

**SWIFT ENERGY COMPANY**  
2004 FIRST QUARTER REPORT



**BUILDING ON A  
STRONG FOUNDATION**



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# Letter to Stockholders

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Swift Energy Company had a record level of oil and natural gas production during the first quarter of 2004, reaching 14.3 billion cubic feet of natural gas equivalent (Bcfe). This was 11% higher than our production in the first quarter of 2003 and 7% higher than in the fourth quarter of 2003. With the elevated oil and natural gas prices of 2003 largely still holding, our 2004 first-quarter revenues increased 22% above 2003 first-quarter revenues to a record \$65.4 million. Net income increased to \$14.6 million (\$0.52 per diluted share), which was a 39% increase over our 2003 first-quarter net income (before a one-time charge due to an SFAS 143 accounting change). Net cash provided by operating activities rose to \$39.6 million, a 48% increase from the first quarter of 2003.

The average price we received for our total production in the first quarter of 2004 was \$4.62 per thousand cubic feet of natural gas equivalent (Mcf), an increase of 8% from the first quarter of 2003. In New Zealand, where our first-quarter production from the Taranaki Basin was 3.9 Bcfe, we had an overall price increase of 36%, reflecting a worldwide rise in oil prices and increases of 40% and 24% in New Zealand natural gas prices and natural gas liquid (NGL) prices, respectively. In the United States, where our first-quarter production was 10.4 Bcfe, natural gas and NGL prices fell 19% and 15%, respectively. However, oil comprised 59% of our domestic production and domestic oil prices increased 4% above the prices in the first quarter of 2003, limiting the overall decrease in the average price received for our total domestic production to 8%. To protect the Company from sharp oil and gas price declines, we utilize a price risk management strategy that primarily consists of purchasing floors for a portion of our oil and gas production. During the first quarter of 2004, this strategy cost approximately \$0.6 million on oil and gas sales of \$66.0 million.

Our domestic production of 10.4 Bcfe in the first quarter of 2004 represents a 35% increase over our domestic production in the first quarter of 2003 (7.7 Bcfe) and an 18% increase over our domestic production in the fourth quarter of 2003 (8.8 Bcfe). The increases were primarily from the Lake Washington Area in Plaquemines Parish, Louisiana, where 42 development wells and five exploratory wells completed in the field's Miocene sands during 2003 pushed the area's 2004 first-quarter production up to 5.1 Bcfe, more than double its 2003 first-quarter production of 2.0 Bcfe. First-quarter production from the AWP Olmos Area in McMullen County, Texas, also increased—from 2.0 Bcfe in 2003 to 2.6 Bcfe in 2004—primarily because of the addition of eight new development wells drilled to the Olmos sand in 2003. We have a 100% working interest in all these wells.

Drilling activity is continuing in both these areas. During the first quarter of 2004, we successfully completed six of seven development wells in Lake Washington and four of four development wells in AWP, with a fifth AWP development well added early in the second quarter. Before year end, we plan to drill 25 to 30 development wells and two to four exploratory wells in Lake Washington and 15 to 18 development wells in AWP. A first-quarter exploratory well in Lake Washington was unsuccessful.

Although we already have state permits to drill in more than 70 locations in Lake Washington, we have curtailed our drilling activity so that we can perform a three-dimensional seismic survey throughout the field during the second quarter and analyze the results before final planning of our 2005 drilling program. To date, most of our drilling in the field has been at depths of less than 6,000 feet. In the survey we will focus on intermediate depths (6,000 to 12,000

feet), but we expect to also gain valuable information at both deeper and shallower horizons.

We are currently reviewing the configuration of our Lake Washington facilities with the possibility of adding a fourth processing platform and further expanding our three existing platforms, one of which is almost wholly dedicated to production from the prolific F sand that we discovered early in our operation of the field. Even with the reduced drilling from 2003, we expect to exit 2004 with a Lake Washington net production rate of approximately 12,000 barrels of oil equivalent (BOE) per day, which would be a 30% increase over the field's average production rate in the first quarter.

