

SOUTHWESTERN ENERGY CO
Form 11-K
June 28, 2004

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

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2003

OR

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

For the transition period from _____ to _____

Commission file number
1-8246

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

Southwestern Energy Company 401(k) Savings Plan

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

SOUTHWESTERN ENERGY COMPANY
2350 N. Sam Houston Parkway E.

Suite 300
Houston, Texas 77032

Southwestern Energy
Company
401(k) Savings Plan

**Financial Statements and Supplemental Schedule
December 31, 2003 and 2002**

**Southwestern Energy Company
401(k) Savings Plan
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December 31, 2003 and 2002**

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of
Southwestern Energy Company 401(k) Savings Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Southwestern Energy Company 401(k) Savings Plan (the "Plan") at December 31, 2003 and December 31, 2002, and the changes in net assets available for benefits for the year ended December 31, 2003 in conformity with accounting

principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

PricewaterhouseCoopers LLP

Tulsa, Oklahoma

June 25, 2004

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**Southwestern Energy Company
401(k) Savings Plan
Statements of Net Assets Available for Benefits
December 31, 2003 and 2002**

	2003	2002
Assets		
Investments, at fair value		
Mutual funds	\$ 10,982,358	\$ 8,148,355
Common collective trusts	9,841,745	8,144,394
Common stock	1,356,624	709,006
Participant loans, net of loan defaults	615,546	520,401
Total investments, at fair value	22,796,273	17,522,156
Contributions receivable		
Participant	86,821	78,336
Employer	32,602	29,297
Total contributions receivable	119,423	107,633
Net assets available for benefits	\$ 22,915,696	\$ 17,629,789

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

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Southwestern Energy Company
401(k) Savings Plan
Statements of Changes in Net Assets Available for Benefits
Year Ended December 31, 2003

Additions		
Contributions		
Participant		\$ 1,868,039
Employer, net of forfeitures		692,992
Rollover		116,713
Total contributions		2,677,744
Interest and dividend income		413,333
Net appreciation in fair value of investments		3,249,761
Total additions		6,340,838
Deductions		
Benefits paid to participants		1,054,931
Net increase in net assets available for benefits		5,285,907
Net assets available for benefits		
Beginning of year		17,629,789
End of year		\$ 22,915,696

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

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Southwestern Energy Company
401(k) Savings Plan
Notes to Financial Statements
December 31, 2003 and 2002
1. Description of Plan

The following description of the Southwestern Energy Company 401(k) Savings Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

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

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

Participation by eligible employees in the Plan is voluntary. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Administration

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

Contributions and Funding Policy

Participants may contribute from 1% to 16% of their compensation in Salary Reduction Contributions, as defined. Effective November 1, 2003, the maximum contribution percentage increased to 25%. The Company matches 50% up to 6% of the employee's compensation. All contributions to the Plan are invested under the direction of the participant in 13 investment options including Company stock. Investments in stock of Entergy Corporation originated from a previous plan merger and is no longer an active investment option. Contributions are subject to certain limitations as determined by the Internal Revenue Code.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Participants vest in the Company's contributions to the Plan as set forth in the following schedule:

Years of Vesting Service	Percent Vested
1	0%
2	50%
3	100%

Participants' Accounts

Each participant's account is credited with the participant's contributions and an allocation of the Company's contribution and the Plan's investment earnings.

Southwestern Energy Company
401(k) Savings Plan
Notes to Financial Statements
December 31, 2003 and 2002

The Plan permits current participants to apply for and receive loans, which represent borrowings from a participant's account. The maximum amount of any loan available under the Plan is limited to the lesser of \$50,000 or 50% of a participant's vested account balance. The loans are collateralized by the balance in the participant's account and bear interest at one percentage point above the prime lending rate. At December 31, 2003, interest rates ranged from 5.0% to 10.5%.

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

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

Forfeitures

Forfeited nonvested amounts are applied to restore matching contributions of any Plan participants because of a valid repayment. Remaining forfeitures are used to reduce Plan expenses. Any forfeiture amounts that remain following payment of Plan expenses will be used to reduce employer matching contributions. At December 31, 2003, there were no forfeitures available to be used for the purposes stated above.

Plan Termination

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

2. **Summary of Significant Accounting Policies**

Basis of Accounting

The Plan's financial statements are presented on the accrual basis of accounting.

