Nominees and Executive Officers as a Group (24 persons)						
	5,416,212(3)	42,465	368,309	1,224,284	7,051,270(3)	2.00%

* Less than one percent of class.

(1) Includes 219,622 shares beneficially owned by Mr. Kerley that have been pledged as security.

(2) Includes 269,595 shares beneficially owned by Mr. Mourton that have been pledged as security.

(3) Includes 520,115 shares beneficially owned by all directors, nominees and executive officers as a group that have been pledged as security.

EQUITY COMPENSATION PLANS

The following table sets forth certain information as of December 31, 2012, concerning outstanding stock options under all of the Company's equity compensation plans, the weighted average exercise price of the outstanding options and the number of shares available for future issuance under the plans:

Plan Category	(a) Number of Shares to be Issued Upon Exercise of Outstanding Options	(b) Weighted-Average Exercise Price of Outstanding Options	(c) Number of Shares Remaining Available for Future Issuance
Equity compensation plans approved by stockholders(1)	3,649,520	\$ 29.84	8,650,981

- (1) Consists of the Southwestern Energy Company 2000 Stock Incentive Plan and the Southwestern Energy Company 2004 Stock Incentive Plan. Shares remaining available for issuance may be issued under the Southwestern Energy Company 2004 Stock Incentive Plan, which plan provides for grants and awards in the form of stock options, shares of restricted stock, and restricted stock units.

OUR COMPENSATION POLICIES AND PRACTICES AS RELATED TO OUR RISK MANAGEMENT

Since 1999, our management has been guided by our formula, which represents the essence of our corporate philosophy and how we operate our business:

Our formula, which stands for The Right People doing the Right Things, wisely investing the cash flow from our underlying Assets will create Value+, also guides our compensation policies and practices. Our compensation policies and practices for our employees are designed to enhance our business by encouraging innovation and new ideas that will create value for every dollar we invest. As an exploration and production company that is focused on organic growth achieved through our own drilling programs, there is a certain level of risk involved in all aspects of our operations, but our compensation is structured to ensure that levels of risk taken by our employees are appropriate and socially responsible, reflecting our commitment to conducting our operations in a safe, resource-efficient manner, protecting the environment and being a good corporate citizen of the communities in which we operate.

Our Compensation Discussion and Analysis, or CD&A, describes our compensation policies, programs and practices for our executive officers. Our Compensation Committee evaluated the design of all of our incentive plans to assess whether any portion of our incentive compensation programs encourages excessive risk taking by plan participants. Among the program features evaluated were the types of compensation offered, the performance metrics, the alignment between performance goals and the Company's business strategy and the overall mix of incentive awards. Our compensation programs include features which we believe mitigate risk without diminishing incentives. The features that mitigate risk include: (i) establishing a maximum payout that limits the amount that can be paid under the Incentive Compensation Plan and the Performance Unit Plan; (ii) the mix of cash and equity incentives; (iii) a balanced mix of annual and longer term incentive opportunities; (iv) stock ownership guidelines for our senior executives; and (v) significant controls for business decisions.

Total compensation for our employees is structured similarly to that for our NEOs and consists of cash compensation in the form of a base salary and a performance-based annual bonus under our Incentive Compensation Plan; equity incentive compensation in the form of stock option and restricted stock awards under our 2004 Stock Incentive Plan; long-term cash incentive compensation under our Performance Unit Plan; and retirement, health and welfare benefits. However, unlike our NEOs and executive management, for whom incentive compensation is the substantial part of their total compensation, the compensation for most of our employees is weighted towards salary and annual cash bonus. Our hourly employees participate in an annual bonus pool pursuant to which awards are given based upon individual performance as assessed by management, while our salaried employees receive annual cash incentives under our Incentive Compensation Plan based largely upon the achievement of specific performance objectives of the business team and the Company as well as a discretionary component that takes into account individual performance.

The performance objectives under the plans established by our Board are based upon measures that are designed to control our costs, increase our productivity and efficiency and reduce our overall risk. In connection with the establishment of the annual performance objectives for each business team, we assess whether there have been any changes or if changes are anticipated in the near term that affect our risk profile and, as needed, revise our measures to address any such changes. Although the performance objectives differ for our various business teams, when taken together, all of our performance objectives are intended to address the principal factors that we believe will affect the Company's overall performance. Effective for fiscal year 2010, the performance objectives under our Incentive Compensation Plan for officers of our operating subsidiaries at the level of senior vice president or higher were changed to align with our overall corporate objectives. With respect

to organizational performance objectives, this change decreases the potential negative impact of our compensation policies and practices on the management of risk such that short-term cash incentives are earned based on achievements that benefit the Company overall and not just by the performance of the business teams for which these individuals have direct responsibility. As with our NEOs, the discretionary assessment of individual performance for these officers takes into account all aspects of the individual's performance and the performance of the business team for which they have responsibility, which includes an assessment of the individual's and the team's contribution to the achievement of health, safety and environmental performance objectives by the Company.

We also provide additional incentive compensation to most of our salaried employees and to our executive management under our stock incentive plan and our Performance Unit Plan. These long-term incentives vest over time periods of three to four years, are designed to align an employee's compensation with the value created for stockholders and provide an incentive for achieving our long-term performance objectives.

Since the proportion of total compensation that is at risk (i.e., that will vary based on employee, segment, team and Company performance objectives) increases as the scope and level of the employee's decision-making responsibilities increase, our incentive compensation program may encourage management level employees to take certain risks. However, the Board takes that fact into consideration through the use of annual and multi-year incentives that are intended to focus management on achieving strong annual results while also pursuing significant multi-year growth. The performance goals set by the Board are designed to be aggressive and challenging but also achievable without inappropriate risk-taking. We actively monitor our compensation policies and practices to determine whether our risk management objectives are being met through the incentives we provide to our employees.

In 2012, our management completed a risk assessment of our compensation policies and practices to determine whether any risks arising from our compensation policies and practices for employees, including non-executive officers, are reasonably likely to have a material adverse effect on the Company and presented its findings to the Compensation Committee. Based on this assessment, we believe that our compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

2012 was a successful year for us despite lower natural gas commodity prices, as we achieved high levels of production and cash flow. Decisions by the Compensation Committee reflected our performance, with the Compensation Committee approving cash incentive payments to our named executive officers, or NEOs, slightly below target levels, as discussed in greater detail below.

Named Executive Officers

This Compensation Discussion & Analysis describes our executive compensation programs for our 2012 fiscal year NEOs, who were:

Steven L. Mueller, President & Chief Executive Officer

R. Craig Owen, Senior Vice President & Chief Financial Officer

William J. Way, Executive Vice President & Chief Operating Officer

Mark K. Boling, President V+ Development Solutions & General Counsel

Jeffrey B. Sherrick, Senior Vice President Corporate Development

Greg D. Kerley, Former Executive Vice President & Chief Financial Officer

2012 Business and Performance Highlights

Southwestern Energy's operational performance in 2012 was strong and marked a year in which the Company reached major milestones in production and enjoyed significant expansion beyond the Fayetteville Shale. These successes were achieved during a period in which the industry experienced natural gas commodity prices that were their lowest in a decade. Listed below are some of our most notable accomplishments during 2012.

We increased natural gas production by 13% to approximately 565 Bcfe.

We recorded \$1,653.9 million in cash flow during 2012 (the second highest in Company history) despite low commodity prices.

We expanded our presence in the Marcellus Shale and continue to advance the Company's prospective new ventures.

