SOUTHWESTERN ENERGY CO
Form 424B5
June 29, 2016
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-208074

The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are part of an effective registration statement filed with the Securities and Exchange Commission. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated June 29, 2016

PROSPECTUS SUPPLEMENT

(To prospectus dated November 17, 2015)

75,000,000 Shares

Southwestern Energy Company

Common Stock

We are offering 75,000,000 shares of our common stock, par value $0.01 per share.

The underwriters have agreed to purchase the shares of common stock from us at a price of $ per share, which will result in $ million of net proceeds to us before expenses. The underwriters may offer the common stock from time to time for sale in one or more transactions on the New York Stock Exchange (NYSE) in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices.

Our common stock is listed on the NYSE under the symbol SWN. The last reported sale price of our common stock on the NYSE on June 28, 2016 was $13.89 per share.

The underwriters have the option to purchase up to an additional 11,250,000 shares of our common stock on the same terms and conditions as set forth herein, within 30 days from the date of this prospectus supplement.

Investing in our common stock involves risks. See Risk Factors on page S-7 and the risk factors incorporated by reference in this prospectus supplement and the accompanying base prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to investors on or about June , 2016.

Book-Running Manager

Credit Suisse

The date of this prospectus supplement is June , 2016.

Table of Contents

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

PROSPECTUS

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, including the documents incorporated by reference, provides more general information, some of which may not apply to this offering. The accompanying prospectus was filed as part of our registration statement on Form S-3 (Registration No. 333-208074) with the Securities and Exchange Commission (the SEC) on November 17, 2015 as part of a shelf registration process. Under the shelf registration process, we may offer to sell debt securities, preferred or common stock and guarantees of debt securities, from time to time, in one or more offerings in an unlimited amount. Generally, when we refer to this prospectus supplement, we are referring to both parts of this document combined. We urge you to read carefully this prospectus supplement, the information incorporated by reference, the accompanying prospectus, and any free writing prospectus that we authorize to be distributed to you before buying any of the securities being offered under this prospectus supplement. This prospectus supplement may supplement, update or change information contained in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with statements made in the accompanying prospectus or any documents incorporated by reference therein, the statements made in this prospectus supplement will be deemed to modify or supersede those made in the accompanying prospectus and such documents incorporated by reference therein.

Neither we nor the underwriters have authorized anyone to provide you with information that is different from that contained or incorporated by reference in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement. We are not, and the underwriters are not, making an offer of these securities in any state where the offer or sale is not permitted. You should not assume that the information provided by this prospectus supplement, the accompanying prospectus or the documents incorporated by reference in this prospectus supplement and in the accompanying prospectus is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

Before you invest in our common stock, you should carefully read the registration statement described in the accompanying prospectus (including the exhibits thereto) of which this prospectus supplement and the accompanying prospectus form a part, as well as this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The incorporated documents are described in this prospectus supplement under Incorporation by Reference.

Unless otherwise indicated or the context otherwise requires, all references to Southwestern, the Company, we, us a our in this prospectus supplement refer to Southwestern Energy Company and its direct and indirect subsidiaries on a consolidated basis.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information that we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the following documents and all documents that we subsequently file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) (other than the portions of those documents furnished under Item 2.02 or Item 7.01 and related exhibits thereto):

our Annual Report on Form 10-K for the year ended December 31, 2015, as amended by Amendment No. 1 on Form 10-K/A, including those portions of our Proxy Statement on Schedule 14A that was filed on April 6, 2016 and incorporated into our Form 10-K;

Table of Contents

our Quarterly Report on Form 10-Q for the three month period ended March 31, 2016;

our Current Reports on Form 8-K and Amended Current Reports on Form 8-K/A filed on January 6, 2016, January 21, 2016, January 29, 2016, April 4, 2016, April 21, 2016, April 25, 2016, May 20, 2016 and June 27, 2016; and

the description of the common stock contained in the Registration Statement on Form 8-A dated October 23, 1981, as amended by Amendment No. 1 filed with the Current Report on Form 8-K dated July 8, 1993 and Amendment No. 2 filed with our Current Report on Form 8-K/A dated August 3, 2006.

