



Swift Energy Company
1996 First Quarter Report



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



James R. Stewart, Swift's vice president for drilling and production, shows a measurement-while-drilling (MWD) tool to Director G. Robert Evans at a rig in Fayette County, Texas. During the drilling of horizontal wells, the MWD tool trails approximately 40 feet behind the drill bit, continuously sending pressure pulses back to the surface. Directional drillers decode and interpret the data via computer systems located on the rig floor and use the results to control the direction of the bit.

Letter to Stockholders

During the first three months of 1996, Swift Energy's sales of oil and natural gas totaled \$9.7 million, almost double the sales of \$4.9 million for the same period last year. As a result, total revenues rose 79% (from \$6.3 million to \$11.2 million), net cash provided by operating activities more than doubled (from \$3.0 million to \$6.2 million), and net income increased to \$3.1 million—higher by nearly a factor of six than the net income of \$0.5 million for the first quarter of 1995.

The large increase in oil and gas sales was primarily due to the rising production from our rapidly expanding development drilling program in the AWP Olmos Field in McMullen County, Texas. Another significant factor was an increase in the average prices we received for our products. Natural gas prices were up 33% from the first quarter of 1995 to \$2.16 per thousand cubic feet, while oil prices were up 14% to \$17.78 per barrel.

Our accelerated drilling program in the AWP Field began in the second quarter of 1995, when we initiated development of the 8,830-acre Two Rivers leasehold that we had acquired in 1994. Retaining 100% working interest ownership in the Two Rivers lease, we completed 30 successful wells on the property before year end. Also during the year, we added nine wells on our original AWP lease and two wells on a newly acquired smaller lease. Continuing to acquire additional adjacent leases, we have more than doubled our leasehold acreage in the area during the last six months. As a result, we expect to maintain our fast-paced drilling program in the field for several years.

As part of that program, we successfully completed an additional 21 wells in the AWP Field during the first quarter of this year—10 on the Two Rivers lease and 11 on the newer leases. With at least four rigs drilling simultaneously in the field, we expect to complete approximately 60 more wells before year end. As of May 15, we had already added 11 wells during the second quarter.

The delivery and marketing of our increasing production from the area was enhanced when we entered into an agreement in April with Valero Energy Corporation to market up to 75 million cubic feet of natural gas per day. Valero is constructing a pipeline for transporting the gas and liquids to its Armstrong processing plant in Dewitt County, Texas, from which the residual gas will be redelivered for Swift's account into one or more of 15 interstate and intrastate pipelines.

With the economies of scale realized from our focus in the AWP Field, together with our continued application of appropriate new technologies, we have been able to institute several cost-savings measures in the field that have significantly reduced per-well completion and operating costs. During 1995 we began remotely monitoring the hydraulic fracture stimulation of each new well in the field from our Houston offices rather than repeatedly sending additional personnel to the site. During the first quarter of this year, we began installing a computerized measuring device on each newly completed well,

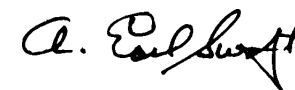
which allows the pumpers to remotely monitor production from their field office rather than travel to each individual well. The success of this approach, with its potentially substantial savings in time and money over the 15- to 20-year life of each well, is already evident. Although we have placed 73 new wells on production in the field since January 1, 1995, our engineering staff and field crew have continued to manage the operation without additional personnel.

Of course, our development drilling activities extend beyond the AWP Field. During the first quarter, we completed the seventh consecutive successful horizontal well in the series of wells initiated late in 1994 in Fayette County, Texas, on a farmout from the Lower Colorado River Authority and a leasehold from the city of Austin. We have subsequently drilled the first of an estimated 25 wells on adjacent property (the 19,500-acre North Fayetteville project) with our joint venture partner Union Pacific Resources Company. Completed in early May, this dual-lateral well tested at 12.1 million cubic feet of natural gas and 424 barrels of oil per day. The location of the remaining wells will be guided by our integration and interpretation of geologic and seismic data for the area, including data we obtained in a two-dimensional swath seismic survey across the North Fayetteville property in February of this year.

Also during the first quarter of 1996, we continued our exploratory activities in the Ark-La-Tex area, drilling two producers that are currently being tested and awaiting natural gas pipeline access—one in Columbia County, Arkansas, and the other in Union Parish, Louisiana. In addition, we conducted a three-dimensional seismic survey in Claiborne Parish, Louisiana.

During the second quarter, we expect to drill four more exploratory wells, three along the Texas Gulf Coast and one in Campbell County, Wyoming, all largely based on detailed geologic analyses of well log data. The determination of other sites for future drilling in these regions is being aided by our continuing analyses of seismic data, including data from a seismic line acquisition we conducted in Wyoming in January.