In other domestic work during the first quarter of 2004, we successfully drilled a dual-lateral well in the Austin Chalk trend in the Masters Creek Area (in Vernon Parish, Louisiana) with a 94% working interest; and in South Texas (Willacy County), we participated with a 25% working interest in an exploratory well drilled to the Frio trend. Both wells are currently undergoing tests. We expect to drill five more wells in South Texas during the second quarter, one of which will be nonoperated.

In New Zealand, we drilled two wells in the Rimu/Kauri Area during the first quarter—the Kauri-E3 and the Kauri-E4, both targeting the Kauri sands. In the case of the Kauri-E4, we continued to the deeper Tariki sandstone, perforating a 15-foot section at a vertical depth of 9,900 feet that was 1,800 feet updip and 3.5 miles from the Tariki discovery well Rimu-A1. The initial test yielded flow rates up to 400 barrels of crude oil and condensate and 4 million cubic feet of natural gas per day, but these initial rates have not been maintained. After we further evaluate the Kauri-E4 well with sustained production testing, we will decide whether to fracture stimulate the wells. Before year-end we plan to drill two more Kauri wells, one of which, and possibly both of which, will be taken on down to the Tariki sandstone. Also in the Rimu/Kauri Area, we have begun a multi-well drilling program targeting the shallow oil-bearing Manutahi sand. This program will include one exploratory well.

Our New Zealand production during the first quarter of 2004 averaged approximately 12,000 Mcfe per day from the Rimu/Kauri Area and 31,000 Mcfe per day from the TAWN Area. Our TAWN production experienced an expected decrease from the previous quarter due to the country's seasonal increased use of hydroelectricity. With respect to future TAWN production, we may need to add production in order to meet our contracted volumes, and we are considering drilling a development well in the area later this year. Although the natural gas price environment in New Zealand has improved, aided by the increased value of the New Zealand dollar, additional drilling in the TAWN fields will be influenced by our discussions with regard to future gas sales.

In terms of drilling, Swift Energy has been the leading operator in New Zealand for the last few years, and we have some exciting additional exploratory prospects in and around our core areas. This, together with our continued domestic success, especially in the Lake Washington Area, indicates we are on track with our field operations. We are also maintaining a strong financial base. Our bank borrowing base was recently reaffirmed at \$250 million, but we have chosen to continue limiting our commitment amount to \$150 million. With all these positive trends, our optimism about the future of Swift Energy Company remains very high.

Terry E. Swift  
Chief Executive Officer,  
President, and Director

## Summary Balance Sheet Information

### Swift Energy Company and Subsidiaries

(in Thousands)

|   | March 31,<br>2004 | December 31,<br>2003 |
|---|-------------------|----------------------|
|   | (Unaudited)       |                      |
| <b>Assets</b>                               |                   |                      |
| Current assets                              | \$ 40,502         | \$ 33,457            |
| Property and equipment, net                 | 834,456           | 816,460              |
| Other                                       | 11,411            | 9,921                |
|   | <u>\$ 886,369</u> | <u>\$ 859,838</u>    |
| <b>Liabilities and Stockholders' Equity</b> |                   |                      |
| Current liabilities                         | \$ 55,872         | \$ 68,556            |
| Bank borrowings                             | 32,500            | 15,900               |
| Senior Notes due 2009                       | 124,377           | 124,355              |
| Senior Notes due 2012                       | 200,000           | 200,000              |
| Deferred income taxes                       | 49,425            | 43,499               |
| Asset retirement obligation                 | 10,368            | 10,137               |
| Stockholders' equity                        | 413,827           | 397,391              |
|   | <u>\$ 886,369</u> | <u>\$ 859,838</u>    |