We reduced our lease operating expenses and general and administrative expenses on a Mcfe basis.

We successfully sold assets from our East Texas operations.

We improved well efficiencies in the Fayetteville Shale.

We continued to develop and strengthen our Midstream business.

Largely due to the downward pressure on natural gas commodity prices, we achieved some but not all of the performance goals that determine the amount of incentive compensation paid to our NEOs. As explained in this Compensation Discussion & Analysis, decisions by the Compensation Committee reflected our performance, with NEOs earning annual cash bonuses and performance unit payouts below target levels.

Executive Compensation Highlights

Strong Say-on-Pay Support in 2012

At our annual stockholder meeting in 2012, our stockholders approved the advisory vote on the executive compensation of our NEOs, with an approval rating of 98.3% of votes cast. In light of this

overwhelming support, our continued strong Company performance and successful compensation programs, the Compensation Committee did not change the overall design of our compensation programs during 2012. The Compensation Committee will continue to work to ensure that management's interests are aligned with our stockholders' interests to support long-term value creation.

Good Governance and Best Practices

We are committed to strong governance standards over our compensation programs, procedures and practices as evidenced by the practices and policies listed below.

We maintain meaningful stock ownership guidelines that align our executives' long-term interests with those of our stockholders and discourage excessive risk-taking.

We have eliminated gross-ups of excise taxes on severance or other payments in connection with a change of control for NEOs who joined us after 2010.

We have a compensation recoupment policy that permits our Board to recover from our NEOs cash- or equity- incentive compensation and profits realized from certain equity awards in the case of fraud, negligence or intentional misconduct by an NEO and certain other officers that is a significant contributing factor to us having to restate all or a portion of our financial statements.

We have a policy that prohibits all directors and officers with the title of Vice President or above, including their spouses and members of their households, from pledging shares of our common stock and from hedging the economic risk of ownership of our common stock (excluding any pledging arrangements in effect as of March 18, 2013).

Our Compensation Committee has engaged its own independent compensation consultant, Ernst & Young LLP, or E&Y, who performs an annual comprehensive market analysis of our executive compensation programs and pay levels and confirms their independence.

None of our NEOs has an employment agreement or severance arrangement other than in the context of a change in control.

We provide our stockholders with an annual opportunity to participate in an advisory vote on the compensation of our NEOs.

How Our Performance is Linked to Pay

We believe that our executive compensation programs have been effective at incentivizing strong results by appropriately aligning pay and performance. The total direct compensation package for our NEOs consists of: (1) base salary; (2) performance-based annual bonus awarded under the Southwestern Energy Company Incentive Compensation Plan, as amended, or the ICP; (3) cash incentive compensation under our 2002 Performance Unit Plan, as amended, or the PUP Plan; (4) equity incentive compensation in the form of stock options and restricted stock awards; (5) retirement, health and welfare benefits; and (6) perquisites.

Our compensation programs achieve the following objectives:

Place more pay at-risk, with approximately 84% of total target compensation granted to NEOs in 2012 allocated to variable compensation;*

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Support the alignment of executive and stockholder interests over the long term by measuring three-year TSR and reserve replacement (compared to a target and our peer group) for awards under the PUP Plan; and

* Based on grant date fair-value of equity incentive awards (both stock options and restricted stock), target value of annual bonus under the ICP and target value of units granted under the PUP Plan.

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Provide incentives for executives to continue to achieve short-term success designed to increase stockholder value with annual performance-based cash bonuses tied to production and financial goals.

Cash Incentive Awards. Our NEOs are eligible to receive short-term cash incentives under the ICP and long-term cash incentives under the PUP Plan.

Short-Term Cash Incentives. The following table shows the quantitative performance objectives used under our ICP:

Performance Measure	Description	Weighting
PVI	Represents discounted future revenue of production from reserve additions by drilling or acquisition, net of production operating expenses and select taxes divided by invested capital	30.0%
Production	Represents combined oil and gas produced and reported as sold	27.5%
Reserve replacement	Represents reserve additions divided by production	27.5%
Return on Equity, or ROE (as a percentile of peer group)	Represents net income divided by average stockholders' equity compared to ROE of peer group, expressed as a percentile rank	15.0%

In addition to the quantitative factors above, determinations of ICP payouts take into account qualitative aspects of individual performance. These determinations are discretionary and are based on a subjective evaluation by the Compensation Committee of the NEO's individual performance, taking into account all aspects of the individual's performance and the performance of the business team for which they have responsibility, which includes an assessment of the individual's and the team's contribution to the achievement of health, safety and environmental performance objectives by the Company.

Long-Term Cash Incentives. The following table shows the quantitative performance measures for NEOs used under the PUP Plan for 2012 awards:

Performance Measure	Description	Weight
Total Stockholder Return (TSR)	Equal to the average relative monthly percentile ranking relative to a peer group. Determined by tracking the change in the Company's stock price on a monthly basis plus dividends paid over the performance period in comparison with each peer company	50.0%
Reserve replacement against goal (absolute)	Expressed in the form of a percentage ratio with pre-tax operating cash flow per unit of production for the performance period as the numerator and finding and development costs	25.0%
Reserve replacement against peer group (relative)	per unit of proved reserve additions for the performance period as the denominator	25.0%

We selected these measures because stockholders, analysts and potential investors use these metrics to measure the success of our performance and the performance of other companies in our industry. Also, we believe these measures drive stockholder return by appropriately concentrating our executives' attention on factors that control risk taking, serve as indicators of how effectively the Company is conducting its operations and encourage revenue, earnings growth, and sustaining a strong balance sheet and cash flow.

Equity-Based Compensation. Equity awards represented, on average, approximately 42% of our NEOs' total compensation opportunity in 2012. Under our equity award program, NEOs historically have received a combination of stock options and shares of restricted stock.

We view stock options as performance-based as by their nature they do not deliver any value or return to the holder unless there is appreciation in our stock price. As a result, stock options align the executives' interests with stockholders' interests. Time-vesting shares of restricted stock also align executives' interests with stockholders' interests as the value of the award is tied to the market value of our common stock.

COMPENSATION PHILOSOPHY AND OBJECTIVES

In the exploration and production market in which we compete for talent, base salary, incentive cash and equity compensation and benefits are all important components of an overall executive compensation package. Our compensation programs are designed and administered with the objectives of attracting, motivating and retaining the experienced and skilled professionals we need to grow our business and create value for our stockholders. The table below lists the elements of our executive compensation program, their key characteristics and how each element relates to our philosophy and objectives:

Component	Objectives	Key Characteristics
Base salary	Attract and retain executives	Paid in cash; reviewed annually for appropriate increases
	Provide financial certainty and stability	
Annual cash incentives	Reward individual performance Encourage and motivate executives to meet or exceed our short-term business and financial objectives	Tied to our most important drivers of stockholder value and in part to individual performance:
	Hold executives accountable for performance against targets	PVI (present value added for each dollar of capital invested)
	Promote team orientation by encouraging participants in all areas of the Company to work together to achieve common Company goals	Gas and oil production
		Reserve replacement ratio
Long-term incentives		Return on equity
Performance units (cash)	Encourage and motivate executives to achieve key long-term business priorities and objectives	Performance units pay \$0-\$2,000 per unit depending on level of performance achieved. Performance criteria are 3-year TSR relative to our peer group and our reserve replacement efficiency ratio relative to a pre-established target and our peer group
Stock options	Align executives' interests with stockholders' interests	
Restricted stock	Foster a long-term focus to increase stockholder value	Stock options vest over three years; restricted stock awards vest over four years

Attract and retain executives

Benefits and Perquisites

Encourage executive stock ownership
Attract and retain executives

Includes benefits provided under broad-based employee plans, plus a supplemental retirement plan and a non-qualified deferred compensation plan

Provide for safety and wellness of executives

Industry-competitive perquisites

Provide income security for retirement

Severance and Change of Control Benefits

Enhance executive productivity
Attract and retain executives

All severance benefits are tied to a change in control of the company

Provide income security

Certain benefits are provided only if a qualifying termination occurs in connection with a change in control (double trigger)

Provides certainty and permits objective focus on business operations in the face of a potentially disruptive change of control transaction

Accelerated vesting of equity

Pay Mix Tied to Performance and Stockholder Return

We believe a significant portion of our executives' compensation should be variable, at risk and tied to our measurable performance. Consistent with our compensation philosophy that incentive compensation should be the substantial part of total compensation for executives and balance short- and long-term performance, generally no more than 30% of each executive's compensation package is salary and the remainder is at risk and contingent upon company and individual performance.

