

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

FORM 10-Q

(Mark one)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities

Exchange Act of 1934

For the quarterly period ended September 30, 1994

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities

Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 1-8246

SOUTHWESTERN ENERGY COMPANY

(Exact name of registrant as specified in its charter)

Arkansas
(State of incorporation
or organization)
No.)

71-0205415
(I.R.S. Employer
Identification

1083 Sain Street, P.O. Box 1408, Fayetteville, Arkansas 72702-1408

(Address of principal executive offices, including zip code)

(501) 521-1141

(Registrant's telephone number, including area code)

No Change

(Former name, former address and former fiscal year; if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes: X No:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at November 4, 1994
----- Common Stock, Par Value \$.10	----- 25,684,110

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PART I

FINANCIAL INFORMATION

SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Unaudited)

ASSETS

31,	September 30,	December
	1994	1993
	-----	-----
	(\$ in thousands)	
Current Assets		
Cash	\$ 525	\$ 834
Accounts receivable	17,753	34,894
Inventories, at average cost	10,594	9,580
Other	2,881	1,489
	-----	-----
Total current assets	31,753	46,797
	-----	-----
Investments	3,669	5,661
	-----	-----
Property, Plant and Equipment, at cost		
Gas and oil properties, using the full cost method	414,915	375,281
Gas distribution systems	177,261	165,443
Gas in underground storage	38,195	37,171
Other	17,543	14,684
	-----	-----
	647,914	592,579
	-----	-----
Less: Accumulated depreciation, depletion and amortization	232,723	205,949
	-----	-----
	415,191	386,630
	-----	-----
Other Assets	6,959	6,366
	-----	-----
 Total Assets	 \$ 457,572	 \$ 445,454
	=====	=====

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

SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30,	December
31,	1994	1993
	-----	-----
	(\$ in thousands)	
Current Liabilities		
Current portion of long-term debt	\$ 3,000	\$ 3,000
Accounts payable	13,343	16,114
Taxes payable	2,148	6,449
Interest payable	2,048	1,445
Customer deposits	3,930	3,927
Current portion of deferred income taxes	1,426	1,426
Over-recovered purchased gas costs, net	462	4,187
Other	2,138	2,149
	-----	-----
Total current liabilities	28,495	38,697
	-----	-----
Long-Term Debt, less current portion above	127,184	124,000
	-----	-----
Other Liabilities		
Deferred income taxes	96,654	93,593
Deferred investment tax credits	2,468	2,617
Other	2,949	2,017
	-----	-----
	102,071	98,227
	-----	-----
Commitments and Contingencies		
Shareholders' Equity		
Common stock, \$.10 par value; authorized 75,000,000 shares, issued 27,738,084 shares	2,774	2,774
Additional paid-in capital	21,231	21,231
Retained earnings	195,803	180,470
Less: Unamortized cost of 22,422 restricted shares in 1994 and 17,447 restricted shares in 1993, issued under stock incentive plan	269	228
Common stock in treasury, at cost, 2,053,974 shares	19,717	19,717
	-----	-----
	199,822	184,530
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 457,572	\$ 445,454
	=====	=====

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

SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1994	1993	1994	1993
	(\$ in thousands, except per share amounts)			
Operating Revenues				
Gas sales	\$ 25,004	\$ 26,197	\$ 119,775	\$ 114,563
Oil sales	850	467	2,169	1,275
Gas transportation	1,062	1,371	3,581	4,121
Other	892	431	2,318	1,705
	27,808	28,466	127,843	121,664
Operating Costs and Expenses				
Purchased gas costs	2,385	3,393	27,955	28,929
Operating and general	10,048	9,395	30,668	29,532
Depreciation, depletion and amortization	8,128	7,118	26,098	22,929
Taxes, other than income taxes	920	771	2,799	2,488
	21,481	20,677	87,520	83,878
Operating Income	6,327	7,789	40,323	37,786
Interest Expense	2,275	1,915	6,328	6,648
Other Income (Expense)	(593)	(354)	(1,547)	(1,516)
Income Before Provision for Income Taxes and Cumulative Effect of Accounting Change	3,459	5,520	32,448	29,622
Income Tax Provision (Benefit)				
Current	(515)	1,521	9,692	7,984
Deferred	1,846	2,560	2,800	5,131
	1,331	4,081	12,492	13,115
Income Before Cumulative Effect of Accounting Change	2,128	1,439	19,956	16,507
Cumulative Effect of Change in Accounting for Income Taxes	-	-	-	10,126
Net Income	\$ 2,128	\$ 1,439	\$ 19,956	\$ 26,633
Weighted Average Common Shares Outstanding	25,684,110	25,684,110	25,684,110	25,684,110
Earnings Per Share				
Income Before Cumulative Effect of Accounting Change	\$.09	\$.05	\$.78	\$.64
Cumulative Effect of Change in Accounting for Income Taxes	-	-	-	.39
Net Income	\$.09	\$.05	\$.78	\$1.03
Dividends Declared Per Share Payable 11/4/94 and 11/5/93	\$.06	\$.06	\$.06	\$.06