Table of Contents

FORWARD-LOOKING STATEMENTS

Certain statements and information in this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein and therein may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words believe, expect, anticipate, plan, inte foresee, should, would, could, attempt, appears, forecast, outlook, estimate, project, potential, other similar expressions are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us.

The forward-looking statements contained in this document are largely based on our expectations for the future, which reflect certain estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions, operating trends, and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. As such, management s assumptions about future events may prove to be inaccurate. For a more detailed description of the risks and uncertainties involved, see Risk Factors beginning on page S-7 of this prospectus supplement and on page 5 of the accompanying prospectus, as well as Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events, changes in circumstances, or otherwise. These cautionary statements qualify all forward-looking statements attributable to us, or persons acting on our behalf. Management cautions you that the forward-looking statements contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein and therein are not guarantees of future performance, and we cannot assure you that such statements will be realized or that the events and circumstances they describe will occur. Factors that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements herein include, but are not limited to:

- the timing and extent of changes in market conditions and prices for natural gas, oil and natural gas liquids (NGLs) (including regional basis differentials);
- our ability to fund our planned capital investments;
- a change in our credit rating;
- the extent to which lower commodity prices impact our ability to service or refinance our existing debt;
- the impact of volatility in the financial markets or other global economic factors;
- difficulties in appropriately allocating capital and resources among our strategic opportunities;
- the timing and extent of our success in discovering, developing, producing and estimating reserves;

our ability to maintain leases that may expire if production is not established or profitably maintained;

our ability to realize the expected benefits from recent acquisitions;

our ability to transport our production to the most favorable markets or at all;

the impact of government regulation, including the ability to obtain and maintain permits, any increase in severance or similar taxes, and legislation relating to hydraulic fracturing, climate and over-the-counter derivatives;

the impact of the adverse outcome of any material litigation against us;

the effects of weather;

increased competition and regulation;

the financial impact of accounting regulations and critical accounting policies;

- the comparative cost of alternative fuels;
- credit risk relating to the risk of loss as a result of non-performance by our counterparties; and
- any other factors listed in the reports we have filed and may file with the SEC that are incorporated by reference herein.

All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement. For additional information with respect to these factors, see Incorporation by Reference.

MARKET AND INDUSTRY DATA

Market and industry data and forecasts included or incorporated by reference in this prospectus supplement have been obtained from independent industry sources as well as from research reports prepared for other purposes. Although we believe these third-party sources to be reliable, we have not independently verified the data obtained from these sources and we cannot assure you of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements included or incorporated by reference in this prospectus supplement.

Table of Contents

SUMMARY

This summary highlights information from this prospectus supplement and the accompanying prospectus to help you understand the offering. You should read carefully the entire prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein and therein for a more complete understanding of this offering. You should read Risk Factors beginning on page S-7 of this prospectus supplement and on page 5 of the accompanying prospectus, as well as Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015, and our subsequent Quarterly Report on Form 10-Q, for more information about important risks that you should consider before making an investment in our common stock.

Unless otherwise indicated or the context requires otherwise, references to Southwestern, the Company, we, us and our mean Southwestern Energy Company and its direct and indirect subsidiaries on a consolidated basis.

Southwestern Energy Company

We are an independent energy company engaged in natural gas and oil exploration, development and production (E&P). We are also focused on creating and capturing additional value through our natural gas gathering and marketing businesses, which we refer to as Midstream Services. We conduct most of our businesses through subsidiaries.

Exploration and Production. Our primary business is the exploration for and production of natural gas and oil, with our current operations principally focused within the United States on development of unconventional natural gas reservoirs located in West Virginia, Pennsylvania and Arkansas. Our operations in West Virginia are also focused on the Marcellus Shale, the Utica and the Upper Devonian unconventional natural gas and oil reservoirs (herein referred to as Southwest Appalachia), our operations in northeast Pennsylvania are primarily focused on the unconventional natural gas reservoir known as the Marcellus Shale (herein referred to as Northeast Appalachia) and our operations in Arkansas are primarily focused on an unconventional natural gas reservoir known as the Fayetteville Shale. We have E&P activities ongoing in Colorado and Louisiana along with other areas in which we are currently exploring for new development opportunities. We also have drilling rigs located in West Virginia, Pennsylvania and Arkansas and provide oilfield products and services, principally serving our E&P operations.