## First-Quarter Volumes and Prices

### Swift Energy Company and Subsidiaries

| (Unaudited)                         | 1st Qtr.<br>2004 | 1st Qtr.<br>2003 | % Change |
|-------------------------------------|------------------|------------------|----------|
| <b>Total Production</b>             |                  |                  |          |
| Combined oil & natural gas (Mcf)    | 14,286,226       | 12,862,433       | +11%     |
| Natural gas (Mcf)                   | 5,873,026        | 7,683,863        | -24%     |
| Crude oil (barrels)                 | 1,124,339        | 689,655          | +63%     |
| Natural gas liquids (barrels)       | 277,861          | 173,440          | +60%     |
| <b>Average Prices</b>               |                  |                  |          |
| Combined oil & natural gas (\$/Mcf) | 4.62             | 4.26             | +8%      |
| Natural gas (\$/Mcf)                | 3.64             | 3.71             | -2%      |
| Crude oil (\$/barrel)               | 34.14            | 32.73            | +4%      |
| Natural gas liquids (\$/barrel)     | 22.30            | 21.90            | +2%      |

Mcf = 1,000 cubic feet

## Consolidated Statements of Income

### Swift Energy Company and Subsidiaries

(Unaudited)

(in Thousands Except Income per Share)

|  | Three Months<br>Ended March 31, |                 |
|--|---------------------------------|-----------------|
|  | 2003                            | 2002            |
| <b>Revenues:</b>   |                                 |                 |
| Oil and gas sales  | \$ 65,954                       | \$ 54,850       |
| Price-risk management and other, net                               | (598)                           | (1,350)         |
|  | <u>65,356</u>                   | <u>53,500</u>   |
| <b>Costs and Expenses:</b>   |                                 |                 |
| General and administrative, net                                    | 4,030                           | 3,556           |
| Depreciation, depletion, and amortization                          | 18,296                          | 14,912          |
| Accretion of asset retirement obligation                           | 170                             | 215             |
| Lease operating costs  | 9,626                           | 7,313           |
| Severance and other taxes  | 6,247                           | 4,595           |
| Interest expense, net  | 6,901                           | 6,685           |
|  | <u>45,270</u>                   | <u>37,276</u>   |
| Income Before Income Taxes and Change in Accounting Principle      | 20,086                          | 16,224          |
| Provision for Income Taxes   | 5,498                           | 5,739           |
| Income Before Change in Accounting Principle                       | 14,588                          | 10,485          |
| Cumulative Effect of Change in Accounting Principle (net of taxes) | —                               | 4,377           |
| Net Income   | <u>\$ 14,588</u>                | <u>\$ 6,108</u> |
| <b>Per Share Amounts—</b>  |                                 |                 |
| Basic: Income Before Change in Accounting Principle                | \$ 0.53                         | \$ 0.38         |
| Change in Accounting Principle                                     | —                               | (0.16)          |
| Net Income   | <u>\$ 0.53</u>                  | <u>\$ 0.22</u>  |
| Diluted: Income Before Change in Accounting Principle              | \$ 0.52                         | \$ 0.38         |
| Change in Accounting Principle                                     | —                               | (0.16)          |
| Net Income   | <u>\$ 0.52</u>                  | <u>\$ 0.22</u>  |
| Weighted Average Shares Outstanding                                | <u>27,553</u>                   | <u>27,243</u>   |

# Consolidated Statements of Cash Flows

## Swift Energy Company and Subsidiaries

(Unaudited)  
(in Thousands)