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

SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	September 30,	
	1994	1993

	(\$ in thousands)	
Cash Flows From Operating Activities		
Net income	\$ 19,956	\$ 26,633
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation, depletion and amortization	26,307	23,139
Deferred income taxes	2,800	5,131
Equity in loss of partnership	1,759	1,436
Cumulative effect of change in		
accounting for income taxes	-	
(10,126)		
Change in assets and liabilities:		
Decrease in accounts receivable	17,141	13,050
Increase in inventories	(1,014)	
(1,329)		
Decrease in accounts payable	(2,771)	
(1,955)		
Decrease in taxes payable	(4,301)	
(1,247)		
Increase in interest payable	603	641
Increase in customer deposits	3	115
Increase (decrease) in over-recovered		
purchased gas costs	(3,725)	2,229
Net change in other current assets		
and liabilities	(1,403)	547
	-----	-----
Net cash provided by operating activities	55,355	58,264
	-----	-----
Cash Flows From Investing Activities		
Capital expenditures	(54,653)	
(48,453)		
(Increase) decrease in gas stored underground	(1,024)	4,587
Other items	1,452	2,286
	-----	-----
Net cash used in investing activities	(54,225)	
(41,580)		
	-----	-----
Cash Flows From Financing Activities		
Net increase (decrease) in revolving		
long-term debt	9,184	
(12,400)		
Payments on other long-term debt	(6,000)	
(585)		
Cash dividends	(4,623)	
(4,109)		
	-----	-----
Net cash used in financing activities	(1,439)	
(17,094)		
	-----	-----
Decrease in cash	(309)	
(410)		
Cash at beginning of year	834	1,122
	-----	-----
Cash at end of period	\$ 525	\$ 712
	=====	=====

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following updates information as to the Company's financial condition provided in the Company's Form 10-K for the year ended December 31, 1993, and analyzes the changes in the results of operations between the three and nine month periods ended September 30, 1994, and the comparable periods of 1993.

RESULTS OF OPERATIONS

Net income for the three months ended September 30, 1994, was \$2.1 million, or \$.09 per share, compared to \$1.4 million, or \$.05 per share, for the same period in 1993. The third quarter operating results for 1993 included an adjustment of \$1.7 million, or \$.07 per share, to decrease net income and record the effect on accumulated deferred income taxes of the increase in the maximum corporate income tax rate enacted by legislation in 1993.

The third quarter operating results for 1994 reflect the effect of an agreement with the Staff of the Arkansas Public Service Commission (APSC) and the Office of the Attorney General of the State of Arkansas to settle certain gas cost issues which have been outstanding before the APSC. The APSC has scheduled a hearing for December 5, 1994, to consider approval of the settlement. The issues in question involve the price of gas sold under a long-term contract between two of the Company's wholly owned subsidiaries, Arkansas Western Gas Company (AWG) and SEECO, Inc. Under the stipulation and agreement, the price under the contract will be referenced to a spot market index plus a premium, effective as of July 1, 1994. Accordingly, operating results for the third quarter of 1994 reflect the new pricing provision and were negatively impacted by the low spot market prices experienced during the quarter. Sales under the contract were previously made at a higher fixed price.

