




Swift Energy Company
1996 Third Quarter Report



Swift Energy Company
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A field crew positions geophones for a seismic data acquisition conducted in Campbell County, Wyoming. The geophones will detect sound waves reflected from subsurface formations following the detonation of buried charges, and the resulting data will be digitally transmitted to a nearby recording truck.

Letter to Stockholders

During the third quarter of 1996, Swift Energy's oil and natural gas sales reached a record \$13.2 million—a 142% increase over third-quarter sales in 1995. Total revenues for the three months rose 119% to \$15.4 million; net income increased 267% to \$4.6 million (\$.33 per share); and net cash provided by operating activities increased 206% to \$11.4 million.

For the nine-month period ending September 30, 1996, oil and gas sales totaled \$33.7 million, 122% above the sales during the first nine months of 1995. At the same time, total revenues increased 97% to \$39.2 million; net income increased 352% to \$11.4 million (\$.87 per share); and net cash provided by operating activities rose 208% to \$26.4 million. As a result of this strong performance, Swift's stock, which was at \$12 per share at the beginning of the year, had doubled in value to \$24 per share on September 30.

The Company's increasingly higher revenues and earnings continue to be due to the sharp upturns in our production and our emphasis on efficient operations, together with higher prices. For the first nine months, our gas production nearly doubled, increasing from 5.5 billion cubic feet (Bcf) in 1995 to 10.8 Bcf in 1996, and our oil and condensate production rose 17% to 459,000 barrels. Over the same period, natural gas prices rose 40% to an average of \$2.31 per thousand cubic feet, and oil and condensate prices increased 21% to an average of \$18.96 per barrel.

The increases in production are, of course, the result of our expanding exploration and development programs. Through the first nine months of the year, we drilled 102 wells, 96 of which were completed successfully. Drilling continues at a rapid rate, with a total of 162 wells projected to be drilled before year end. This is to be compared with 76 wells drilled (69 successes) in all of 1995.

In our most concentrated drilling program at the AWP Olmos Field of McMullen County, Texas, we currently have seven rigs in operation. With 30 successful development wells completed in the field during the third quarter, the number of AWP wells that we placed in production during the first nine months of the year totaled 79. During the month of October, another 11 wells were added. Swift owns a 100% working interest in most of these wells.

Also in the third quarter we had two significant successes in our second largest drilling program—in the Giddings Field in Fayette County, Texas. Both were dual-lateral horizontal wells drilled in the Austin Chalk trend as joint development projects. Swift owns a 33.4%

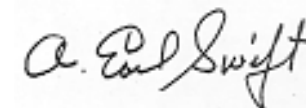
working interest in the first well, which had an initial production rate of 9.8 million cubic feet of gas and 962 barrels of condensate per day, and a 33.2% working interest in the second well, which had an initial production rate of 13.8 million cubic feet of gas and 552 barrels of condensate per day.

The Company has also had recent drilling successes in other geographic areas. An early third-quarter exploratory well in Lavaca County, Texas, which we announced in our second-quarter report, was placed in production, and an early fourth-quarter exploratory well was successfully completed in the Smackover formation in Lafayette County, Arkansas. The locations of both these wells were largely based on our analyses of seismic data, the latter from a two-dimensional seismic swath survey Swift conducted in Lafayette County last May. Additional seismic data from the area were collected in a two-dimensional seismic line survey in September.

In Wyoming, we had a successful third-quarter development well drilled to the Minnelusa formation in Campbell County. Two 1996 seismic surveys that we conducted in the area, a two-dimensional line shot in January and a three-dimensional cross swath shot in July, will aid in the selection of exploratory drilling sites in the near future.

With plans to expand our current programs and also to initiate new activities, the Company is seeking additional financing through a public offering of \$100,000,000 of Convertible Subordinated Notes due in the year 2006. We filed a registration statement for this offering with the Securities and Exchange Commission on October 24.

As we near the end of 1996, all of Swift Energy's stakeholders, whether employees or shareholders, can look back with considerable satisfaction. It has been a good year—not only because of what has been accomplished but also because of the promising future the year's successes have made possible.