Estimates

The preparation of the Plan's financial statements in conformity with generally accepted accounting principles requires the Plan to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and the changes in net assets available for benefits during the reporting period and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Mutual funds and common stock are valued at quoted year-end market prices. Units of common collective trusts are valued at quoted market prices which represent the net asset value of shares held by the Plan at year end. Purchases and sales of securities are recorded on a trade-date basis. Interest and divided income are recorded on the accrual basis.

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Southwestern Energy Company**401(k) Savings Plan****Notes to Financial Statements****December 31, 2003 and 2002**

Plan Expenses

Expenses incurred in connection with the Plan are paid by the Company. During 2003 and 2002, the Company paid \$13,539 and \$14,046, respectively, in expenses on behalf of the Plan. Brokerage commissions and transfer taxes incurred in connection with securities transactions are treated as part of the purchase cost or a reduction of sales proceeds.

3. Tax Status

The Internal Revenue Service issued a favorable determination letter dated May 9, 1996, stating that the Plan was designed in accordance with applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's legal counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

4. Investments

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

	2003	2002
Scudder Trust Company Collective Investment Trust -		
Stable Value Fund	\$ 5,336,719	\$ 5,112,841
Scudder Trust Company Collective Investment Trust -		
Stock Index Fund	4,505,026	3,031,553
Scudder Trust Company - Growth and Income Fund	4,198,864	3,095,403
Pimco Funds - Total Return Fund	2,422,513	2,171,221
PBHG Funds - Mid Cap Value Fund	1,542,826	1,086,807
Scudder Trust Company - Life Cycle		
Mid-Range Investment	1,425,875	-
Southwestern Energy Company - common stock	1,191,313	*
Scudder Trust Company - Pathway Series		

Moderate Fund	-	1,166,879
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*Balance was less than 5% at December 31, 2002.

5. Net Appreciation in Fair Value of Investments

Net appreciation by investment type for the year ended December 31, 2003 was as follows:

Mutual funds	\$ 1,635,050
Common collective trusts	968,769
Common stock	645,942
	\$ 3,249,761

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Southwestern Energy Company 401(k) Savings Plan Notes to Financial Statements December 31, 2003 and 2002

6. Risk and Uncertainties

The Plan provides for various investment options in any combination of mutual funds, common stock and common collective trusts. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits.

7. Related Party Transactions

Certain Plan investments are shares of Southwestern Energy Company common stock. These transactions represent investments in the Company, and, therefore, qualify as party-in-interest transactions. Further, certain Plan investments are shares of mutual funds managed by Scudder Trust Company. Scudder Trust Company is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. There were no fees paid by the Plan for the investment management services for the year ended December 31, 2003.

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Southwestern Energy Company
401(k) Savings Plan
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
December 31, 2003

Party in Interest Identification	Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment Including Maturity Date, Rate of Interest Collateral, Par or Maturity Value	Current Value
*	Scudder Trust Company Collective Investment Trust	Stable Value Fund	\$ 5,336,719
*	Scudder Trust Company Collective Investment Trust	Stock Index Fund	4,505,026
*	Scudder Trust Company	Growth and Income Fund	4,198,864
	Pimco Funds	Total Return Fund	2,422,513
	PBHG Funds	Mid Cap Value Fund	1,542,826
*	Scudder Trust Company	LifeCycle Mid-Range Investment	1,425,875
*	Southwestern Energy Company	49,846 Common Shares	1,191,313
	Amer Europacific Growth R-3	International Fund	645,519
	Managers Special Equity	Long Term Growth Fund	606,713
	Entergy Corporation	2,894 Common Shares	165,311
*	Scudder Trust Company	Large Company Value Fund	58,677
		Long Term Growth Fund	48,337

ABN
AMRO/Montag
Caldwell

*	Scudder Trust Company	LifeCycle Long Range Investment	24,467
*	Scudder Trust Company	LifeCycle Short Range Investment	8,567
*	Various plan participants	Participant loans with interest rates from 5.0% to 10.5% and various maturities	615,546
			\$ 22,796,273

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SIGNATURES

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

SOUTHWESTERN ENERGY COMPANY
401(k) SAVINGS PLAN

Date: June 28, 2004

By: /s/ GREG D. KERLEY
Greg D. Kerley
Executive Vice President
and Chief Financial Officer,
Southwestern Energy Company

EXHIBIT INDEX

**EXHIBIT
NUMBER**

EXHIBIT

23.1

Consent of PricewaterhouseCoopers LLP