|  | Period Ended<br>March 31, |                 |
|--|---------------------------|-----------------|
|  | 2004                      | 2003            |
| <b>Cash Flows from Operating Activities:</b>                                   |                           |                 |
| Net income   | \$ 14,588                 | \$ 6,108        |
| Non-cash revenue and expense items   | 24,175                    | 25,535          |
| Net change in operating assets and liabilities                                 | 833                       | (4,844)         |
| Net Cash Provided by Operating Activities                                      | <u>39,596</u>             | <u>26,799</u>   |
| <b>Cash Flows from Investing Activities:</b>                                   |                           |                 |
| Additions to property and equipment  | (45,150)                  | (26,335)        |
| Proceeds from the sale of property and equipment                               | 23                        | 551             |
| Net cash distributed as operator of oil and gas properties                     | (8,708)                   | (5,890)         |
| Net cash received (distributed) as operator of partnerships and joint ventures | 106                       | (287)           |
| Other  | (1)                       | (36)            |
| Net Cash Used in Investing Activities  | <u>(53,730)</u>           | <u>(31,997)</u> |
| <b>Cash Flows from Financing Activities:</b>                                   |                           |                 |
| Net proceeds from bank borrowings  | 16,600                    | 5,700           |
| Net proceeds from issuances of common stock                                    | 866                       | —               |
| Net Cash Provided by Financing Activities                                      | <u>17,466</u>             | <u>5,700</u>    |
| Net Increase in Cash and Cash Equivalents                                      | \$ 3,332                  | \$ 502          |
| Cash and Cash Equivalents at Beginning of Period                               | 1,066                     | 3,816           |
| Cash and Cash Equivalents at End of Period                                     | <u>\$ 4,398</u>           | <u>\$ 4,318</u> |

# Investor Information

## BOARD OF DIRECTORS

A. Earl Swift  
Chairman of the Board  
Swift Energy Company

Virgil N. Swift  
Vice Chairman of the Board  
Swift Energy Company  
Chairman, Swift Energy International

Terry E. Swift  
President & CEO  
Swift Energy Company  
President, Swift Energy International

Deanna L. Cannon  
President  
Cannon & Company CPA's PLC

G. Robert Evans  
Retired Chairman & CEO  
Material Sciences Corporation

Raymond E. Galvin  
Retired President  
Chevron U.S.A. Production Company

Greg Matiuk  
Retired Executive Vice President  
Administration & Corporate Services  
ChevronTexaco Corporation

Henry C. Montgomery  
Chairman & Founder  
Montgomery Financial Services Corporation

Clyde W. Smith, Jr.  
President  
Ascentron, Inc.

Raymond O. Loen  
Director Emeritus

## OFFICERS

Terry E. Swift  
President  
Chief Executive Officer

Joseph A. D'Amico  
Executive Vice President  
Chief Operating Officer

Bruce H. Vincent  
Executive Vice President—Corporate  
Development, Secretary

Alton D. Heckaman, Jr.  
Senior Vice President—Finance,  
Chief Financial Officer

James M. Kitterman  
Senior Vice President—Operations

James P. Mitchell  
Senior Vice President—Commercial  
Transaction and Land

Victor R. Moran  
Senior Vice President—Energy Marketing &  
Business Development

Gerald B. Long  
Vice President—Production Operations

Thomas E. Schmidt  
Vice President—Exploitation & Development

Tara L. Seaman  
Vice President—Acquisitions, Dispositions,  
& Reserves

Adrian D. Shelley  
Treasurer

David W. Wesson  
Controller

D. Wynn Ibach  
General Counsel

## CORPORATE HEADQUARTERS

Swift Energy Company  
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Telephones: (281) 874-2700 or (800) 777-2412

## INDEPENDENT ACCOUNTANTS


Ernst & Young  
1401 McKinney Street, Suite 1200  
Houston, Texas 77010

## TRANSFER AGENT AND REGISTRAR

American Stock Transfer &  
Trust Company  
59 Maiden Lane, Plaza Level  
New York, New York 10038  
Telephone: (212) 936-5100

## EXCHANGE LISTINGS

New York Stock Exchange  
Pacific Exchange, Inc.  
Symbol "SFY"

Swift Energy ® and  are registered service marks of Swift Energy Company.

**For additional information, contact:** Investor Relations Department, Phone: (281) 874-2700 or (800) 777-2412, Fax: (281) 874-2726, E-mail: [info@swiftenergy.com](mailto:info@swiftenergy.com), Web site: [www.swiftenergy.com](http://www.swiftenergy.com).