Midstream Services. Through our affiliated midstream subsidiaries, we engage in natural gas gathering activities in Arkansas and Louisiana. These activities primarily support our E&P operations and generate revenue from fees associated with the gathering of natural gas. Our marketing activities capture opportunities that arise through the marketing and transportation of the natural gas, oil and NGLs produced in our E&P operations.

Our principal executive offices are located at 10000 Energy Drive, Spring, Texas 77389 and our telephone number is (832) 796-4700. Our website is www.swn.com. The information included on our website is not part of, or incorporated by reference into, this prospectus supplement.

Business Strategy

We are guided by our formula, which represents the essence of our corporate philosophy and how we operate our business:

Table of Contents

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 business strategy. The key elements of our business strategy, which we have proactively addressed through the first half of 2016, are as follows:

Build on strong liquidity to further strengthen the balance sheet. We believe a strong balance sheet and liquidity position are important to long-term value creation and extremely valuable in challenging pricing environments, helping to preserve options and flexibility.

In June 2016, we took a significant step in managing our debt maturities and liquidity by rearranging and extending our bank credit facilities, extending the maturities by two years until late 2020. We also intend to commence tender offers for certain series of our senior notes. For more information about our current indebtedness and the tender offers, please read Recent Developments below.

Additionally, we have recently entered into a definitive agreement with a third party to sell approximately 55,000 net acres in West Virginia for $450 million. Assuming the completion of this offering and application of proceeds as described under Use of Proceeds, we intend to retain $375 million of proceeds from this sale for general corporate purposes, including to fund capital projects, and use the remainder to reduce our indebtedness. For more information about our plan to fund capital projects, please read Recent Developments Asset Sale and Updated Capital Expenditure Budget below.

Exercise Capital Discipline. We prepare an economic analysis for our drilling programs and other investments based upon the expected net present value added for each dollar to be invested, which we refer to as Present Value Index (PVI). We target creating an average of at least a 1.3 PVI in our projects using a 10% discount rate. Our actual PVI results are utilized to help determine the allocation of our future capital investments and are reflected in our management compensation. This disciplined investment approach governs our investment decisions at all times, including the current lower-price commodity market.

Although we have opportunities that meet our investment threshold described above, we are committed to capital discipline and strengthening our balance sheet, including by investing within levels of cash flow generated from operations, and, therefore, have not been drilling new wells in 2016. We proactively implemented our 2016 capital investment plan that included operating no rigs, instead focusing on maintaining investment levels within levels of cash flow generated from operations.

We plan to use a portion of the proceeds of this offering, plus cash flow generated from operations, to fund capital projects, including the completion of wells already drilled and the drilling and completion of new wells, that we expect to increase our production levels.

Maximizing Margins and Production Available for Sale. We concentrate our operations in large, scalable projects, such as our large positions in Southwest Appalachia, Northeast Appalachia and the Fayetteville Shale. We believe this allows us the economies of scale that drives efficiency and learning opportunities. These efficiencies and learnings help improve future well results and enhance the economics of our portfolio. They also allow us to continuously identify ways to lower costs in each asset in which we operate. We routinely review costs in detail and analyze processes implemented, materials used and vendor relationships to enhance our economics and cost structure.

Cost control and well performance have been differentiators for us in the past, and we believe our focus on costs and performance improvements gives us a competitive advantage as we move into the future. We have recognized significant savings in 2016 through the renegotiation of contracts, improved well results and the implementation of process improvements in each of our operating areas.

Table of Contents

Recent Developments

Tender Offers for Senior Notes

We intend to commence tender offers (the Tender Offers) to purchase for cash, subject to certain conditions, up to $750.0 million (the Maximum Purchase Amount) aggregate purchase price, excluding accrued interest, of our 3.30% senior notes due 2018 (the 3.30% Notes), our 7.50% senior notes due 2018 (the 7.50% Notes) and our 4.05% senior notes due 2020 (the 4.05% Notes and, together with the 3.30% Notes and the 7.50% Notes, the Target Notes). The 4.05% Notes will be subject to a $50.0 million cap (the Cap). Subject to the Maximum Purchase Amount, the Cap and proration, the aggregate purchase price of a series of Target Notes that is purchased in the Tender Offers will be based on the order of priority assigned to such series of Target Notes.