For the nine months ended September 30, 1994, net income was \$20.0 million, or \$.78 per share, compared to \$16.5 million, or \$.64 per share, for the same period in 1993. The comparison to 1993 of the nine months ended September 30, 1994, excludes the cumulative effect of a change in accounting for income taxes which was recorded in the first quarter of 1993. There were no accounting changes or extraordinary items recorded in 1994.

The comparative increase in net income for the nine months ended September 30, 1994, was primarily the result of increased sales of the Company's gas production combined with higher prices received for that production. Deliveries of the Company's utility systems to sales and end-use transportation customers during the first nine months of 1994 reflected the net effect of strong customer growth and weather which was 1% colder than normal, but 9% warmer than in the same period of 1993. The following tables compare operating revenues and operating income by business segment for the three and nine month periods ended September 30, 1994 and 1993:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1994	1993	1994	1993
	(in thousands)			
REVENUES				
Exploration and production	\$16,476	\$16,340	\$ 61,107	\$ 56,071
Gas distribution	17,587	17,036	93,627	89,111
Other	76	64	227	192
Eliminations (23,710)	(6,331)	(4,974)	(27,118)	
	-----	-----	-----	-----
	\$27,808	\$28,466	\$127,843	\$121,664
	=====	=====	=====	=====
OPERATING INCOME				
Exploration and production	\$ 7,051	\$ 8,065	\$ 31,376	\$ 28,891
Gas distribution	(636)	(191)	9,261	9,192
Corporate expenses (297)	(88)	(85)	(314)	
	-----	-----	-----	-----
	\$ 6,327	\$ 7,789	\$ 40,323	\$ 37,786
	=====	=====	=====	=====

Revenues of the exploration and production segment for the three month period ended September 30, 1994, were up slightly compared to the same period in 1993, as an increase in oil sales offset a decline in the average price received for the Company's gas production. Gas production for the quarter ended September 30, 1994, was 8.2 billion cubic feet (Bcf), flat with the same period in 1993. Revenues of the exploration and production segment for the nine months ended September 30, 1994, reflect increased volumes of gas production sold to both unaffiliated purchasers and to the Company's own gas distribution systems. For the first nine months of 1994, gas production was 27.2 Bcf, up from 26.1 Bcf for the same period in 1993. The increase was the result of higher sales from the Company's properties in both Arkansas and the Gulf Coast areas of Texas and Louisiana.

Sales of Arkansas production totaled 6.2 Bcf during both the third quarter of 1994 and 1993, and 21.0 Bcf for the nine months ended September 30, 1994, up from 20.5 Bcf for the nine months ended September 30, 1993. Sales of gas production from the Company's Gulf Coast properties were 1.7 Bcf for the third quarter of 1994 and 5.2 Bcf for the first nine months of 1994, up from 1.6 Bcf and 4.5 Bcf, respectively, for the same periods in 1993. The increases were primarily the result of the completion of a production platform at the Galveston Block 283 gas field late in 1993 and first production from the Earl Chauvin No. 1 well, a 1993 discovery in southeast Louisiana.

Requirements of the Company's gas distribution systems for storage injection caused an increase during the third quarter of 1994 in demand for system supply provided from the Company's gas production. The Company sold 1.7 Bcf to AWG, which operates its northwest Arkansas gas distribution system, during the third quarter of 1994, up from 1.0 Bcf for the same period in

1993. The Company sold 5.8 Bcf to AWG during the first nine months of 1994, compared to 4.7 Bcf for the same period in 1993. Associated Natural Gas Company (Associated), which operates the Company's gas distribution system in northeast Arkansas and parts of Missouri, purchased .9 Bcf of the Company's gas production during both the third quarters of 1994 and 1993, and 3.6 Bcf during the first nine months of 1994, compared to 3.8 Bcf for the first nine months of 1993.

The Company's average sales price for its gas production was \$1.85 per thousand cubic feet (Mcf) for the third quarter of 1994, down from \$1.93 per Mcf for the same period in 1993. The average price was \$2.14 per Mcf for the first nine months of 1994, up from \$2.09 per Mcf for the same period of 1993. The decrease in the third quarter reflected the effect of lower spot market prices. The increase in the average price for the first nine months of 1994 resulted from increased sales under higher priced term contracts.

