



Swift Energy Company  
1996 Second Quarter Report



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



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## Letter to Stockholders

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Swift Energy's second quarter of 1996 ended with the Company again posting an all-time high in oil and natural gas sales. Sales for the period totaled \$10.8 million, which was 122% higher than sales for the second quarter of 1995. Other record highs for the quarter were \$12.6 million in total revenues (a 91% increase over revenues received during the same period in 1995); \$8.7 million in net cash provided by operating activities (a 372% increase); and \$3.7 million in net income (a 403% increase).

The upsurge in sales resulted primarily from a doubling of our natural gas production, aided by an increase in prices. Our second-quarter gas production rose from 1.75 billion cubic feet last year to 3.50 billion cubic feet this year, which, on an equivalent energy basis, comprised 80% of our total production. Gas prices increased from an average of \$1.64 per thousand cubic feet (Mcf) to \$2.29 per Mcf. In addition, our oil and condensate production rose 24% (to 150,000 barrels), while the average price per barrel increased from \$16.36 to \$18.73.

With the Company's emphasis on efficient operations and the use of cost-saving technologies, these large increases in production and sales were accomplished with only a 6% rise in production costs. On a per-unit basis, production costs for the quarter fell to \$0.41 per Mcf equivalent, compared to \$0.69 per Mcfe during the second quarter of 1995.

Nowhere are our improvements in operations more apparent than in our continuing development program in the AWP Olmos Field in McMullen County, Texas. We are benefiting greatly from our technological innovations in the field, as well as from our considerable experience and increasing economies of scale. Our acceleration of drilling at AWP, which began in the second quarter of 1995 and yielded 41 new producing wells before year end, has already added 49 successful wells this year, 28 of which were drilled in the second quarter. Increasing the program at an ever-faster pace, we now expect to drill 115 wells in the AWP area this year.

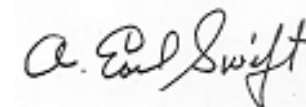
Our development drilling program in Texas' Austin Chalk trend is also expanding rapidly. In Fayette County, we have recently placed on production a third-quarter horizontal well that was the last of the series of wells with surface locations on a farmout from the Lower Colorado River Authority and a leasehold from the city of Austin (the LCRA/COA series). In another series on adjacent property in which Union Pacific Resources Company (UPRC) is our joint venture partner, we successfully completed one dual-lateral well in the second quarter and have begun drilling another in the third quarter. Two other dual-lateral wells, one in the second quarter and another now drilling, are joint LCRA/COA-UPRC projects. In our latest expansion in the area, we

have signed a joint venture agreement with Snyder Oil Corporation to acquire a 56% working interest in the development of more than 31,000 acres in Walker County, bringing our total holdings in the Austin Chalk trend to approximately 60,000 gross acres.

In other drilling activities during the second quarter, we successfully completed one development well in Cameron Parish, South Louisiana, and another in Custer County, Oklahoma, plus an exploratory well in Campbell County, Wyoming. We have subsequently completed a successful exploratory well along the Texas Gulf Coast, in Lavaca County. Both of the exploratory wells were largely based upon our analyses of seismic data. As part of our continuing acquisition of seismic data, we conducted a two-dimensional seismic swath survey in Lafayette County, Arkansas, in mid-May.

In our international activities, we are continuing to pursue long-term prospects. We have recently formed a partnership with McDermott International Inc. and MOL Hungarian Oil and Gas Company for the development in the Russian Federation of the Samburg and Evo Yakha Fields in Western Siberia. Contingent upon additional agreements with our Russian partner, JSC Senega, as well as other Russian entities, our plans are to begin initial development during the next two years, with the potential recoverable reserves in this phase estimated to be 69 million barrels of oil and 1 trillion cubic feet of natural gas. Also, in fulfillment of an agreement with the New Zealand Minister of Energy last October, we are designing seismic surveys for a large acreage block on the North Island. Analyses of the data from these surveys, as well as from other surveys, will guide the development of a future drilling program.

Finally, with our improved earnings outlook and the rise in value of our common shares, we announced on July 1 that we would redeem on August 5, 1996, all of our \$28.75 million issue of 6-1/2% Convertible Subordinated Debentures due June 30, 2003. As expected, bondholders preferred Swift's shares, and the conversion was completed, resulting in our outstanding common stock increasing to approximately 15 million shares. This move eliminated \$1.9 million annual interest costs and leaves us with no conventional long-term debt, considerably enhancing our financial flexibility for continued growth into the future.