We expect that the total consideration for each series of Target Notes will include a premium (the Early Tender Premium) for each $1,000 principal amount of notes that are tendered prior to an early tender deadline. Holders that validly tender Target Notes subsequent to the early tender deadline but prior to the expiration date of the Tender Offers will not receive the Early Tender Premium.

Each Tender Offer may be amended, extended or terminated individually. The Tender Offers will be made pursuant to an Offer to Purchase. This prospectus supplement is not an offer to purchase or a solicitation of an offer to sell any of the Target Notes. The Tender Offers will be conditioned on, among other things, the consummation of this offering. This offering, however, is not conditioned on the consummation of the Tender Offers or the tender of any specified amount of the Target Notes. There can be no assurance as to the amount of Target Notes that will be tendered in the Tender Offers or that we will consummate the Tender Offers, which are subject to market conditions and other factors.

Credit Facilities Amendments

On June 27, 2016, we, as borrower, entered into (1) an unsecured Amended and Restated Term Loan Credit Agreement (the Term Loan Agreement) with various lenders and Bank of America, N.A., as administrative agent and lender, with respect to our outstanding $750 million term loan borrowed in November 2015 (the 2015 Term Loan), (2) a Credit Agreement (the Revolving Agreement and, together with the Term Loan Agreement, the New Credit Agreements) with various lenders and JPMorgan Chase Bank, N.A., as administrative agent and lender, in the amount of $1.934 billion and (3) an Amendment No. 1 to Credit Agreement (the 2013 Credit Agreement Amendment) regarding our existing Credit Agreement, dated as of December 14, 2013, with various lenders and JPMorgan Chase Bank, N.A., as administrative agent and lender (the 2013 Credit Agreement). The Revolving Agreement includes a term loan of $1.191 billion, which was fully borrowed and is secured (the New Term Loan), and a $743 million revolving credit facility, which is currently undrawn, except for approximately $169 million in outstanding letters of credit.

Under the 2013 Credit Agreement Amendment, the aggregate commitments from lenders have been reduced to $66 million, JPMorgan Chase Bank, N.A., has resigned as administrative agent and all issuing banks for letters of credit have resigned. All other provisions of the 2013 Credit Agreement remain unchanged, including interest rate and the maturity date of December 14, 2018. Borrowings under the 2013 Credit Agreement, as so amended, were reduced to zero with a portion of the proceeds of the New Term Loan.

Asset Sale

On June 9, 2016, we entered into an agreement to sell certain oil and gas assets covering approximately 55,000 net acres in West Virginia to Antero Resources Corporation for approximately $450 million (the Sale Transaction). The properties are located in Doddridge, Harrison, Marion, Monongalia, Pleasants, Ritchie, Tyler

Table of Contents

and Wetzel Counties and are currently producing from the Marcellus Shale. Net production from this acreage is approximately 14 MMcfe per day, primarily from non-operated wells, and proved reserves on this acreage were 11 Bcfe as of December 31, 2015. The transaction is expected to close in the third quarter of 2016, subject to customary closing conditions and purchase price adjustments.

The closing of this offering is not conditioned on, nor is it a condition to, the consummation of the Sale Transaction. If the Sale Transaction is delayed, not consummated or consummated in a manner different than described herein, the price of our common stock may decline. Accordingly, if you decide to purchase common stock in this offering, you should be willing to do so whether or not we complete the Sale Transaction.

Assuming the completion of this offering and application of proceeds as described under Use of Proceeds, we intend to use $375 million of proceeds from the Sale Transaction for general corporate purposes, including to fund capital projects, and use the remainder to reduce our indebtedness. For more information about our plan to fund capital projects, please read Updated Capital Expenditure Budget below.

