

SOUTHWESTERN ENERGY CO  
Form 11-K  
June 26, 2008

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, 2007

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-08246

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 125  
Houston, Texas 77032

Financial Statements, Supplemental Schedule and  
Report of Independent Registered Public Accounting Firm

**SOUTHWESTERN ENERGY COMPANY**

**401(k) SAVINGS PLAN**

December 31, 2007 and 2006

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SUPPLEMENTAL SCHEDULE:

Form 5500 - Schedule H, Line 4i - Schedule of assets (held at end of year) -  
December 31, 2007

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Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of

Southwestern Energy Company 401(k) Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Southwestern Energy Company 401(k) Savings Plan as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years then ended. 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 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. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Southwestern Energy Company 401(k) Savings Plan as of December 31, 2007 and 2006, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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 year end) 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. The supplemental schedule has been subjected to the auditing procedures applied in the audit 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.

/s/ GRANT THORNTON LLP

Tulsa, OK

June 26, 2008

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**Southwestern Energy Company**

**401(k) Savings Plan**

Statements of net assets available for benefits

December 31, 2007 and 2006

2007

2006

ASSETS:

Investments			
	Mutual funds	\$ 27,343,551	\$ 20,597,643
	Common collective trusts	15,250,936	13,559,700
	Common stock	16,483,990	10,996,952
	Participant loans	1,124,363	1,037,715
	Total investments	60,202,840	46,192,010
Receivables			
	Participants' contributions	266,742	182,637
	Employer's contributions	139,978	97,609
	Total receivables	406,720	280,246
	Net assets available for benefits at fair value	60,609,560	46,472,256
Adjustment from fair value to contract value for interest in collective trust relating to fully benefit - responsive investment contracts			
		137,999	189,550
	Net assets available for benefits	\$ 60,747,559	\$ 46,661,806

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

**Southwestern Energy Company**

**401(k) Savings Plan**

Statements of changes in net assets available for benefits

For the years ended December 31, 2007 and 2006

	2007	2006
ADDITIONS:		
Contributions		
Participant	\$ 5,375,242	\$ 3,847,756
Employer, net of forfeitures	2,864,821	2,042,699
Rollover	592,194	372,556
Total contributions	8,832,257	6,263,011
Investment income		
Interest and dividend income	2,526,011	2,296,873
Net appreciation in fair value of investments	6,004,020	991,521
Total investment income	8,530,031	3,288,394
Total additions	17,362,288	9,551,405
DEDUCTIONS:		
Benefits paid to participants	3,276,535	2,063,838
Total deductions	3,276,535	2,063,838
Net increase in net assets available for benefits	14,085,753	7,487,567
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	46,661,806	39,174,239
End of year	\$ 60,747,559	\$ 46,661,806

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, 2007 and 2006

## A - 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.

### 1. General

The Plan is a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code (the "IRC"). The Plan 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),
- c) Seasonal employees who have one thousand (1,000) or less hours of service for the applicable computation period,
- d) Leased employees, and
- e) Non-resident aliens.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

2. Contributions

Participants may contribute from 1% to 25% of pretax annual eligible compensation, as defined in the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also rollover amounts from other qualified defined benefit or deferred contribution plans. The Company contributes 100% of the first 3% of eligible compensation and 50% of the next 3% of eligible compensation that a participant contributes to the Plan. All contributions to the Plan are invested under the direction of the participant in 16 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.

3. Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of the Company's contribution and Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

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**Southwestern Energy Company**

**401(k) Savings Plan**

Notes to financial statements - continued

December 31, 2007 and 2006

4. Vesting

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Participants are immediately vested in their contributions and Company contributions plus actual earnings thereon.

#### 5. Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of a participant's vested account balance. The loans are secured by the balance in the participant's account and bear fixed interest at one percentage point above the prime lending rate at the inception of the loan (7.25% at December 31, 2007). Principal and interest is generally paid through payroll deductions. Amounts repaid are reinvested in investment options based on the participant's current investment elections. At December 31, 2007, interest rates ranged from 5.0% to 9.5%.

#### 6. Payment of Benefits

On termination of service due to death, disability, or retirement a participant or a participant's estate may receive the full value of his or her account in a lump-sum or over an installment period of not more than 10 years. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

#### 7. Forfeitures

At December 31, 2007 and 2006, forfeited non-vested accounts totaled \$0 and \$1,500, respectively. These accounts can be used to pay administrative expenses or reduce future employer contributions. Also, during 2007 and 2006 employer contributions were reduced by \$200 and \$10,700, respectively, from forfeited non-vested accounts.

### B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Accounting

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

As of December 31, 2006, the Plan adopted Financial Accounting Standards Board ( FASB ) Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the "FSP"). The FSP concludes contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a collective trust. As required by the FSP, the Statements of Net Assets Available for Benefits present the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contracts. The Statements of Changes in Net Assets Available for Benefits are prepared on a contract value basis.

**Southwestern Energy Company**

**401(k) Savings Plan**

Notes to financial statements - continued

December 31, 2007 and 2006

2. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3. Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Common stock is valued at quoted year-end market prices. Mutual funds are valued at quoted market prices which represent the net asset value of shares held by the Plan at year end. The Plan's interest in the collective trust is valued based on fair value information reported by the investment advisor using the audited financial statements of the collective trust at year end.