The charts below show the total direct compensation mix for 2012 for our CEO and the average for all other NEOs. Values used in determining the pay mix represent base salaries in effect as of December 31, 2012, actual annual incentive cash awards based on 2012 performance, the actual value of long-term cash incentive awards under the PUP Plan, and actual long-term equity award values granted in 2012 (as disclosed in the Summary Compensation Table). Bonus consists of total payouts under our ICP for 2012 (for organizational and discretionary components).

LTI awards consists of the total value of equity awards granted in 2012 and 2012 payouts under the PUP Plan. Other pay consists of any changes in pension value and nonqualified deferred compensation earnings and all other compensation (each as disclosed in the Summary Compensation Table).

EXECUTIVE COMPENSATION PROCESS & GOVERNANCE

Role of the Compensation Committee

The Compensation Committee oversees and approves all compensation for our NEOs and certain other members of executive management. Towards the end of each fiscal year, the Compensation Committee analyzes the following factors in determining NEO compensation:

Market Competitiveness Review. As discussed in more detail below, the Compensation Committee evaluates the overall competitiveness of our executives' total direct compensation.

Mix of Components of Compensation. The Compensation Committee reviews comprehensive tally sheets prepared by our Corporate Affairs staff illustrating the total compensation for our CEO and the other NEOs. Although tally sheets do not drive individual executive compensation decisions, the tally sheets are used so that the Compensation Committee can be aware of the total compensation of these executives. The tally sheets set forth the aggregate amounts and mix of all components of our compensation program, including base salary, annual incentive compensation, long-term incentive compensation, accumulated (realized and unrealized) equity gains, the value to the executive and cost to us of all perquisites and other personal benefits, the earnings and accumulated obligations under our non-qualified deferred compensation plan, and the actual projected payout obligations under our supplemental executive retirement plan under several potential severance and change-in-control scenarios.

Internal Pay Equity. The Compensation Committee monitors the relationship between the compensation of our executives and the compensation of our non-managerial employees. In addition to considering external market conditions and individual factors when establishing total executive compensation levels, the Compensation Committee views a ten-year historical comparison of the total compensation levels (including salary, cash bonus, long-term incentives and other items of compensation) within our Company between our CEO, our CFO, our COO and certain lower paid employees.

Accumulated Wealth Analysis. The Compensation Committee recognizes that past equity grants may have limited ongoing retention value for executives and that retention value is a key attribute of current equity grants. Nonetheless, the Compensation Committee reviews a summary of the future wealth potential of a NEO's prior awards under our stock incentive plans prior to determining new long-term equity incentive compensation for that executive. Generally we conduct the analysis utilizing three stock price scenarios to calculate the pre-tax value of the holdings. The Compensation Committee is provided with summary information regarding each NEO's stock ownership position and exercise and hold behavior.

In addition to the above and the information provided by its independent compensation consultant, E&Y, (discussed below), the Compensation Committee considers each executive's level of experience, tenure, position and responsibilities, the value of the executive's expertise in the pursuit of our short- and long-term objectives and the appropriate competitive pressures for his or her expertise and skills within the industry, and then makes its compensation determinations for the upcoming fiscal performance cycle for the NEOs and other members of our executive management team. Although post-retirement benefits for our NEOs, with the exception of a Supplemental Retirement Plan and a Non-Qualified Plan (each discussed below under "Pension and Other Retirement Plans"), are provided on the same basis as for other employees and are not taken into consideration in the determination of total compensation, the Compensation Committee also reviews those benefits and perquisites paid to the NEOs at its final meeting of each fiscal year.

With respect to compensation determinations for the NEOs other than the CEO, the Compensation Committee takes into account the recommendations of the CEO based on his evaluation of each individual's contribution and performance over the past year, strengths, weaknesses, development plans and succession potential. The Compensation Committee and CEO jointly discuss the CEO's proposed compensation package as well.

Role of the Compensation Consultant

The Compensation Committee has retained E&Y as its independent compensation consultant to advise it on all matters related to compensation of our executive management, including our NEOs. E&Y reports directly to the Compensation Committee and does not provide any other services to our company. The Compensation Committee has determined that E&Y is independent and there was no conflict of interest resulting from retaining E&Y currently or during the year ended December 31, 2012. In reaching these conclusions, the Compensation Committee considered the factors set forth in Rule 10C-1 of the Securities Exchange Act of 1934, as amended, and applicable NYSE listing standards.

At the direction of the Chair of the Compensation Committee, E&Y:

Attends meetings of the Compensation Committee, as requested.

Makes an annual presentation to the Compensation Committee regarding:

General trends in executive compensation across the exploration and production industry, particularly trends that reflect a change in compensation practices. The consultant advises the Committee on whether changes in compensation practices are relevant to our compensation programs.

A perspective on the structure and competitive standing of our compensation program for executives.

Participates in the Committee's deliberations regarding compensation for NEOs that include items such as:

How to interpret the level of compensation of each NEO compared to similar positions across the exploration and production industry.

The appropriate level of each element of compensation for individual NEOs considering their career experience and tenure in their positions, as well as general performance of the Company within the industry.

The pace at which compensation levels should be adjusted over future years.

How to weigh or consider the impact of a compensation change today on future retirement income.

The interpretation of issues involving executive compensation raised by stockholders and the appropriate responses from management.

The relationship between compensation and executive succession planning.

How the Compensation Committee should emphasize or weigh one element of compensation versus another to address the long-term nature of the business.

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Prepares the analysis of company compensation as compared to the peer group that is used by the Compensation Committee.

Role of the CEO and Other Officers

Our CEO and our Senior Vice President of Human Resources, working with internal resources and E&Y, propose to the Compensation Committee modifications to the design of our executive compensation programs and recommend the adoption of new plans and programs. In addition, our CEO recommends to the Compensation Committee the performance measures used to determine payouts under our plans and assesses the individual performance and contribution of the other executives and makes compensation recommendations to the Compensation Committee as described below under Review of & Process for Determining Executive Compensation.

Review of & Process for Determining Executive Compensation

Market Competitiveness Review. The Compensation Committee believes peer group data provides meaningful information to utilize in comparing our executive compensation program, including components and levels, to our competitors with whom we compete for executive talent. The peer group is utilized to analyze the competitiveness of each component of, and total compensation for, our NEOs, executive management and the Board of Directors and, to the extent applicable, for determinations of awards and performance targets under our compensation plans.