Updated Capital Expenditure Budget

As described under Use of Proceeds, we intend to use a portion of the proceeds from this offering to fund capital projects above the $350 million to $400 million we had previously targeted for capital expenditures in 2016. These projects may include the completion of wells already drilled, the drilling of new wells, and other smaller projects to develop our properties. We expect that the total spending on such projects would be in the amount by which the net proceeds of this offering exceed $750 million and would be funded from both proceeds of this offering and other sources.

Table of Contents

The Offering

Issuer	Southwestern Energy Company
Common Stock Offered by the Issuer	75,000,000 shares of our common stock, or 86,250,000 shares of our common stock if the underwriters exercise their option to purchase additional shares of common stock in full.
Common Stock Outstanding after this Offering	467,496,825 shares of our common stock, or 478,746,825 shares of our common stock if the underwriters exercise their option to purchase additional shares of common stock in full.(1)
Use of Proceeds	We expect to receive net proceeds from this offering of approximately $ million, or $ million if the underwriters exercise their option to purchase additional shares of common stock in full, after deducting estimated offering expenses. We intend to use $375 million of the net proceeds to reduce our outstanding indebtedness under the 2015 Term Loan and the remaining net proceeds of this offering, together with cash on hand, to fund the Tender Offers. If the Tender Offers are not consummated, or the aggregate amount of securities tendered in the Tender Offers and accepted for payment is less than the net proceeds of this offering dedicated for that purpose, we will use the remainder of those proceeds to repay or retire other outstanding indebtedness, including additional indebtedness outstanding under the 2015 Term Loan, and for general corporate purposes, including the repayment of additional indebtedness outstanding under the 2015 Term Loan, the completion of wells already drilled or the funding of other capital projects. Until we apply the net proceeds for the purposes described above with respect to the Tender Offers, we may invest them in short-term, liquid investments. The net proceeds from any exercise by the underwriters of their option to purchase additional shares of common stock from us will be used to fund a portion of the Tender Offers or for general corporate purposes as described above. For more information about our use of proceeds from this offering, see Use of Proceeds.
Risk Factors	Investing in our common stock involves risks. Please read Risk Factors beginning on page S-7 of this prospectus supplement and on page 5 of the accompanying prospectus, as well as Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015, and our subsequent Quarterly Reports on Form 10-Q for more information about important risks that you should consider before making an investment in our common stock.

(1) Based on 392,496,825 shares of our common stock outstanding as of June 23, 2016. Excludes any shares of common stock issuable under our equity compensation plans and issuable upon conversion of our mandatory convertible preferred stock, in each case, subject to anti-dilution, make-whole and other adjustments.

Table of Contents

Dividend Policy	We do not currently pay cash dividends on our common stock, and we do not anticipate paying cash dividends in the foreseeable future. Please read Dividend Policy.
Exchange Listing	Our common stock is traded on the NYSE under the symbol SWN.

Table of Contents

RISK FACTORS

An investment in our common stock involves risks. You should consider carefully the following risks, as well as the risk factors discussed under the caption Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015, and our subsequent Quarterly Reports on Form 10-Q together with all of the other information included in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, when evaluating an investment in our common stock.

Risks Relating to the Offering and our Common Stock

The market price of our common stock may be volatile or may decline and it may be difficult for you to resell shares of our common stock at prices you find attractive.

The market price of our common stock has historically experienced and may continue to experience volatility. For example, during the last twelve months, the high sales price per share of our common stock on the NYSE was $23.43 and the low sales price per share was $5.00. The price of our common stock could be subject to wide fluctuations in the future in response to the following events or factors:

- changes in natural gas and oil prices, including in different geographic locations;
- demand for natural gas and oil;
- the success of our drilling program;
- changes in our drilling schedule;
- adjustments to our reserve estimates and differences between actual and estimated production, revenue and expenditures;
- competition from other oil and gas companies;
- costs and liabilities relating to governmental laws and regulations and environmental risks;
- general market, political and economic conditions;
- our failure to meet financial analysts performance or financing expectations;

changes in recommendations by financial analysts; and

changes in market valuations of other companies in our industry.