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

Consolidated Balance Sheets

Swift Energy Company and Subsidiaries

(in Thousands)

	September 30, 1996	December 31, 1995
	(Unaudited)	
Assets		
Current assets	\$ 18,375	\$ 43,380
Property and equipment, net	171,235	127,525
Other	3,251	4,348
	<u>\$ 192,861</u>	<u>\$ 175,253</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 24,374	\$ 40,133
Long-term debt	—	28,750
Bank borrowings	17,170	—
Deferred revenues	4,815	6,064
Deferred income taxes	12,160	6,960
Stockholders' equity	134,342	93,346
	<u>\$ 192,861</u>	<u>\$ 175,253</u>

Third-Quarter Volumes and Prices

	1996	1995	% Change
Natural gas production (Mcf)	4,159,000	2,028,000	105%
Oil & condensate production (bls)	150,000	138,000	9%
Average gas price per Mcf	\$ 2.44	\$ 1.68	45%
Average oil price per barrel	\$ 20.45	\$ 14.94	37%

Mcf = 1,000 cubic feet

Consolidated Statements of Income

Swift Energy Company and Subsidiaries

(Unaudited)

(in Thousands Except Income per Share)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
Revenues:				
Oil and gas sales	\$ 13,227	\$ 5,466	\$ 33,733	\$ 15,208
Fees from limited partnerships and joint ventures	455	91	616	339
Supervision fees	1,150	974	3,277	2,838
Interest income	9	113	35	132
Other, net	591	405	1,518	1,355
	<u>15,432</u>	<u>7,049</u>	<u>39,179</u>	<u>19,872</u>
Costs and Expenses:				
Oil and gas production	2,090	1,764	5,749	5,101
General and administrative, net of reimbursement	1,749	1,218	4,601	3,970
Depreciation, depletion, and amortization	4,414	2,136	11,314	6,139
Interest expense, net	—	193	294	1,283
	<u>8,253</u>	<u>5,311</u>	<u>21,958</u>	<u>16,493</u>
Income Before Income Taxes	7,179	1,738	17,221	3,379
Provision for Income Taxes	2,537	473	5,818	859
Net Income	<u>\$ 4,642</u>	<u>\$ 1,265</u>	<u>\$ 11,403</u>	<u>\$ 2,520</u>
Per Share Amounts—				
Primary	<u>\$ 0.33</u>	<u>\$ 0.12</u>	<u>\$ 0.87</u>	<u>\$ 0.32</u>
Fully diluted	<u>\$ 0.31</u>	<u>\$ 0.11</u>	<u>\$ 0.87</u>	<u>\$ 0.32</u>
Weighted Average Shares				
Outstanding	<u>14,246,832</u>	<u>10,571,125</u>	<u>13,139,558</u>	<u>7,994,703</u>

Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

	Nine Months Ended September 30,	
	1996	1995
Cash Flows from Operating Activities:		
Net income	\$ 11,403	\$ 2,520
Non-cash revenue and expense items	15,294	5,528
Net change in operating assets and liabilities	(346)	499
Net Cash Provided by Operating Activities	26,351	8,547
Cash Flows from Investing Activities:		
Additions to property and equipment	(55,996)	(21,076)
Proceeds from the sale of property and equipment	1,150	—
Net cash received (distributed) as operator of oil and gas properties	(6,056)	(628)
Property acquisition costs (incurred on behalf of reimbursed by partnerships and joint ventures)	10,824	5,707
Limited partnership formation and marketing costs	—	(354)
Prepaid drilling costs	(337)	(102)
Other	(76)	6
Net Cash Used in Investing Activities	(50,491)	(16,447)
Cash Flows from Financing Activities:		
Net proceeds from bank borrowings	17,170	(27,229)
Net proceeds from issuance of common stock	1,950	46,312
Loan to ESOP Plan	(569)	—
Net Cash Provided by Financing Activities	18,551	19,083
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (5,589)	\$ 11,183
Cash and Cash Equivalents at Beginning of Period	7,575	985
Cash and Cash Equivalents at End of Period	\$ 1,986	\$ 12,168

Supplemental disclosures of cash flow information:

Cash paid during period for interest, net of amounts capitalized	\$ 1,169	\$ 732
Cash paid during period for income taxes	\$ 85	\$ 164

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 77002

EXCHANGE LISTINGS

New York Stock Exchange
Pacific Stock Exchange
Symbol "SFY"



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16825 Northchase Drive, Suite 400
Houston, Texas 77060-6098



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