We target total compensation for our NEOs between the median and 75th percentiles of our peer group. To retain and motivate our NEOs, and while being mindful of market and industry conditions, the Compensation Committee may determine that it is in our best interests to provide total compensation packages with one or more of our NEOs that may deviate from the general principle of targeting compensation between the median and 75th percentile.

2012 Peer Group

Our peer group is made up of companies in the exploration and production industry with comparable types of operations, revenue, market capitalization, assets and number of employees. We generally fall between the median and 75th percentile of our peer group with respect to these characteristics.

The Compensation Committee, in conjunction with E&Y, reviews the makeup of this group annually and makes adjustments to the composition of the group as it deems appropriate. The majority of the companies in our comparator peer group have remained the same over the years and the group, therefore, provides a fairly consistent measure for comparing executive compensation.

In December 2011, E&Y updated its market analysis and review of our executives' compensation levels. The report relied on the following for the 2012 peer group, which was comprised of the following 14 companies:

Cabot Oil & Gas Corp.
Chesapeake Energy Corp.
Cimarex Energy
Denbury Resources
Devon Energy Corp.
EOG Resources, Inc.
Forest Oil Corporation
Newfield Exploration Co.
Noble Energy, Inc.
Pioneer Natural Resources Co.
Range Resources, Inc.
Sandridge Energy
SM Energy
Ultra Petroleum Corporation

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Set forth below is the 2012 targeted total compensation of our NEOs relative to comparable positions at the companies within our 2012 peer group. The targeted total compensation for most of our NEOs fell within our target range between the median and 75th percentile. Mr. Kerley's targeted total compensation relative to our peer group reflected his considerable seniority, having spent over 20 years with us.

Name	2012 Targeted Total Compensation(1)	Percentage of Peer Group
Steven J. Mueller, President & Chief Executive Officer	\$ 7,000,026	59%
R. Craig Owen, Senior Vice President & Chief Financial Officer(2)	\$ 891,028	54%
William J. Way, Executive Vice President & Chief Operating Officer	\$ 3,940,461	67%
Mark K. Boling, President V+ Development Solutions and General Counsel(3)	\$ 2,120,310	63%
Jeffrey B. Sherrick, Senior Vice President Corporate Development	\$ 1,290,220	75%
Greg D. Kerley, Former Executive Vice President & Chief Financial Officer(4)	\$ 2,880,217	>75%

- (1) Actual total compensation awarded for 2012 is reflected in the Summary Compensation Table.
- (2) The 2012 Targeted Total Compensation for Mr. Owen was based on his former role as Chief Accounting Officer and Controller, the position he held with us at the time that his 2012 target compensation was initially established. Effective August 1, 2012, Mr. Owen's salary increased from \$300,000 to \$370,000 and the target 2012 annual cash incentive award and maximum 2012 annual cash incentive award under the Company's Incentive Compensation Plan was increased for our new CFO from 100% and 150% to 125% and 187.5%, respectively. For 2012, the incentive award levels will reflect a pro-rata percentage of each bonus percentage.
- (3) Effective June 1, 2012, Mr. Boling's 2012 salary increased from \$420,000 to \$450,000, and the target 2012 annual cash incentive award and maximum 2012 annual cash incentive award under the Company's Incentive Compensation Plan was increased from 125% and 187.5% to 130% and 195%, respectively. For 2012, the incentive award levels will reflect a pro-rata percentage of each bonus percentage.
- (4) Effective October 1, 2012, Mr. Kerley retired from the Company.

2012 COMPENSATION ASSESSMENT**Base Salary**

In establishing the base salaries for our NEOs, the Compensation Committee examines the peer group analysis prepared by E&Y in order to determine whether base salary, together with total compensation, falls within our targeted range of the median and 75th percentiles of our peer group. In addition to the peer group analysis, base salaries are determined based upon consideration of each executive's performance, responsibilities, qualifications, experience and skills. The Compensation Committee recognizes that changes in base salary affect other elements of compensation including: (i) awards under the Incentive Compensation Plan, (ii) pension benefits, (iii) company matching portions of 401(k) and non-qualified plan contributions and (iv) life insurance and disability benefits. As such, adjustments to base salary are only made after consideration of the impact to the executive's entire compensation package.

At its December 2011 meeting, the Compensation Committee increased the base salaries of each of our NEOs as shown in the table below, effective for 2012. In approving these increases, the Compensation Committee considered each NEO's base salary compared to the median and 75th percentiles of our peer group, E&Y's 2011 report, including the Survey Data, the Compensation Committee's assessment of the executive's overall performance, the short-term strategic value of his expertise and skills to us and the extent of his decision-making responsibilities as well as our CEO's recommendations (other than with respect to his own salary).

Name	2011 Base Salary	2012 Base Salary	% of Peer Group
Steven J. Mueller, President & Chief Executive Officer	\$ 800,000	\$ 850,000	58%
R. Craig Owen, Senior Vice President & Chief Financial Officer(1)	\$ 280,000	\$ 370,000	72%(2)
William J. Way, Executive Vice President & Chief Operating Officer	\$ 575,000	\$ 600,000	75%
Mark K. Boling, President V+ Development Solutions & General Counsel(3)	\$ 400,000	\$ 450,000	68%
Jeffrey B. Sherrick, Senior Vice President Corporate Development	\$ 325,000	\$ 375,000	62%
Greg D. Kerley, Former Executive Vice President & Chief Financial Officer(4)	\$ 475,000	\$ 500,000	>75%

(1) Effective August 1, 2012, Mr. Owen's 2012 salary increased from \$300,000 to \$370,000.

(2) The % of Peer Group for Mr. Owen was based on his former role as Chief Accounting Officer and Controller.

(3) Effective June 1, 2012, Mr. Boling's 2012 salary increased from \$420,000 to \$450,000.

(4) Effective October 1, 2012, Mr. Kerley retired from the Company.

Annual Cash Bonus

Our Incentive Compensation Plan, or ICP, is designed to encourage the achievement of annual performance goals by our executives and managers. These goals are set to produce results that lead to increased stockholder value and are determined at the beginning of each annual performance cycle. Although awards under the ICP may be made in cash, restricted shares of common stock, or a combination of cash and restricted shares of common stock, for 2012 and historically, the Compensation Committee has determined that awards under the ICP be made in cash.

For 2012, the performance objectives for awards under the ICP for each of our NEOs consisted of an objective component tied to specific performance goals and a subjective component based on each NEO's individual performance.

Corporate Performance Objectives

The objective components of awards for our NEOs under the ICP are listed below:

PVI weighted at 30%

Gas and oil production weighted at 27.5%

Reserve Replacement weighted at 27.5%

Return on equity versus the peer group weighted 15%

The Compensation Committee selected these criteria because they are important indicators of increased stockholder value, as discussed in the Executive Summary above. Return on equity versus the peer group is defined as net income divided by average stockholders' equity for the current fiscal year. Adjustments to net income and/or stockholders' equity from the application of new accounting standards, new equity offerings or asset divestitures may or may not be included in the calculation of net income and/or average stockholders' equity at the discretion of the Compensation Committee. Additionally, all non-cash charges resulting from any write-down of oil and gas properties and all other non-cash components of Accumulated Other Comprehensive Income, or AOCI, are excluded from the net income and stockholders' equity calculations.