In particular, a significant or extended decline in natural gas and oil prices would have a material adverse effect on our financial position, our results of operations, our access to capital and the quantities of natural gas and oil that we can produce economically. For example, during the last twelve months, natural gas prices on the New York Mercantile Exchange (NYMEX), traded at a high of $2.93 on August 12, 2015 and a low of $1.64 on March 3, 2016 based on last day of month settlements. Other risks described elsewhere under Risk Factors in this prospectus supplement and the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement also could materially and adversely affect our share price.

The availability of our common stock for sale in the future could reduce the market price of our common stock.

Except as described herein under Underwriting, we are not restricted from issuing additional common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock, including any common stock that may be issued upon the conversion of our mandatory convertible preferred stock (and, correspondingly, our depositary shares). In the future, we may sell additional shares of our common stock to raise capital or acquire interests in other companies by using a combination of cash and our common stock or just our common stock. Any of these events may dilute your ownership interest in our company and have an adverse impact on the price of our common stock. In addition, a substantial number of

Table of Contents

+shares of our common stock are reserved for issuance as payment for dividends on our mandatory convertible preferred stock, upon the exercise of stock options and upon conversion of our mandatory convertible preferred stock. Sales of a substantial number of shares of our common stock could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock, or the perception that these sales may occur, or other equity-related securities would have on the market price of our common stock.

Purchasers in this offering will experience immediate dilution. If you purchase shares of common stock in this offering, you will pay more for your shares than the per share book value as of March 31, 2016.

Our mandatory convertible preferred stock and the depositary shares may adversely affect the market price of our common stock.

The market price of our common stock is likely to be influenced by our mandatory convertible preferred stock and depositary shares. For example, the market price of our common stock could become more volatile and could be depressed by:

- investors anticipation of the potential resale in the market of a substantial number of additional shares of our common stock received upon conversion of our mandatory convertible preferred (and, correspondingly, the depositary shares);

- possible sale of our common stock by investors who view the depositary shares as a more attractive means of equity participation in us than owning shares of our common stock; and

- hedging or arbitrage trading activity that may develop involving our depositary shares and common stock.

Because we have no plans to pay dividends on our common stock, investors must look solely to stock appreciation for a return on their investment in us.

We do not currently pay cash dividends on our capital stock, and we do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain all future earnings and other cash resources, if any, for the operation and development of our business and do not anticipate paying cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of our board of directors after taking into account many factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansions. Any future dividends may also be restricted by any loan agreements which we may enter into from time to time and from the issuance of preferred stock should we decide to do so in the future.

Anti-takeover provisions in our organizational documents and under Delaware law may impede or discourage a takeover, which could cause the market price of our common stock to decline.

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders, which, under certain circumstances, could reduce the market price of our common stock. In addition, protective provisions in our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws or the implementation by our board of directors of a stockholder rights plan could prevent a takeover, which could harm our stockholders.

We may not consummate the Tender Offers, and this offering is not conditioned on the consummation of the Tender Offers.

We intend to use $750 million of the net proceeds from this offering to fund the Tender Offers, as described under Summary Recent Developments Tender Offers for Senior Notes. However, there can be no assurance as to the amount of Target Notes that will be tendered in the Tender Offers or that we will consummate the Tender Offers, which are subject to market conditions and other factors. This offering is not conditioned on

Table of Contents

the consummation of the Tender Offers. Therefore, upon the closing of this offering, you will become a holder of our common stock regardless of whether the Tender Offers are consummated, delayed or terminated. If the Tender Offers are delayed or terminated, the value of our common stock may decline to the extent that their price reflects a market assumption that the Tender Offers will be consummated on the terms described herein. If the Tender Offers are not consummated, we may use such proceeds for general corporate purposes (see Use of Proceeds).

Certain U.S. federal income tax deductions currently available with respect to oil and natural gas exploration and production may be eliminated as a result of future legislation.

The elimination of certain key U.S. federal income tax deductions currently available to oil and natural gas exploration and production companies has been proposed in recent years by members of the U.S. Congress and by the President in his fiscal year 2017 budget proposal. These changes have included, among other proposals:

- repeal of the percentage depletion allowance for natural gas and oil properties;
- elimination of current deductions for intangible drilling and development costs;
- elimination of the deduction for certain domestic production activities; and
- extension of the amortization period for certain geological and geophysical expenditures.