The Company's oil production increased to 137,182 barrels for the nine months ended September 30, 1994, up from 70,301 barrels for the same period in 1993. The increase was primarily due to additional production from properties acquired in Oklahoma during the first quarter of 1994.

Operating revenues of the gas distribution segment increased 3% in the third quarter of 1994 and 5% in the nine months ended September 30, 1994, both as compared to the same periods in 1993. The increases were primarily due to an increase in the average utility rate. Weather during the first nine months of 1994 was 1% colder than normal, but 9% warmer than in the same period of the prior year. Deliveries by the Company's gas distribution systems to sales and end- use transportation customers were 4.2 Bcf for the third quarter of 1994, compared to 4.0 Bcf for the same period of 1993, and 22.2 Bcf for both the nine months ended September 30, 1994, and 1993. While deliveries to industrial customers improved in 1994, deliveries to residential and commercial customers decreased as growth of 3% in the average number of customers was not enough to offset the effects of weather which was warmer than in the prior year. AWG delivered a total of 14.5 Bcf to its sales and end-use transportation customers during the first nine months of 1994, up from 14.4 Bcf for the same period in 1993. AWG also transported 8.8 Bcf for delivery off its system during the first nine months of 1994, down from 10.3 Bcf for the same period in 1993. Associated delivered a total of 7.7 Bcf during the first nine months of 1994, down from 7.8 Bcf for the same period in 1993.

The Company's average utility rate increased to \$4.73 per Mcf during the first nine months of 1994, up from \$4.66 per Mcf for the same period in 1993. The increase reflected higher prices paid for purchases of natural gas which are passed through to customers under automatic adjustment clauses.

Operating costs and expenses increased \$.8 million, or 4%, in the third quarter of 1994 and increased \$3.6 million, or 4%, for the nine months ended September 30, 1994, both as compared to the same periods in 1993. The increases were due primarily to increases in operating and general expenses and depreciation, depletion and amortization expense, partially

offset by lower purchased gas costs. The increase in operating and general expenses resulted primarily from increased operating costs in the gas distribution segment related to a higher level of injections of gas into storage and increased expenses related to the additional oil production. The higher depreciation, depletion and amortization expense was due to both an increase in production and an increase in the rate applied to units of gas and oil production. The decreases in purchased gas costs resulted from an increase in the elimination of gas sales and gas purchases related to intercompany transactions which were higher in 1994 than in 1993.

The Company's share of the NOARK Pipeline System's (NOARK) pre-tax loss included in other income was \$.9 million for the third quarter of 1994, as compared to \$.3 million for the same period in 1993, and \$1.8 million for the nine months ended September 30, 1994, as compared to \$1.4 million for the first nine months of 1993. The Company, through a subsidiary, holds a 47.93% general partnership interest in NOARK and is the pipeline's operator.

The changes in the provisions for current and deferred income taxes recorded in the three and nine month periods ended September 30, 1994, as compared to the same periods in 1993, resulted primarily from the level of taxable income combined with the effects of gas storage activity and the deduction of intangible drilling costs in the year incurred for tax purposes, netted against the turnaround of intangible drilling costs deducted for tax purposes in prior years. Intangible drilling costs are capitalized and amortized over future years for financial reporting purposes under the full cost method of accounting. The Company's capitalized costs of gas and oil properties at September 30, 1994, were well below the "ceiling" level to which such costs are limited under the full cost method.

CHANGES IN FINANCIAL CONDITION

Changes in the Company's financial condition at September 30, 1994, as compared to December 31, 1993, primarily reflect the seasonal nature of the gas distribution segment of the Company's business and seasonal changes in prices for gas production of the Company's exploration and production segment.

Routine capital expenditures, cash dividends and scheduled debt retirements are predominately funded through cash provided by operations. For the first nine months of 1994 and 1993, net cash provided by operating activities was \$55.4 million and \$58.3 million, respectively, and exceeded the total of these routine requirements. The decrease in net cash provided by operating activities during the first nine months of 1994 was primarily due to the timing of both cash receipts and expenditures.

The Company's capital expenditures for the first nine months of 1994 were \$54.7 million, compared to \$48.5 million for the same period in 1993. The comparative increase was the result of an expenditure of \$12.7 million to purchase oil and gas properties during the third quarter of 1994, partially offset by non-routine expenditures incurred during the first quarter of 1993 to further develop the Company's gas storage facilities. The oil and gas properties acquired in 1994 represent interests in 15 oil and gas fields located in the Anadarko Basin of Oklahoma and have estimated proved producing reserves of approximately 25 Bcf equivalent.