At the February meeting in 2012, after evaluating the Company's performance relative to performance goals established for 2011, the Compensation Committee established the performance objectives for 2012. The 2012 performance objectives discussed above took into consideration the current domestic natural gas oversupply situation and the continued uncertainty and volatility in natural gas commodity prices but were nonetheless designed to continue to motivate our NEOs to outperform relative to their peers at other companies. The Compensation Committee believes that, assuming external economic factors remain the same, the minimum performance levels should be achievable with some difficulty, while the target and maximum levels represent relatively more challenging degrees of difficulty. Although the Compensation Committee does not assign specific probabilities of achievement to the minimum, target or maximum award levels under the ICP, the minimum and target goals are generally set to be achievable if the Company achieves the minimum and target levels in its projected business plan. It is the Committee's intention and expectation in setting the objectives for incentive bonuses to be paid at the target level or above. The maximum award levels are achievable to the extent the Company surpasses its target performance levels by a significant amount. However, since the business plan reflects a number of internal assumptions about factors beyond the Company's control such as oil and gas prices, access to capital, the cost of supplies and equipment and other third party-related factors, the achievement of our performance measures has varied.

The following table details our corporate performance measure achievement from 2006 through 2012. It illustrates there has been no correlation between past and future achievement of our performance measures.

Past ICP Corporate Performance Measure Achievement

	Production	PVI	Return on Equity	Reserve Replacement
2006	Below Minimum	Below Minimum	Below Minimum	Above Target
2007	Above Minimum	Above Target	Above Maximum	Above Target
2008	Above Maximum	Above Maximum	Above Maximum	Above Maximum
2009	Above Target	Above Maximum	Above Target	Above Maximum
2010	Above Minimum	At Maximum	Below Minimum	Above Target
2011	Above Target	Below Minimum	Above Maximum	Above Target
2012	Above Target	Below Minimum	Above Maximum	Below Minimum

Individual Performance

The remaining portion of each award, which generally comprises up to 40% of an executive's total target opportunity under the ICP, is subjective based on an evaluation of the executive's individual performance by the Compensation Committee. The subjective assessment of individual performance takes into account all aspects of the individual's performance and the performance of the business team for which they have responsibility, which includes an assessment of the individual's and the team's contribution to the achievement of health, safety and environmental performance objectives by the Company. Due to the subjective component of the ICP, a NEO may still receive his total target opportunity even if the organizational performance objectives are not achieved or are achieved at the minimum level.

Bonus Opportunities

The bonus opportunities under the ICP vary based on each executive's level of responsibility. The Compensation Committee typically targets the total award at the median of our peer group for cash incentive bonuses, based on the executives' relevant positions. If the actual level achieved for a specified corporate performance objective is not at least equal to the predetermined minimum level, then the proportionate amount of the award represented by that performance measure will not be paid.

Determinations of the target award levels for each fiscal year are made at the December meeting of the Compensation Committee prior to the beginning of the fiscal year in order to coincide with our budget process and the culmination of the performance review process. The performance goals for each fiscal performance cycle under the ICP are determined following the assessment of whether the performance objectives for the prior fiscal year were attained, which typically occurs in February of the current performance year.

The following table sets forth the minimum, target and maximum incentive award levels for the organizational, discretionary and total annual incentives for 2012 related to the attainment of corporate performance objectives for the NEOs as established by the Compensation Committee as a percentage of base salary:

2012 Annual Incentive Compensation Bonus Opportunities

Name	Organizational Performance			Discretionary			Total		
	Min. (%)	Target (%)	Max. (%)	Min. (%)	Target (%)	Max. (%)	Min. (%)	Target (%)	Max. (%)
Steven J. Mueller, President & Chief Executive Officer	52.5	105.0	195.0	122.5	70.0	67.5	175.0	175.0	262.5
R. Craig Owen, Senior Vice President & Chief Financial Officer(1)	37.5	75.0	140.0	87.5	50.0	47.5	125.0	125.0	187.5
William J. Way, Executive Vice President & Chief Operating Officer	42.0	84.0	157.5	98.0	56.0	52.5	140.0	140.0	210.0
Mark K. Boling, President - V+ Development Solutions & General Counsel(2)	39.0	78.0	145.0	91.0	52.0	50.0	130.0	130.0	195.0
Jeffrey B. Sherrick, Senior Vice President - Corporate Development	30.0	60.0	110.0	70.0	40.0	40.0	100.0	100.0	150.0
Greg D. Kerley, Former Executive Vice President & Chief Financial Officer(3)	39.0	78.0	145.0	91.0	52.0	50.0	130.0	130.0	195.0

- (1) On August 1, 2012, the target 2012 annual cash incentive award and maximum 2012 annual cash incentive award under the Company's Incentive Compensation Plan was increased for our new CFO from 100% and 150% to 125% and 187.5%, respectively. For 2012, the incentive award levels will reflect a pro-rata percentage of each bonus percentage.

(2) On June 1, 2012, the target 2012 annual cash incentive award and maximum 2012 annual cash incentive award under the Company's Incentive Compensation Plan was increased from 125% and 187.5% to 130% and 195%, respectively. For 2012, the incentive award levels will reflect a pro-rata percentage of each bonus percentage.

(3) Effective October 1, 2012, Mr. Kerley retired from the Company.

2012 Annual ICP Payouts

In making its determination with respect to discretionary awards under the ICP, the Compensation Committee considered management's accomplishments for the year, which included maintaining the strength of the Company's balance sheet in a very difficult commodity price environment, the further building of the Midstream gas gathering and marketing entity, continuing to strengthen the geological, engineering and operations capability for aggressively developing the Fayetteville Shale and Marcellus Shale projects, and the advancement of the Company's prospective new ventures.

The Compensation Committee awarded our NEOs the following bonuses under the ICP, based on the extent to which the PVI, gas and oil production, reserve replacement and return on equity performance measures were achieved and the exercise of discretion by the Compensation Committee. The amounts set forth in the table under Organizational Performance reflect the amounts earned by the NEOs based on the achievement of the 2012 performance objectives, while the amounts under Discretionary are in recognition of the efforts of management in building a solid foundation for the future growth and profitability of the Company.

Name	Organizational Performance	Discretionary	Total	% of Target
Steven J. Mueller, President & Chief Executive Officer	\$ 501,523	\$ 798,477	\$ 1,300,000	87%
R. Craig Owen, Senior Vice President & Chief Financial Officer	\$ 123,332	\$ 216,668	\$ 340,000	93%
William J. Way, Executive Vice President & Chief Operating Officer	\$ 284,650	\$ 415,350	\$ 700,000	83%
Mark K. Boling, President V+ Development Solutions & General Counsel	\$ 189,610	\$ 335,390	\$ 525,000	94%
Jeffrey B. Sherrick, Senior Vice President Corporate Development	\$ 125,578	\$ 214,422	\$ 340,000	91%
Greg D. Kerley, Former Executive Vice President & Chief Financial Officer(1)				

(1) Effective October 1, 2012, Mr. Kerley retired from the Company and therefore did not receive a bonus for 2012.

Long-Term Incentive Compensation

The long-term incentives for the NEOs consist of (i) equity in the form of stock options and shares of restricted stock awarded under the Stock Plan and (ii) performance units, or PUPs, payable in cash under the PUP Plan. It is the Compensation Committee's practice to determine the targeted total compensation and the targeted total cash compensation for each NEO and then to determine long-term incentive compensation based on the difference between the targeted total compensation and targeted total cash compensation.

Our long-term incentive program is designed to provide incentives for key employees to focus on the long-term strategic goals of our business and to attract and retain key employees through share ownership.