In addition, the President s fiscal year 2017 budget proposal includes the imposition of a new $10.25 per barrel fee on certain oil production, to be paid by certain oil companies (without precise details regarding the implementation of such fee). It is unclear whether these or similar changes will be enacted. The passage of these or any similar changes in U.S. federal income tax laws to eliminate or postpone certain tax deductions that are currently available with respect to oil and natural gas exploration and development could have an adverse effect on our financial position, results of operations and cash flows.

Our current and future levels of indebtedness may adversely affect our results and limit our growth.

As of March 31, 2016, as adjusted to give effect to (i) the April 1, 2016 repayment of approximately $1.55 billion of borrowings incurred under our revolving credit facility on March 31, 2016 and outstanding as of that date and (ii) the transactions described above under Summary Recent Developments Credit Facility Amendments, in each case as if such event occurred on March 31, 2016, we had long-term indebtedness of $5.406 billion, including $1.191 billion (our New Term Loan) and approximately $169 million of letters of credit under the New Credit Agreements and no borrowings under the 2013 Credit Agreement. The terms of the indentures relating to our outstanding senior notes, our credit facilities, and the master lease agreements relating to our drilling rigs and other equipment, which we collectively refer to as our financing agreements, impose restrictions on our ability and, in some cases, the ability of our subsidiaries to take a number of actions that we may otherwise desire to take, which may include, without limitation, one or more of the following:

- incurring additional debt;

- redeeming stock or redeeming debt;
- making investments;
- creating liens on our assets; and
- selling assets.

Under the 2013 Credit Agreement, we must keep our total debt at or below 60% of our total adjusted book capital. This financial covenant with respect to capitalization percentages excludes the effects of any non-cash impacts from any full cost ceiling impairments, certain non-cash hedging activities and our pension and other

Table of Contents

postretirement liabilities. Therefore, under the 2013 Credit Agreement, our adjusted capital structure as of March 31, 2016 was 45% debt and 55% equity. Under our New Credit Agreements, we must maintain certain covenants, including, among others, the following financial covenants:

- Minimum liquidity of $300.0 million, subject to increase up to $500.0 million upon certain conditions;

- Minimum interest coverage ratio of no less than (i) with respect to any fiscal quarter ending on or before December 31, 2016, 0.75 to 1.00, (ii) with respect to any fiscal quarter ending on or after March 31, 2017 and on or before December 31, 2017, 1.00 to 1.00, (iii) with respect to any fiscal quarter ending on or after March 31, 2018 and on or before December 31, 2018, 1.25 to 1.00 and (iv) with respect to any fiscal quarter ending on or after March 31, 2019, 1.50 to 1.00, commencing with the fiscal quarter ending June 30, 2016; and

- With respect to the Revolving Credit Agreement, a minimum collateral coverage ratio of no less than 1.50 to 1.00.

Although we do not anticipate any violations of our financial covenants, our ability to comply with these covenants are dependent upon the success of our exploration and development program and upon factors beyond our control, such as the market prices for natural gas, oil and NGLs.

Although the indentures governing our outstanding notes contain covenants limiting liens and sale and leaseback transactions, these covenants contain exceptions that would allow us to create, grant or incur certain liens or security interests. Moreover, the indentures do not contain any limitations on the ability of us or our subsidiaries to incur debt, pay dividends or make investments, or limit the ability of our subsidiaries to make distributions to us. Such activities may, however, be limited by our other financing agreements in certain circumstances.

Our level of indebtedness and off-balance sheet obligations, and the covenants contained in our financing agreements, could have important consequences for our operations, including:

- requiring us to dedicate a substantial portion of our cash flow from operations to required payments, thereby reducing the availability of cash flow for working capital, capital expenditures and other general business activities;

- limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate and other activities;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and

- detracting from our ability to successfully withstand a downturn in our business or the economy generally.