The Company has access to \$80.0 million of medium to long-term capital at current market lending rates through two floating rate revolving credit facilities. Of this amount, \$40.2 million was outstanding at September 30, 1994, all of which was classified as long-term debt. The Company also has available short-term lines of credit totaling \$3.5 million, none of which was outstanding at September 30, 1994. Long-term debt at September 30, 1994, accounted for 39% of the Company's capitalization, down from 41% at December 31, 1993.

Accounts receivable has declined since December 31, 1993, due primarily to seasonally lower gas deliveries of the gas distribution segment. The Company's accounts payable balance has declined since December 31, 1993, due primarily to seasonally lower gas purchases of the gas distribution segment. Other changes in current assets and current liabilities between periods resulted primarily from the timing of expenditures and receipts.

The Company had over-recovered \$.5 million of purchased gas costs at September 30, 1994, which will be refunded to its utility customers through automatic cost of gas adjustment clauses included in its filed rate tariffs. At December 31, 1993, the Company had over-recovered purchased gas costs in the amount of \$4.2 million. These amounts were classified as current liabilities.

PART II

OTHER INFORMATION

Items 1 - 6(a)

No developments required to be reported under Items 1 - 6(a) occurred during the quarter ended September 30, 1994.

Item 6(b) - Reports on Form 8-K

On November 8, 1994, the Company filed a current report on Form 8-K regarding an announcement made on October 31, 1994, that two of its wholly owned subsidiaries have entered into a stipulation and agreement with the Staff of the Arkansas Public Service Commission (APSC) and the Attorney General of the State of Arkansas to settle certain gas cost issues which have been outstanding before the APSC for almost four years. The issues in question involve the price of gas sold by one of the Company's gas producing subsidiaries under a long-term contract with the Company's utility subsidiary. Under the stipulation and agreement the price paid by the Company's utility subsidiary will be referenced to an index plus a premium. At current market prices, the new provision will result in a reduced sales price under the contract. The stipulation and agreement must be approved by the APSC before becoming effective. Subsequent to October 31, 1994, the APSC established a procedural schedule for consideration of the stipulation and agreement and set a hearing on the matter for December 5, 1994.

Signatures

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

SOUTHWESTERN ENERGY COMPANY
Registrant

DATE: November 14, 1994

Secretary,

/s/ GREGORY D. KERLEY

Gregory D. Kerley
Vice President - Treasurer and
and Chief Accounting Officer

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	QTR 3	9 MOS
FISCAL YEAR END	DEC 31 1994	DEC 31 1994
PERIOD END	SEP 30 1994	SEP 30 1994
CASH	\$525	\$525
SECURITIES	0	0
RECEIVABLES	\$17,753	\$17,753
ALLOWANCES	0	0
INVENTORY	\$10,594	\$10,594
CURRENT ASSETS	\$31,753	\$31,753
PP&E	\$647,914	\$647,914
DEPRECIATION	\$(232,723)	\$(232,723)
TOTAL ASSETS	\$457,572	\$457,572
CURRENT LIABILITIES	\$28,495	\$28,495
BONDS	\$127,184	\$127,184
COMMON	\$2,774	\$2,774
PREFERRED MANDATORY	0	0
PREFERRED	0	0
OTHER SE	\$197,048	\$197,048
TOTAL LIABILITY ANDEQUITY	\$457,572	\$457,572
SALES	\$25,854	\$121,944
TOTAL REVENUES	\$27,808	\$127,843
CGS	0	0
TOTAL COSTS	\$21,481	\$87,520
OTHER EXPENSES	0	0
LOSS PROVISION	0	0
INTEREST EXPENSE	\$2,275	\$6,328
INCOME PRETAX	\$3,459	\$32,448
INCOME TAX	\$1,331	\$12,492
INCOME CONTINUING	\$2,128	\$19,956
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	\$2,128	\$19,956
EPS PRIMARY	\$.09	\$.78
EPS DILUTED	0	0

End of Filing