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

## Consolidated Balance Sheets

### Swift Energy Company and Subsidiaries

(in Thousands)

	June 30, 1996	December 31, 1995
	(Unaudited)	
<b>Assets</b>		
Current assets .....	\$ 20,276	\$ 43,380
Property and equipment, net .....	149,626	127,525
Other .....	5,016	4,348
	<u>\$ 174,918</u>	<u>\$ 175,253</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities .....	\$ 14,301	\$ 40,133
Long-term debt .....	28,750	28,750
Bank borrowings .....	15,210	—
Deferred revenues .....	5,225	6,064
Deferred income taxes .....	9,738	6,960
Stockholders' equity .....	101,694	93,346
	<u>\$ 174,918</u>	<u>\$ 175,253</u>

## Second-Quarter Volumes and Prices

	1996	1995	% Change
Natural gas production (Mcf)	3,501,000	1,751,000	100%
Oil & condensate production (barrels)	150,000	122,000	24%
Average gas price per Mcf	\$ 2.29	\$ 1.64	40%
Average oil price per barrel	\$ 18.73	\$ 16.36	15%

Mcf = 1,000 cubic feet

## Consolidated Statements of Income

### Swift Energy Company and Subsidiaries

(Unaudited)

(in Thousands Except Income per Share)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
<b>Revenues:</b>				
Oil and gas sales .....	\$ 10,815	\$ 4,866	\$ 20,507	\$ 9,742
Fees from limited partnerships and joint ventures .....	90	135	160	248
Supervision fees .....	1,095	960	2,127	1,864
Interest income .....	18	11	26	19
Other, net .....	540	592	927	950
	<u>12,558</u>	<u>6,564</u>	<u>23,747</u>	<u>12,823</u>
<b>Costs and Expenses:</b>				
Oil and gas production .....	1,811	1,707	3,658	3,337
General and administrative, net . . .	1,414	1,445	2,852	2,752
Depreciation, depletion, and amortization	3,630	1,834	6,900	4,002
Interest expense, net .....	222	613	294	1,090
	<u>7,077</u>	<u>5,599</u>	<u>13,704</u>	<u>11,181</u>
Income Before Income Taxes .....	5,481	965	10,043	1,642
Provision for Income Taxes .....	1,803	234	3,282	386
Net Income .....	<u>3,678</u>	<u>731</u>	<u>6,761</u>	<u>1,256</u>
<b>Per Share Amounts—</b>				
Primary .....	<u>\$ 0.29</u>	<u>\$ 0.11</u>	<u>\$ 0.54</u>	<u>\$ 0.19</u>
Fully diluted .....	<u>\$ 0.25</u>	<u>\$ 0.11</u>	<u>\$ 0.47</u>	<u>\$ 0.19</u>
<b>Weighted Average Shares</b>				
Outstanding .....	<u>12,631,461</u>	<u>6,723,635</u>	<u>12,585,921</u>	<u>6,706,402</u>

# Consolidated Statements of Cash Flows

## Swift Energy Company and Subsidiaries

(Unaudited)  
(in Thousands)

	Six Months Ended June 30,	
	1996	1995
Cash Flows from Operating Activities:		
Net income	\$ 6,761	\$ 1,256
Non-cash revenue and expense items	8,842	3,454
Net change in operating assets and liabilities	(699)	100
Net Cash Provided by Operating Activities	<u>14,904</u>	<u>4,810</u>
Cash Flows from Investing Activities:		
Additions to property and equipment	(29,968)	(12,572)
Proceeds from the sale of property and equipment	1,052	—
Net cash received (distributed) as operator of oil and gas properties	(16,412)	(2,789)
Property acquisition costs (incurred on behalf of) reimbursed by partnerships and joint ventures	8,424	6,819
Limited partnership formation and marketing costs	(848)	—
Prepaid drilling costs	(120)	(70)
Other	(75)	2
Net Cash Used in Investing Activities	<u>(37,947)</u>	<u>(8,610)</u>
Cash Flows from Financing Activities:		
Net proceeds from bank borrowings	15,210	4,071
Net proceeds from issuance of common stock	1,588	593
Net Cash Provided by Financing Activities	<u>16,798</u>	<u>4,664</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (6,245)	\$ 864
Cash and Cash Equivalents at Beginning of Period	<u>7,574</u>	<u>985</u>
Cash and Cash Equivalents at End of Period	<u>\$ 1,329</u>	<u>\$ 1,849</u>

### Supplemental disclosures of cash flow information:

Cash paid during period for interest, net of amounts capitalized	\$ 234	\$ 1,035
Cash paid during period for income taxes	\$ 79	\$ 50

# 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

James P. Mitchell  
Vice President—Land

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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Houston, Texas 77060-6098  
Telephones: (713) 874-2700  
(800) 777-2412

## TRANSFER AGENT AND REGISTRAR

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

## INDEPENDENT ACCOUNTANTS

Arthur Andersen LLP  
711 Louisiana, Suite 1300  
Houston, Texas 77002

## 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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