The equity component of long-term incentive compensation is designed to align management's interests with those of our stockholders, provides an incentive for achieving our long-term performance objectives and constitutes the major component of at-risk compensation. Set forth below is the mix of long-term equity incentive awards we provide to our NEOs.

	Performance Units	Stock Options	Restricted Stock
Long-Term Incentive Award Mix			
(approximate; based on intended value)	33 1/3%	33 1/3%	33 1/3%

Stock Plan. At the December meeting of the Compensation Committee in 2011, the Compensation Committee granted stock options and shares of restricted stock under the Stock Plan for fiscal year 2012. Stock options vest over a period of three years from the grant date, while shares of restricted stock vest over a four-year period from the date of grant.

The Compensation Committee believes the mix of long-term incentive awards shown in the table above generally provides an appropriate balance between the dual objectives of tying compensation to stock performance and providing retention incentives.

Performance Unit Plan. Our Performance Unit Plan is used to provide long-term cash incentives for our executives and certain employees. The Performance Unit Plan is designed to insure that our long-term strategy is competitive with our peers and that our executives are rewarded with cash for actual long-term performance and not just stock price appreciation. The Plan also complements the equity-based compensation awarded under the Stock Plan by providing additional awards for enhancing our long-term value and mitigating the effect of stockholder dilution. Because the Performance Unit Plan is tied to operating performance success over a three-year period, it also provides a supplementary long-term retention component.

Actual payout occurs more than three years after the awards are given and is determined by the attainment of certain threshold, target and maximum performance objectives. Achievement of the performance objectives results in payout of \$500 per unit at the threshold level, \$1,000 per unit at the target level and \$2,000 per unit at the maximum level, at the end of the three-year period. Performance below the threshold level could result in payouts of less than \$500 per unit, including no payouts. Performance objectives are calculated weighing three-year total stockholder return versus the three-year total stockholder return of the peer group at the time of the award and our reserve replacement efficiency ratio versus a defined target and the peer group at the time of the award.

At its December 2011 meeting, the Compensation Committee granted performance units to the NEOs for fiscal year 2012. In March 2013, the Compensation Committee determined that the level of achievement of the performance objectives for the three-year cycle ended December 31, 2012 was between the minimum and target level, resulting in the payment of \$234.38 per unit and our NEOs were paid \$312,663 for Mr. Mueller; \$23,438 for Mr. Owen; \$78,049 for Mr. Boling; \$46,876 for Mr. Sherrick and \$105,975 for Mr. Kerley. The performance units awarded in 2009 for the three-year cycle ended December 31, 2012 were based on the same performance measures as the performance units awarded in 2012, but were weighted as follows: TSR (25.0%); Reserve replacement against goal (absolute) (37.5%); and Reserve replacement against peer group (relative) (37.5%). Mr. Way did not receive any 2009 performance units because he joined the Company in 2011.

Total Long-Term Incentives. The table below illustrates the value of the long-term incentives our Compensation Committee granted to our NEOs in December 2011, utilizing the Black-Scholes valuation for stock options, the grant date price for restricted stock and the target value of the performance units.

Name	Options	Restricted Stock	PUPs	Total
Steven J. Mueller, President & Chief Executive Officer	\$ 1,441,084	\$ 1,444,198	\$ 1,554,000	\$ 4,439,282
R. Craig Owen, Senior Vice President & Chief Financial Officer(1)	\$ 92,979	\$ 98,049	\$ 100,000	\$ 291,028
William J. Way, Executive Vice President & Chief Operating Officer	\$ 772,511	\$ 774,270	\$ 834,000	\$ 2,380,781
Mark K. Boling, President V+ Development Solutions & General Counsel	\$ 363,148	\$ 363,907	\$ 392,000	\$ 1,119,055
Jeffrey B. Sherrick, Senior Vice President Corporate Development	\$ 166,960	\$ 167,390	\$ 180,000	\$ 514,350
Greg D. Kerley, Former Executive Vice President & Chief Financial Officer(2)	\$ 534,675	\$ 535,721	\$ 577,000	\$ 1,647,396

(1) Granted to Mr. Owen for his previous position of Chief Accounting Officer.

(2) Effective October 1, 2012, Mr. Kerley retired from the Company.

Health, Welfare and Retirement Benefits

We have competitive health, welfare and retirement programs for our eligible employees. Our NEOs generally are eligible for the benefit programs on the same basis as all other employees. Our health and welfare programs include medical, pharmacy, dental, life insurance and disability. We also offer a charitable gift matching program. The life insurance and disability programs provide higher benefit amounts for our NEOs due to their higher base salaries. Our executives have disability coverage that applies if they are unable to perform in their occupation. In addition, disability benefits for our officers are capped at \$16,000 for long-term disability and 70% of base pay for short-term disability.

We offer retirement programs that are intended to supplement our employees' social security benefits and personal savings. The programs include:

the Southwestern Energy Company 401(k) Savings Plan, or the 401(k) Plan;

a defined benefit plan, or the Pension Plan;

a supplemental retirement plan, or the SERP; and

a non-qualified deferred compensation plan, or the Non-Qualified Plan.

All employees are generally eligible for the 401(k) Plan and the Pension Plan and the NEOs participate in those plans on the same basis as other employees. The 401(k) Plan allows a participant to elect to contribute a percentage of their eligible compensation, generally salary and wages, to an investment trust. Employee contributions are matched by us 100% for the first 3% of the employee's eligible compensation and 50% for the next 3% and such matching contributions immediately vest. The 401(k) Plan provides a number of different investment options, including our common stock, for which a participant has sole discretion in determining the allocation of their and our contributions among the investment options.

The Internal Revenue Code, or the Code, limits both the amount of compensation that may be used for purposes of calculating a participant's benefit under our Pension Plan and the maximum annual benefit payable to a participant under the Pension Plan. For the 2012 plan year, (i) a participant's compensation in excess of

\$250,000 is disregarded for purposes of determining average compensation and (ii) the maximum annual Pension Plan benefit permitted under the Code was \$200,000. Until December 31, 1997, our Pension Plan had benefits payable based upon average final compensation and years of service. Effective January 1, 1998, we amended our Pension Plan to become a cash balance plan on a prospective basis. A cash balance plan provides benefits based upon a fixed percentage of an employee's annual compensation. Eligible officers and employees who were participants in the Pension Plan as of January 1, 1998 are entitled to annual benefits payable upon retirement based upon years of service through December 31, 1997 and average compensation during the five years of highest pay in the last ten years of service before termination.

Under the cash balance provisions of our Pension Plan, each participant has, for recordkeeping purposes only, a hypothetical account to which credits are allocated annually based upon a percentage of the participant's base salary. The applicable percentage is equal to 6% plus an additional percentage for participants in the Pension Plan as of January 1, 1998. The additional percentage is based upon a participant's age and is designed to approximate any lost benefits due to the change to a cash balance plan. The additional percentage is equal to 3.7% for our former CFO, who was a participant in the plan as of January 1, 1998. All employee balances in the cash balance account also earn a fixed rate of interest that is credited annually. The interest rate for a particular year is the annual rate of interest of the 30-year treasury securities for November of the prior year with a minimum of 6%. Interest is credited as long as the participant maintains a balance in the Pension Plan. Additional information about the Pension Plan is provided below following the Pension Plan Table.

