SOUTHWESTERN ENERGY CO Form 10-Q/A August 03, 2006

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

### **FORM 10-Q/A**

		<b>_</b>		
(Mark one)				
[ X ] Quarterly Re	port Pursuant to Section 13 o	or 15(d) of the Securities		
	Exchange Act of 1934			
For the	ne quarterly period ended <u>Jur</u>	<u>ne 30, 2006</u>		
	or			
[ ] Transition Re	port Pursuant to Section 13 o	or 15(d) of the Securities		
	Exchange Act of 1934			
For the trans	ition period from	to		
	Commission file number 1-0	08246		
(Exact	name of the registrant as specified	in its charter)		
Delaware		71-0205415		
(State or other jurisdiction of incorporation	on or organization)	(I.R.S. Employer Identification No.)		
(Address of principal executive	offices)	(Zip Code)		
	(281) 618-4700			
(Regi	istrant's telephone number, includin	g area code)		
	Not Applicable			
(Former name, form	ner address and former fiscal year; is	f changed since last report)		
	r for such shorter period that the reg	ed by Section 13 or 15(d) of the Securities and Exchange gistrant was required to file such reports), and (2) has been		
	Yes: <u>X</u>	No:		
Indicate by check mark whether the registrant is a la "accelerated filer and large accelerated filer" in Rul				
Large accelerated filer X	Accelerated filer	Non-accelerated filer		
Indicate by check mark whether the registrant is a s	hell company (as defined in Rule 12	2b-2 of the Exchange Act).		
	Yes:	No: <u>X</u>		
Indicate the number of shares outstanding of each of	of the issuer's classes of common sto	ock, as of the latest practicable date:		
Class		Outstanding at July 31, 2006		
Common Stock, Par Value \$0.0	1	168,165,220		

**EXPLANATORY NOTE:** This Form 10-Q/A is being filed in order to correct a single error on the cover page of the Report on Form 10-Q of Southwestern Energy Company originally filed on August 1, 2006 and the contents of the report have not otherwise been modified or changed. This Form 10-Q/A amends and replaces the original 10-Q filing in its entirety.

#### FORWARD-LOOKING INFORMATION

All statements, other than historical fact or present financial information, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements that address activities, outcomes and other matters that should or may occur in the future, including, without limitation, statements regarding the financial position, business strategy, production and reserve growth and other plans and objectives for our future operations, are forward-looking statements. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. We have no obligation and make no undertaking to publicly update or revise any forward-looking statements.

Forward-looking statements include the items identified in the preceding paragraph, information concerning possible or assumed future results of operations and other statements in this Form 10-Q identified by words such as "anticipate," "project," "intend," "estimate," "expect," "believe," "predict," "budget," "projection," "goal," "plan," "forecast," "target" or similar expressions.

You should not place undue reliance on forward-looking statements. They are subject to known and unknown risks, uncertainties and other factors that may affect our operations, markets, products, services and prices and cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with forward-looking statements, risks, uncertainties and factors that could cause our actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

the timing and extent of changes in commodity prices for natural gas and oil;

the timing and extent of our success in discovering, developing, producing and estimating reserves;

the extent to which the Fayetteville Shale play can replicate the results of other productive shale gas plays;

the potential for significant variability in reservoir characteristics of the Fayetteville Shale over such a large acreage position;

osition;

the extent of our success in drilling and completing horizontal wells;
*
our ability to determine the most effective and economic fracture stimulation for the Fayetteville Shale formation;
*
our lack of experience owning and operating drilling rigs;
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our ability to fund our planned capital expenditures;
*
our future property acquisition or divestiture activities;
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the effects of weather and regulation on our Natural Gas Distribution segment; increased competition; the impact of federal, state and local government regulation; the financial impact of accounting regulations and critical accounting policies; changing market conditions and prices (including regional basis differentials); the comparative cost of alternative fuels; conditions in capital markets and changes in interest rates; the availability of oil field personnel, services, drilling rigs and other equipment; and any other factors listed in the reports we have filed and may file with the Securities and Exchange Commission (SEC).

We caution you that these forward-looking statements are subject to all of the risks and uncertainties, many of which are beyond our control, incident to the exploration for and development, production and sale of natural gas and oil. These risks include, but are not limited to, commodity price volatility, third-party interruption of sales to market, inflation, lack of availability of goods and services, environmental risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating proved natural gas and oil reserves and in projecting future rates of production and timing of development expenditures and the other risks described in our Annual Report on Form 10-K for the year ended December 31, 2005 and all quarterly reports on Form 10-Q filed subsequently thereto, including this Form 10-Q/A (Form 10-Qs).

Should one or more of the risks or uncertainties described above or elsewhere in our 2005 Annual Report on Form 10-K or the Form 10-Qs occur, or should underlying assumptions prove incorrect, our actual results and plans could

differ materially from those expressed in any forward-looking statements. We specifically disclaim all responsibility to publicly update any information contained in a forward-looking statement or any forward-looking statement in its entirety and therefore disclaim any resulting liability for potentially related damages.

