



**Swift Energy Company
1994 First Quarter Report**

Letter to Stockholders

Swift Energy's reserves growth strategy continues to provide increasing revenues from oil and natural gas sales. During the first quarter of 1994, sales increased to \$4.8 million, which is 38% above those for the same period of 1993. This is an especially noteworthy achievement in a climate of sharp declines in crude oil prices. Oil prices averaged only \$11.80 per barrel during the first three months of 1994, the lowest since 1988. During the same period in 1993, they averaged \$15.69 per barrel.

For Swift, the negative impact of the low oil prices was somewhat cushioned by rising natural gas prices, which averaged \$2.21 per thousand cubic feet (Mcf) during the first quarter of 1994 compared with \$1.91 per Mcf during the first quarter of 1993. Of the total reserves marketed by the Company during the first quarter of 1994, natural gas accounted for 73% of the volume and 75% of the sales. This reflects Swift's emphasis on acquiring natural gas reserves in anticipation of increasingly higher consumer demand. Still, had oil prices remained at their 1993 levels, the Company's total first-quarter product sales would have been higher by approximately \$400,000, or about 8%, with oil's percentage of the total revenues increasing accordingly.

With these sales, Swift Energy's overall revenues for the first quarter of 1994 increased 15% from 1993, rising from \$5.3 million to \$6.1 million. At the same time, cash flow from operating activities increased 72%, rising from \$1.56 million to \$2.68 million.

Despite these positive developments, the Company's 1994 first-quarter earnings were down slightly, totaling \$814,000, or \$0.14 per share, compared to \$988,000, or \$0.17 per share, during the first quarter of 1993. This decrease was partially due to the lower oil revenues failing to offset higher operating costs associated with higher production volumes. However, another contributing factor was a one-month interruption in Swift's limited partnership sales under the Company's SDI program (Swift Depository Interests). During this period, Swift was awaiting a review of documentation submitted to the Securities & Exchange Commission regarding specific properties Swift had purchased for placement in the limited partnerships. Once the SEC's review was completed, sales were immediately resumed, but partnerships that normally would have been closed in March were delayed until mid-April, as were the Company's earned interests from the partnerships.

In the meantime, Swift Energy embarked upon its 1994 exploration and development program as described in the Company's 1993 annual report. An important part of that program is two large seismic surveys in

two Texas Gulf Coast counties, both of which have now been completed. One of the surveys, located in Fayette County on a large farmout acreage block that Swift obtained from the Lower Colorado River Authority (LCRA) and the city of Austin, is expected to identify up to 20 new drilling sites. The LCRA area is already contributing significantly to the Company's production. Five horizontal wells drilled there in recent months provided about 8% of Swift's average daily production of roughly 4,000 barrels of oil equivalent (BOEs) during the month of April. An additional horizontal well placed in production in May, also in Fayette County but outside the LCRA area, added 430 BOEs per day to the Company's production. Altogether, Swift has interests in 10 horizontal wells producing from the prolific Austin Chalk trend in Fayette County.

Four exploratory wells placed in production around the first of the year are also significant producers. These wells, one in Arkansas and three along the Texas Gulf Coast, contributed approximately 7% of the Company's daily production in April. A fifth successful well is awaiting connection to a pipeline. Swift's second seismic survey, designed to yield three-dimensional data on the Frio and Yegua trends, was carried out in Jackson County in the general vicinity of three of these producers.

As the year progresses, Swift plans to drill a number of additional wells in these same regions and also in Wyoming and Louisiana. We are optimistic we will have continued success, and, fortunately, oil prices appear to have bottomed out, which is good news to both Swift Energy and all its investors.

A. Earl Swift
President, Chief Executive Officer,
and Chairman

Swift Energy's First-Quarter Production and Sales

| | 1994 | 1993 | % Change |
|---------------------------------------|-------------|-------------|----------|
| Natural gas production (Mcf) | 1,643,348 | 1,169,751 | +40% |
| Oil & condensate production (barrels) | 99,992 | 80,734 | +24% |
| Average gas price per Mcf | \$2.21 | \$1.91 | +16% |
| Average oil price per barrel | \$11.80 | \$15.69 | -25% |
| Total oil and gas sales | \$4,817,270 | \$3,503,269 | +38% |

Mcf = 1,000 cubic feet.

Financial Report

First Quarter 1994

Consolidated Balance Sheets

Swift Energy Company and Subsidiaries

(in Thousands)

| | March 31, 1994 | December 31, 1993 |
|--------------------------------------|-------------------|----------------------|
| | (Unaudited) | |
| Assets | | |
| Current assets | \$ 49,777 | \$ 65,307 |
| Property and equipment, net | 93,067 | 91,306 |
| Other | 4,692 | 4,280 |
| | <u>\$ 147,536</u> | <u>\$ 160,893</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | \$ 41,719 | \$ 55,565 |
| Long-term debt | 28,750 | 28,750 |
| Deferred revenue | 9,249 | 9,820 |
| Deferred income taxes | 12,530 | 12,292 |
| Stockholders' equity | 55,288 | 54,466 |
| | <u>\$ 147,536</u> | <u>\$ 160,893</u> |