The SERP allows certain highly-compensated employees to continue to earn pension benefits for retirement once they reach the limits imposed by the Internal Revenue Service. The SERP provides benefits equal to the amount that would be payable under the Pension Plan in the absence of certain limitations of the Code, less the amount actually paid under the Pension Plan. In the event of a change in control as defined under Severance and Other Change in Control Benefits, the benefits of a NEO under the SERP would be determined as if the participant had credit for three additional years of service. The credit of three additional years of service is designed to ensure that the pension benefits in the event of a change in control are consistent with the other change in control arrangements between us and the NEOs. An executive's benefits under the SERP do not vest until the executive has completed three years of service with us and the credit of the additional three years may be utilized to satisfy this requirement. At retirement or termination of employment, the vested amount credited to a participant is payable to the participant in the form of a lump sum or in lifetime monthly payments. The remuneration covered by the Pension Plan and the SERP includes wages and salaries but excludes incentive awards, bonuses and fees. Additional information about the SERP is provided below following the Pension Plan Table.

Our NEOs and other highly compensated employees are also eligible to participate in the Non-Qualified Plan, which allows any participant to defer income and receive a match on the same basis as the 401(k) Plan, subject to the same total cap as for all employees. In addition, participants can defer all or a portion of their annual incentive payments until termination of employment under the Non-Qualified Plan. Salary amounts that are deferred under the Non-Qualified Plan are not included under the Pension Plan or the SERP but a credit is given to the participant under the Non-Qualified Plan to address the loss in pension benefits. The Non-Qualified Plan is not funded and participants are our general creditors. All amounts deferred in the Non-Qualified Plan increase or decrease based on the investment results of the executive's requested investment alternatives and executives do not earn or accrue above-market or preferential earnings on their accounts. Plan distributions after employment ends are paid out of our funds rather than from a dedicated investment portfolio.

Perquisites, Allowances and Other Benefits

The type and amount of perquisites for our NEOs are reviewed and approved by the Compensation Committee as part of its compensation decision-making. In 2012, the primary perquisites for our NEOs are the payment of dues for one social club designated by us, a \$7,380 annual car allowance, estate and financial planning expenses for each NEO up to \$18,500 per year, a medical reimbursement plan that covers all out-of-pocket expenses and an annual complete personal physical exam. We pay the fees for one local social club to

provide our executives with a forum for business entertainment and for appropriate interaction with members of the business community. We reimburse our NEOs for expenses incurred with respect to estate and financial planning because we believe the utilization of experts will reduce the amount of time our executives will have to devote to those matters while also maximizing the net value of the compensation we provide.

We permit our NEOs and members of executive management to use our corporate aircraft for business-associated personal use on limited occasions. This use typically consists of permitting family members to accompany the executive when traveling for business and is limited to situations where the presence of the family member will not conflict with the business purpose of the travel. Also, we may permit personal use of the aircraft in very limited situations where, absent such use, the executive's work obligations create a significant and inappropriate imposition on personal plans or obligations. The cost to us of this benefit, if used by a NEO, is reflected in All Other Compensation in the Summary Compensation Table.

Severance and Other Change in Control Benefits

We believe our executive management and other key employees are the primary reason for our success and it is important to protect them in the event their employment is terminated in connection with a change in control or they elect in certain circumstances to leave us following a change in control.

We do not have employment agreements with any of the NEOs, but have entered into a severance agreement with each of our NEOs that entitles them to receive a payment if within three years after a change in control, (i) the executive's employment is terminated without cause or (ii) they voluntarily terminate employment with us for good reason. Cause, when used in connection with the termination of an executive's employment, means (a) a willful and continued failure by the executive substantially to perform his duties and obligations to us (other than any such failure resulting from his disability) that continues after we have given notice thereof or (b) the willful engaging in misconduct which is materially injurious to us. For purposes of this definition, no act, or failure to act, on an executive's part shall be considered willful unless done, or omitted to be done, by the executive in bad faith and without reasonable belief that his action or omission was in our best interests. Good reason includes (i) a reduction in the executive's employment status or responsibilities, (ii) a reduction in the executive's base salary, (iii) a change in the executive's principal work location of more than 40 miles, and (iv) certain adverse changes in our incentive or other benefit plans.

The severance agreements do not provide severance benefits outside the context of a change in control, with the exception of outstanding unvested stock options and restricted stock awards, which are forfeited upon termination of employment unless the termination of employment is due to death, disability or retirement at age 65 with at least five (5) years of service with us, in which case the unvested equity awards vest immediately upon the termination event.

In the event of a change in control and a qualifying termination (as discussed above), the severance payment for our CEO, COO, and President V+ and General Counsel is equal to the product of 2.99 and the sum of base salary as of the executive's termination date plus the maximum bonus opportunity available to the executive under the Incentive Compensation Plan. The severance payment for our CFO and SVP Corporate Development is equal to the product of 2.0 and the sum of base salary as of the executive's termination date plus the maximum bonus opportunity available to the executive under the Incentive Compensation Plan. For our NEOs who were employed with us prior to 2010, we have agreed to make additional payments to our NEOs for any excise taxes imposed as a result of the change in control benefits. In addition, each executive will be entitled to continued participation in certain health and welfare benefits and perquisites from the date of the termination of employment until the earliest of (a) the expiration of three years, (b) death, or (c) the date he is afforded a comparable benefit at comparable cost by a subsequent employer. As previously discussed under Health, Welfare and Retirement Benefits and Perquisites, Allowances and Other Benefits, each officer will also be credited with three additional years of service for pension benefit purposes upon a change in control and will continue to have coverage under our Directors and Officers insurance policies for a period of up to four years.

Our various long-term incentive plans and option agreements provide that all outstanding stock options and all rights become exercisable immediately upon a change in control. The plans also provide that all performance units and shares of restricted stock which have not previously vested or been cancelled or forfeited shall vest immediately upon a change in control. Our Incentive Compensation Plan also provides that upon a participant's termination of employment under certain conditions on or after a change in control all determined but unpaid incentive awards shall be paid immediately and any undetermined awards shall be determined and paid based on projected performance factors calculated in accordance with the plan.

For purposes of the severance agreements and our plans, a change in control includes (i) the acquisition by any person (other than, in certain cases, one of our employees) of 20% or more of our voting securities, (ii) approval by our stockholders of an agreement to merge or consolidate us with another corporation (other than certain corporations controlled by or under common control with us), (iii) certain changes in the composition of our Board of Directors, (iv) any change in control which would be required to be reported to the stockholders of the Company in a proxy statement and (v) a determination by a majority of the Board of Directors that there has been a change in control or that there will be a change in control upon the occurrence of certain specified events and such events occur.

To the extent applicable, it is intended that the severance agreements comply with the provisions of Section 409A of the Code, so as to prevent inclusion in gross income of any amounts payable or benefits provided under the severance agreements in a taxable year that is prior to the taxable year or years in which such amounts or benefits would otherwise actually be distributed, provided or otherwise made available to the NEO. If the Compensation Committee determines that the NEO is a specified employee within the meaning of Section 409A(a)(2)(B)(i) of the Code and delayed payment of any amount or delayed commencement of any benefit under the severance agreement is required to avoid a prohibited distribution under Section 409A(a)(2) of the Code, then, to such extent as required, deferred compensation payable under the agreement in connection with the NEO's termination of employment will be delayed and paid, with interest, in a single lump sum six months and one day thereafter (or if earlier, the date of the NEO's death). Amounts payable under the severance agreement upon the NEO's termination or severance of employment with us that constitute deferred compensation under Section 409A of the Code will not be paid prior to the NEO's separation from service within the meaning of Section 409A of the Code. All reimbursements and in-kind benefits provided under the severance agreement which constitute a payment of nonqualified deferred compensation under Section 409A of the Code will be made or provided in accordance with the requirements of Section 409A of the Code.