Table of Contents

USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately $ million, or $ million if the underwriters exercise their option to purchase additional shares of common stock in full, after deducting estimated offering expenses. We intend to use $375 million of the net proceeds to reduce our outstanding indebtedness under the 2015 Term Loan and the remaining net proceeds of this offering, together with cash on hand, to fund the Tender Offers. If the Tender Offers are not consummated, or the aggregate amount of securities tendered in the Tender Offers and accepted for payment is less than the net proceeds of this offering dedicated for that purpose, we will use the remainder of those proceeds to repay or retire other outstanding indebtedness, including additional indebtedness outstanding under the 2015 Term Loan, and for general corporate purposes, including the repayment of additional indebtedness outstanding under the 2015 Term Loan, the completion of wells already drilled or the funding of other capital projects. Until we apply the net proceeds for the purposes described above with respect to the Tender Offers, we may invest them in short-term, liquid investments. The net proceeds from any exercise by the underwriters of their option to purchase additional shares of common stock from us will be used to fund a portion of the Tender Offers or for general corporate purposes as described above. For a more detailed discussion of the Tender Offers and the funding of the additional capital projects read Summary Recent Developments Asset Sales and Capital Expenditures Budget.

As of June 28, 2016, we had $750.0 million of borrowings outstanding under the 2015 Term Loan. The weighted average interest rate on the total amount outstanding at June 28, 2016 was 2.93%. The 2015 Term Loan has an initial maturity date of November 17, 2018. We used borrowings under the 2015 Term Loan to for general corporate purposes.

As of June 28, 2016, we had $350.0 million in aggregate principal amount of the 3.30% Notes outstanding, $600.0 million in aggregate principal amount of the 7.50% Notes outstanding and $850.0 million in aggregate principal amount of the 4.05% Notes outstanding.

Table of Contents

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2016:

- on a consolidated historical basis; and

- as adjusted to give further effect to (i) the April 1, 2016 repayment of approximately $1.55 billion of borrowings incurred under our revolving credit facility on March 31, 2016 and outstanding as of that date, (ii) this offering and use of proceeds as described under Use of Proceeds and (iii) the transactions described above under Summary Recent Developments Credit Facility Amendments, in each case as if such event occurred on March 31, 2016.

The following table does not give effect to the Tender Offers. See Summary Recent Developments Tender Offers for Senior Notes.

You should read our historical consolidated financial statements and notes that are incorporated by reference into this prospectus supplement.

	As of March 31, 2016	
(Dollars in millions)	**Historical**	**As adjusted(1)**
Cash and cash equivalents(2)	$ 1,597	$
Short-term debt:		
7.15% Senior Notes due May 2018	1	1
Total short-term debt	1	1
Long-term debt(3):		
Revolving Credit Facility, expires December 2018(4)	1,852	
Revolving Credit Facility, expires December 2020(5)		
Term Loan Facility due November 2018(6)	748	373
Term Loan Facility due December 2020(7)		1,191
7.35% Senior Notes due October 2017	15	15
7.125% Senior Notes due October 2017	25	25
3.3% Senior Notes due January 2018	348	348
7.5% Senior Notes due February 2018	598	598
7.15% Senior Notes due May 2018	26	26
4.05% Senior Notes due January 2020	845	845
4.10% Senior Notes due March 2022	995	995
4.95% Senior Notes due January 2025	993	993
Unamortized discount	(3)	(3)
Total long-term debt	6,442	5,406

Total debt	6,443	5,407
Equity:		
Common stock, $0.01 par value; 1,250,000,000 shares authorized; issued 389,673,678 shares as of March 31, 2016 (does not include 3,024,737 shares declared as a stock dividend on March 16, 2016 and issued on April 15, 2016)	4	
Preferred stock, $0.01 par value, 10,000,000 shares authorized, 6.25% Series B Mandatory Convertible, $1,000 per share liquidation preference, 1,725,000 shares issued and outstanding as of March 31, 2016, conversion in January 2018		
Additional paid-in capital	3,403	
Accumulated deficit	(2,214)	(2,214)
Accumulated other comprehensive loss	(44)	(44)
Common stock in treasury, 31,269 shares as of March 31, 2016	(1)	(1)