Consolidated Statements of Income

Swift Energy Company and Subsidiaries

(Unaudited)

(in Thousands Except Income per Share)

| | Three Months Ended March 31, | |
|--|------------------------------|------------------|
| | 1994 | 1993 |
| Revenues: | | |
| Oil and gas sales | \$ 4,817 | \$ 3,503 |
| Earned interests and fees from limited partnerships and joint ventures | 109 | 837 |
| Supervision fees | 943 | 775 |
| Interest income | 18 | 13 |
| Other, net | 251 | 197 |
| | <u>6,138</u> | <u>5,325</u> |
| Costs and Expenses: | | |
| Oil and gas production | 1,142 | 1,111 |
| General and administrative, net | 1,195 | 1,211 |
| Depreciation, depletion and amortization | 2,290 | 1,591 |
| Interest expense | 359 | — |
| | <u>4,986</u> | <u>3,913</u> |
| Income Before Income Taxes | 1,152 | 1,412 |
| Provision for Income Taxes | 338 | 424 |
| Net Income | <u>814</u> | <u>988</u> |
| Per Share Amounts— | | |
| Primary | \$ 0.14 | \$ 0.17 |
| Fully diluted | \$ 0.14 | \$ 0.17 |
| Weighted Average Shares Outstanding | <u>6,001,575</u> | <u>5,974,716</u> |

Consolidated Statements of Cash Flow

Swift Energy Company and Subsidiaries

| (Unaudited) (in Thousands) | Three Months Ended March 31, | |
|--|------------------------------|----------|
| | 1994 | 1993 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 814 | \$ 988 |
| Non-cash revenue and expense items | 1,983 | 547 |
| Net change in operating assets and liabilities | (117) | 22 |
| Net Cash Provided by Operating Activities | 2,680 | 1,557 |
| Cash Flows from Investing Activities: | | |
| Additions to property and equipment | (4,043) | (3,233) |
| Net cash received (distributed) as operator of oil and gas properties | 1,264 | (2,839) |
| Property acquisition costs (incurred on behalf of) reimbursed by partnerships and joint ventures | (11,311) | (1,739) |
| Limited partnership formation and marketing costs | (382) | (270) |
| Prepaid drilling costs | 780 | — |
| Other | (7) | — |
| Net Cash Used in Investing Activities | (13,699) | (8,081) |
| Cash Flows from Financing Activities: | | |
| Net proceeds from (payments of) short-term bank borrowings | 11,350 | 5,975 |
| Net proceeds from issuance of common stock | 8 | 109 |
| Net Cash Provided by (Used in) Financing Activities | 11,358 | 6,084 |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 339 | \$ (440) |
| Cash and Cash Equivalents at Beginning of Period | 636 | 1,317 |
| Cash and Cash Equivalents at End of Period | \$ 975 | \$ 877 |

Investor Information

BOARD OF DIRECTORS

A. Earl Swift
Chairman of the Board
President
Swift Energy Company

Virgil N. Swift
Vice Chairman
Executive Vice President—Business Development
Swift Energy Company

Raymond O. Loen
President
R. O. Loen Company

Henry C. Montgomery
Chairman of the Board
Montgomery Financial Services

Clyde W. Smith, Jr.
President
Somerset Properties, Inc.

Harold J. Withrow
Consultant

OFFICERS

A. Earl Swift
President
Chief Executive Officer

Terry E. Swift
Executive Vice President
Chief Operating Officer

Virgil N. Swift
Executive Vice President—Business Development

John R. Alden
Senior Vice President—Finance
Chief Financial Officer, Secretary

James M. Kitterman
Senior Vice President—Operations

Bruce H. Vincent
Senior Vice President—Funds Management

Joe D'Amico
Vice President—Exploration & Development

Alton D. Heckaman, Jr.
Vice President
Controller

Charles H. Stewart
Vice President—Engineering

James R. Stewart
Vice President—Drilling and Production

George A. Stovall
Vice President—Acquisitions & Dispositions

Adrian D. Shelley
Treasurer

Wynn Ibach
General Counsel

CORPORATE HEADQUARTERS

Swift Energy Company
Suite 400
16825 Northchase Drive
Houston, Texas 77060
Telephones: (713) 874-2700
(800) 777-2412

INDEPENDENT ACCOUNTANTS

Arthur Andersen & Co.
711 Louisiana, Suite 1300
Houston, Texas 77002

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company
40 Wall Street
New York, New York 10005
Telephone: 212-936-5100

EXCHANGE LISTINGS

New York Stock Exchange
Pacific Stock Exchange
Symbol "SFY"



Swift Energy Company
16825 Northchase Drive, Suite 400
Houston, Texas 77060

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Swift Energy seismic survey in Fayette County, Texas. A crew prepares to precisely position hydrophones on the bottom of Fayette Lake to detect seismic signals. Yellow cables link the hydrophones to electronics encased in the orange boxes, which will float on the lake surface and transmit signals to a nearby recording truck.