The estimated amounts that would have been paid to our NEOs if the change in control payments described above had been triggered as of December 31, 2012 is disclosed under Executive Compensation Potential Payouts Upon Change in Control and Termination.

RISK MANAGEMENT FEATURES OF OUR EXECUTIVE COMPENSATION PROGRAM

Recoupment of Unearned Incentive Compensation

If the Board, or an appropriate committee thereof, has determined that any fraud, negligence, or intentional misconduct by a NEO or any officer with the title of Senior Vice President or above was a significant contributing factor to us having to restate all or a portion of our financial statement(s), the Board or committee has the discretion to take such action as it deems necessary to remedy the misconduct and prevent its recurrence. In determining what remedies to pursue, the Board or committee will take into account all relevant factors, including whether the restatement was the result of fraud, negligence, or intentional misconduct. To the extent permitted by applicable law, the Board may require reimbursement of any bonus, incentive or performance-based compensation paid to the officer, cause the cancellation of restricted stock awards and outstanding stock options and seek reimbursement of any gains realized on the exercise of stock options attributable to such awards, if and to the extent that (a) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (b) the officer engaged in any fraud or misconduct that caused or contributed to the need for the restatement and (c) the amount of the bonus or incentive compensation that would have been awarded to the officer had the financial results been properly reported would have been materially lower than the amount actually awarded. In addition, the Board may dismiss the officer, authorize legal action, or take such other action to enforce the officer's obligations to us as it may deem appropriate in view of all the facts surrounding the particular case.

Stock Ownership Guidelines

The Compensation Committee believes that stock options and other equity-based compensation align the interests of executives and other managers with those of our stockholders because the value of such compensation is directly related to appreciation of our stock price. In December 2009, the Board of Directors adopted stock ownership requirements for our executives that require all officers at the senior vice president level and higher to achieve ownership of a number of qualifying shares with a market value equal to a multiple of the executive's applicable base salary within the later of five (5) years after the adoption of the guidelines or three (3) years after first being designated as such an executive. Qualifying shares include stock purchased on the open market, stock obtained through stock option exercises or under the Company's 401(k) Plan, restricted stock and restricted stock units, stock beneficially owned in a trust, by a spouse and/or minor children, and 25% of shares of stock that the executive has the right to acquire through the exercise of stock options (whether or not vested). In December 2012, the Compensation Committee increased the market value of qualifying shares our CEO is required to own from 5 times his base salary to 6 times. The market value of the qualifying shares each executive is required to own or hold is as follows:

Position	Share Ownership Requirement (Multiple of Base Salary)	Holding Requirement
Chief Executive Officer	6X	Until an executive reaches his share ownership requirement, the executive is required to hold 50% of the shares of our common stock received upon lapse of any restrictions on restricted stock and upon exercise of stock options.*
President	4X	
Executive Vice President	3X	
(including COO)		
Senior Vice President	2X	

* Net of any shares utilized to pay the exercise price of the option and any associated tax withholding on option exercise or restricted stock lapse.

Currently, all of the NEOs have reached their stock ownership requirements.

Anti-Hedging Policy

We have also implemented a policy that prohibits all directors and employees, including the NEOs, their spouses and members of their household, from hedging the economic risk of ownership of our stock. Specifically, short selling and buying or selling puts, calls or options in respect of our securities are prohibited under our Business Conduct Guidelines. Our Business Conduct Guidelines also prohibit directors and employees, including the NEOs, from engaging in transactions involving our securities when they are in possession of material, non-public information about us or during certain designated "black-out" periods. It is our policy not to issue stock options during "black-out" periods except to newly hired employees and at the December Compensation Meeting, whether or not employees may be in possession of material, non-public information.

Anti-Pledging Policy

In March 2013, our Board adopted a policy that prohibits all directors and officers with the title of Vice President or above, including their spouses and members of their household, from pledging shares of our common stock, effective March 18, 2013. The policy does not prohibit existing pledging arrangements by directors or employees.

Board Process

The Compensation Committee has reviewed the aggregate amounts and mix of all components of the CEO's and the other NEOs compensation, including base salary, annual incentive compensation, long-term incentive compensation, accumulated (realized and unrealized) stock option and restricted stock gains, the value to the executive and cost to the Company of all perquisites and other personal benefits, the earnings and accumulated obligations under the Company's non-qualified deferred compensation plan and the actual projected payout obligations under the Company's SERP under several potential severance and change-in-control scenarios. A tally sheet setting forth all the above components was prepared and reviewed affixing dollar amounts under the various payout scenarios for the CEO and the other NEOs.

Based on the review process set out above, the Compensation Committee finds the CEO's and other NEOs total compensation (and, in the case of the severance and change-in-control scenarios, the potential payouts) in the aggregate to be reasonable and not excessive.

TAX AND ACCOUNTING CONSIDERATIONS

Tax Deductibility of Compensation Payments

Section 162(m) of the Internal Revenue Code could potentially limit our ability to deduct, for federal income tax purposes, certain compensation in excess of \$1,000,000 per year paid to individuals named in the Summary Compensation Table. In recent years, the Compensation Committee's need for flexibility in designing effective compensation plans to meet our objectives and respond quickly to marketplace needs has typically outweighed our need to maximize the deductibility of compensation payments. Although the Compensation Committee will from time to time review the advisability of making changes in compensation plans in consideration of Section 162(m) and other applicable tax laws, it will not do so unless it feels that such changes are in our best interests and those of our stockholders.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management and, based on such review and discussions, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Annual Report on Form 10-K and this Proxy Statement.

February 18, 2013

Members of the Compensation Committee

VELLO A. KUUSKRAA, CHAIRMAN

ROBERT L. HOWARD

ALAN H. STEVENS

The above report of the Compensation Committee will not be deemed to be incorporated by reference into any filing by the Company under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates the same by reference. Elliott Pew has been a member of the Compensation Committee since his appointment thereto on February 19, 2013, but did not participate in any of the activities covered by this Compensation Committee report.

EXECUTIVE COMPENSATION

The following table contains information with respect to executive compensation paid or set aside by the Company during 2012 for services in all capacities of the CEO, CFO, and the next three highest paid executive officers of the Company and its subsidiaries, as well as the Company's former CFO.

Summary Compensation Table

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) Change in Pension Value and Non-Equity Incentive Plan	(i) Nonqualified Deferred Compensation	(j) All Other Compensation	Total (\$)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)(3)	Stock Awards (\$)(4)	Option Awards (\$)(4)	Compensation (\$)(5)	Earnings (\$)(6)	Compensation (\$)(7)	All Other Compensation	Total (\$)
Steven L. Mueller	2012	850,000	798,477	1,515,240	1,512,450	814,186	59,695	70,326		5,620,374
President and Chief Executive Officer	2011	800,000	478,152	1,444,198	1,441,084	1,827,297	53,513	74,511		6,118,755
R. Craig Owen	2012	329,615	216,668	552,345	551,326	146,770	22,670	40,932		1,860,326
Senior Vice President and Chief Financial Officer(1)	2011	280,000	115,979	62,310	92,979	238,144	18,801	63,555		871,768
William J. Way	2010	270,000	116,251	30,787	49,001	143,749	17,127	47,918		674,833
William J. Way	2012									