Purchases and sales of securities are recorded on a trade-date basis. Interest is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

4. Plan Expenses

Expenses incurred in connection with the Plan are paid by the Company. During 2007 and 2006, the Company paid \$28,062 and \$13,116, respectively, of 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. The Company does not seek to be reimbursed by the Plan for payment of such expenses.

5. Payments of Benefits

Benefits are recorded when paid.

**Southwestern Energy Company**

**401(k) Savings Plan**

Notes to financial statements - continued

December 31, 2007 and 2006

C - INVESTMENTS

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

2007	2006	
Southwestern Energy Company - Common stock	\$ 16,202,870	\$ 10,777,296
Scudder Trust Company Collective Investment Trust - Stock Index Fund	7,722,314	7,213,020
Scudder Trust Company Collective Investment Trust - Stable Value Fund	7,528,622	6,346,680
Davis New York Venture Fund		5,847,294
Amer Europacific Growth - R-3 International Fund		4,132,133
PIMCO Funds - Total Return Fund		3,978,091
Old Mutual Mid-Cap Fund	3,573,370	-
T. Rowe Price Retirement 2020 Fund	3,438,571	-
Scudder Trust Company - Growth and Income Fund		-
PBGH Funds - MidCap Value Fund		5,376,050
		3,486,398

During 2007 and 2006, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in value as follows:

	2007	2006
Mutual funds	\$ (680,819)	\$ 214,407
Common collective trusts	391,302	907,089
Common stock	6,293,537	(129,975)
	\$ 6,004,020	\$ 991,521

D - TAX STATUS

The Internal Revenue Service issued a favorable determination letter dated December 10, 2001, stating that the Plan was designed in accordance with the applicable requirements of the IRC. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

E - PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

**Southwestern Energy Company**

**401(k) Savings Plan**

Notes to financial statements - continued

December 31, 2007 and 2006

**F - RISKS 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 level of 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.

**G - 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, 2007.

**H - RECENT ACCOUNTING PRONOUNCEMENTS**

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not believe the adoption of SFAS 157 will have a material impact on the Plan's financial statements.

I - PLAN AMENDMENTS

During 2006, the Plan was amended to the current Plan provisions regarding employer contributions, along with other administrative amendments.

J - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31:

		2007		2006
Net assets available for benefits per the financial statements	\$	60,747,559	\$	46,661,806
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts		(137,999)		(189,550)
Net assets available for benefits per the Form 5500	\$	60,609,560	\$	46,472,256

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**Southwestern Energy Company**

**401(k) Savings Plan**

Notes to financial statements - continued

December 31, 2007 and 2006

The following is a reconciliation of total additions per the financial statements to total income to the Form 5500 as of December 31:

		2007		2006
Total additions per the financial statements	\$	17,362,288	\$	9,551,405
Add: Reversal of prior year adjustment from fair value to contract value for fully benefit-responsive investment contracts		189,550		-
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts		(137,999)		(189,550)
Total income per the Form 5500	\$	17,413,839	\$	9,361,855

#### K - SUBSEQUENT EVENTS

Effective January 1, 2008, the Plan was amended and restated. The amendment did not affect the net assets available for benefits as of December 31, 2007.

## Southwestern Energy Company 401(k) Savings Plan

Form 5500 - Schedule H, Line 4i - Schedule of assets (held at end of year)

December 31, 2007

(a) Party-in- Interest Identification	(b) Including Maturity Date, Identity of Issue, Borrower, Lessor or Similar Party	(c) Rate of Interest, Collateral, Par or Maturity Value	(e) Description of Investment, Current Value
*	Southwestern Energy Company	290,791 Common Shares	\$ 16,202,870
*	Scudder Trust Company Collective Investment Trust - Common Stock Index Fund	Common Collective Trust 7,722,314	
*	Scudder Trust Company Collective Investment Trust - Stable Value Fund	Common Collective Trust 7,528,622	
	Davis New York Venture Fund	Mutual Fund 5,847,294	
Amer Europacific Growth - R-3 International Fund	Mutual Fund	4,132,133	
PIMCO Funds - Total Return Fund	Mutual Fund	3,978,091	
	Mutual Fund	3,573,370	



Old Mutual Mid-Cap Fund T. Rowe Price Retirement 2020 Advantage	Mutual Fund	3,438,571		
Aston/River Road Small Cap Value T. Rowe Price Retirement 2030 Advantage	Mutual Fund	1,506,034		
* Scudder Trust Company Large Cap Value Fund	Mutual Fund	1,315,953	1,001,647	
Aston/Montag Caldwell Long Term Growth Fund	Mutual Fund	945,749		
				T. Rowe Price Retirement 2040 Advantage Mutual Fund 773,507
				T. Rowe Price Retirement 2010 Advantage Mutual Fund 584,488
2,352 Common Entergy Corporation Shares		281,120		
T. Rowe Price Retirement Income Advantage	Mutual Fund	246,714		
* Participant loans	Participant loans with interest rates from 5.0% to 9.5% and maturity dates through 2021		1,124,363	
	\$	60,202,840		

\* Party-in-interest

Note: Column (d) has been omitted as all investments are participant directed.

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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 26, 2008

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

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EXHIBIT INDEX

**EXHIBIT  
NUMBER**

**EXHIBIT**

23.1

Consent of Grant Thornton LLP