All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

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## SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES STATEMENTS OF OPERATIONS

(Unaudited)

	For the three months ended				For the six months ended			
	June 30,				June 30,			
	2006			2005		2006		2005
	(in thousands, except share			ept share/per sha	are amounts)			
<b>Operating Revenues:</b>								
Gas sales	\$	107,570	\$	93,192	\$	288,368	\$	219,463
Gas marketing		34,051		30,203		65,016		54,750
Oil sales		10,409		7,428		20,444		13,539
Gas transportation and other		1,969		1,640		6,873		5,764
		153,999		132,463		380,701		293,516
<b>Operating Costs and Expenses:</b>								
Gas purchases - gas distribution		3,464		5,078		48,820		38,901
Gas purchases - midstream services		31,733		28,932		60,160		52,130
Operating expenses		16,077		12,413		30,468		24,346
General and administrative expenses		15,238		10,308		29,791		20,611
Depreciation, depletion and amortization		31,950		23,009		60,053		43,256
Taxes, other than income taxes		7,243		5,542		13,311		10,865
		105,705		85,282		242,603		190,109

Operating Income	48,294		47,181	138,098	103,407
Interest Expense:					
Interest on long-term debt	2,642		5,241	4,819	10,164
Other interest charges	317		358	643	668
Interest capitalized	(2,823)	1	(944)	(5,181)	(1,639)
	136		4,655	281	9,193
Other Income	13,281		15	16,457	199
Income Before Income Taxes and	(1.420		42.541	154 074	04.412
Minority Interest Minority Interest in Partnership	61,439		42,541	154,274	94,413
lymority interest in 1 artifership	(114)		(315)	(405)	(408)
Income Before Income Taxes	61,325		42,226	153,869	94,005
<b>Provision for Income Taxes - Deferred</b>	24,321		15,412	58,470	34,570
Net Income	\$ 37,004	\$	26,814	\$ 95,399	\$ 59,435
Earnings Per Share:					
Basic	\$0.22		\$0.18 (1)	\$0.57	\$0.41 (1)
Diluted	\$0.22		\$0.18 (1)	\$0.56	\$0.40 (1)
Weighted Average Common Shares Ou	ıtstanding:				
Basic	167,044,589		144,949,974 (1)	166,911,812	144,727,942 (1)
Diluted	170,888,839		150,404,066 (1)	170,918,407	150,115,522 (1)

<sup>(1) 2005</sup> restated to reflect a two-for-one stock split effected in November 17, 2005.

The accompanying notes are an integral part of the financial statements.

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# SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES BALANCE SHEETS

(Unaudited)

#### **ASSETS**

	June 30, 2006		December 31, 2005	
Current Assets	(in thousands)			
Cash and cash equivalents	\$ 175,992	\$	223,705	
Accounts receivable	80.990		128.948	

Inventories, at average cost	47,248	49,513
Deferred income tax benefit	3,000	29,700
Hedging asset - FAS 133	21,280	17,467
Other	8,360	11,731
Total current assets	336,870	461,064
Investments	-	17,100
Property, Plant and Equipment, at cost		
Gas and oil properties, using the full cost method,		
including		
\$152.251.146 in 2006 and \$115.105.700 in 2005	•	
\$152,351,146 in 2006 and \$115,195,700 in 2005 excluded	2,194,167	1,897,613
CACITUCU	2,174,107	1,077,013
from amortization		
Gas distribution systems	222,445	216,644
Drilling rigs and equipment - in service	43,386	-
Construction-in-progress - drilling rigs and	38,026	35,128
equipment	·	
Gathering systems	31,496	15,742
Gas in underground storage	32,254	32,254
Other	55,777	45,234
	2,617,551	2,242,615
Less: Accumulated depreciation, depletion and		
amortization	933,556	872,218
	1,683,995	1,370,397
Odlass Assata	22.552	10.062
Other Assets	23,552	19,963
Total Assets	¢ 2.044.417	¢ 1.060.524
Total Assets	\$ 2,044,417	\$ 1,868,524

The accompanying notes are an integral part of the financial statements.

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# SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES BALANCE SHEETS

(Unaudited)

#### LIABILITIES AND SHAREHOLDERS' EQUITY

June 30, December 31, 2006 2005

(in thousands)

#### **Current Liabilities**

\$ 1,200	\$	-
148,873		154,385
8,507		14,519
6,367		6,352
29,780		112,293
7,694		7,323
12,219		7,514
214,640		302,386
137,200		100,000
329,292		254,528
20,902		60,442
29,307		29,251
\$	148,873 8,507 6,367 29,780 7,694 12,219 214,640 137,200 329,292 20,902	148,873 8,507 6,367 29,780 7,694 12,219 214,640 137,200 329,292 20,902