Obviously, these are very exciting times at Swift Energy. Our first-quarter oil and gas sales set a record high for the Company—a record that is bound to be short lived as we place more and more wells in production, not only from our current drilling programs but from others in various stages of planning. As these programs continue, we shall surely be announcing new records, a circumstance we anticipate with considerable pleasure.



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

Consolidated Balance Sheets

Swift Energy Company and Subsidiaries

(in Thousands)

	March 31, 1996	December 31, 1995
	(Unaudited)	
Assets		
Current assets	\$ 26,802	\$ 43,381
Property and equipment, net	135,817	127,524
Other	5,150	4,348
	<u>\$ 167,769</u>	<u>\$ 175,253</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 28,117	\$ 40,133
Long-term debt	28,750	28,750
Deferred revenues	5,630	6,064
Deferred income taxes	8,247	6,960
Stockholders' equity	97,025	93,346
	<u>\$ 167,769</u>	<u>\$ 175,253</u>

First-Quarter Volumes and Prices

	1996	1995	% Change
Natural gas production (Mcf)	3,172,399	1,702,658	+86%
Oil & condensate production (barrels)	159,155	134,626	+18%
Average gas price per Mcf	\$ 2.16	\$ 1.63	+33%
Average oil price per barrel	\$ 17.78	\$ 15.61	+14%

Mcf = 1,000 cubic feet

Consolidated Statements of Income

Swift Energy Company and Subsidiaries

(Unaudited)

(in Thousands Except Income per Share)

	Three Months Ended March 31,	
	1996	1995
Revenues:		
Oil and gas sales	\$ 9,692	\$ 4,876
Fees from limited partnerships and joint ventures	70	113
Supervision fees	1,031	905
Interest income	9	8
Other, net	387	357
	<u>11,189</u>	<u>6,259</u>
Costs and Expenses:		
Oil and gas production	1,848	1,629
General and administrative, net	1,438	1,307
Depreciation, depletion, and amortization	3,270	2,168
Interest expense, net	72	478
	<u>6,628</u>	<u>5,582</u>
Income Before Income Taxes	4,561	677
Provision for Income Taxes	1,479	152
Net Income	<u>3,082</u>	<u>525</u>
Per Share Amounts—		
Primary	<u>\$ 0.25</u>	<u>\$ 0.08</u>
Fully diluted	<u>\$ 0.22</u>	<u>\$ 0.08</u>
Weighted Average Shares Outstanding	<u>12,540,381</u>	<u>6,689,350</u>

Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

	Three Months Ended March 31,	
	1996	1995
Cash Flows from Operating Activities:		
Net income	\$ 3,082	\$ 525
Non-cash revenue and expense items	4,106	1,858
Net change in operating assets and liabilities	(989)	582
Net Cash Provided by Operating Activities	6,199	2,965
Cash Flows from Investing Activities:		
Additions to property and equipment	(11,481)	(5,745)
Net cash received (distributed) as operator of oil and gas properties	(13,143)	(4,219)
Property acquisition costs (incurred on behalf of) reimbursed by partnerships and joint ventures	1,915	4,245
Limited partnership formation and marketing costs	(493)	(171)
Prepaid drilling costs	(143)	(60)
Other	(82)	(16)
Net Cash Used in Investing Activities	(23,427)	(5,966)
Cash Flows from Financing Activities:		
Net proceeds from short-term bank borrowings	12,000	3,321
Net proceeds from issuance of common stock	597	227
Net Cash Provided by Financing Activities	12,597	3,548
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (4,631)	\$ 547
Cash and Cash Equivalents at Beginning of Period	7,574	985
Cash and Cash Equivalents at End of Period	\$ 2,943	\$ 1,532

Supplemental Disclosures of Cash Flow Information:

Cash paid during period for interest, net of amounts capitalized	\$ 510	\$ —
Cash paid during period for income taxes	\$ 19	\$ 3

Investor Information

BOARD OF DIRECTORS

A. Earl Swift
Chairman of the Board
Swift Energy Company

Virgil N. Swift
Vice Chairman
Swift Energy Company

G. Robert Evans
Chairman of the Board
Material Sciences Corporation

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

Victor Moran
Vice President—Natural Gas Marketing/
Business Development

Khushroo N. J. Patel
Vice President—Geophysics

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

James R. Stewart
Vice President—Drilling & Production

Adrian D. Shelley
Treasurer

Wynn Ibach
General Counsel

CORPORATE HEADQUARTERS

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TRANSFER AGENT AND REGISTRAR

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

INDEPENDENT ACCOUNTANTS

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711 Louisiana, Suite 1300
Houston, Texas 77002

EXCHANGE LISTINGS

New York Stock Exchange
Pacific Stock Exchange
Symbol "SFY"



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16825 Northchase Drive, Suite 400
Houston, Texas 77060



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