

GROWTH THROUGH TECHNOLOGY AND TEAMWORK

 **SWIFT ENERGY**  
COMPANY  
1997 FIRST QUARTER REPORT



## Letter to Stockholders

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Swift Energy Company's outstanding performance during the first quarter of 1997 validates once again our current emphasis on an accelerated exploration and development program. For the first three months of 1997 we posted total revenues of \$21.2 million and earnings of \$6.8 million, reflecting increases of 90% and 120%, respectively, over our revenues and earnings for the first three months of 1996. Net income per share rose from \$0.25 to \$0.45, and net cash provided by operating activities more than tripled, increasing from \$6.2 million to \$19.5 million.

The higher earnings are due to substantial increases in the Company's production and sales, together with improved prices for both natural gas and oil. Our natural gas production rose 55% from the first quarter of 1996 to 4.9 billion cubic feet in the first quarter of 1997, with the average price we received for the gas increasing from \$2.16 to \$3.06 per thousand cubic feet (per Mcf). Our oil production rose 4% to 166,240 barrels, with a price increase from \$17.78 to \$20.13 per barrel.

In the AWP Olmos Field in South Texas, the site of our largest drilling operation, we placed 49 new development wells (38.8 net wells) in production during the first quarter. At the end of the quarter our net daily production from the field was approximately 42 million cubic feet of natural gas equivalent, an amount that will increase as we add approximately 100 more new wells in the field before year end and continue drilling thereafter. To aid us in choosing locations for new wells in one relatively uncharted area in the field, we conducted a two-dimensional seismic survey over approximately 30 miles during the month of May. As we have stated previously, AWP wells have long productive lives and therefore can be expected to provide the Company with cash flows for 15 to 20 years.

In the Texas Austin Chalk trend, where we have been drilling horizontal wells that have very high initial yields, we were active in two different counties during the first quarter. In Washington County, we had a 25% working interest in a successful exploratory well; and in Fayette County, we had working interests of 35% and 55%, respectively, in two successful development wells.

We have been even more active in the Austin Chalk trend since the second quarter began. In Fayette County we have completed a dual-lateral development well in which we have a working interest of 34.5%, placing it in production at 11 million cubic feet of gas and 680

barrels of oil per day, and we are drilling or participating in three more development wells.

We have also begun drilling an exploratory well to the Austin Chalk in Walker County on a 52,000-acre block in which we have a 68% working interest. This well, together with several other potential drilling locations, was based on the analysis of available seismic data; however, the full development of this acreage will be predicated on further extensive seismic surveys.

Also during the first quarter we drilled a successful exploratory well to the Frio formation in Jackson County, Texas, and another to the Minnelusa formation in Campbell County, Wyoming, with working interests of 27% and 60%, respectively.

On the international front, we completed a series of seismic surveys in New Zealand in early May that included a two-dimensional seismic line and a two-dimensional seismic swath, plus a 66-shot test of various charges and hole depths. Following several weeks of processing, analysis, and interpretation, the data will be used to identify promising well sites. The first well is expected to be drilled in 1998.

While Swift Energy continues to meet or exceed expectations in performance, during the first quarter the Company, along with many other energy companies, experienced a significant decline in the price of its stock, which had grown by 149% in 1996. On March 3 the board of directors announced its approval to repurchase up to \$20 million of Swift's common stock in open market transactions throughout 1997. To date we have repurchased 383,900 shares at a total cost of \$8.4 million, the last such purchase occurring on April 28.

As we approach midyear, it appears that our strategy of "growth through technology and teamwork" is working well and that by year end Swift Energy will have again set new records in reserves growth and production. That continues to be our goal—not only for 1997 but also for the years that follow.



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

## Consolidated Balance Sheets

### Swift Energy Company and Subsidiaries

(in Thousands)

	March 31, 1997	December 31, 1996
	(Unaudited)	
<b>Assets</b>		
Current assets	\$ 86,526	\$ 101,619
Property and equipment, net	225,355	202,974
Other	6,452	5,782
	<u>\$ 318,333</u>	<u>\$ 310,375</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities	\$ 34,017	\$ 32,915
Long-term debt	115,000	115,000
Deferred revenues	4,002	4,404
Deferred income taxes	18,403	15,294
Stockholders' equity	146,911	142,762
	<u>\$ 318,333</u>	<u>\$ 310,375</u>

## First-Quarter Volumes and Prices

	1997	1996	% Change
Natural gas production (Mcf)	4,903,206	3,172,399	+55%
Oil & condensate production (barrels)	166,240	159,155	+4%
Average gas price per Mcf	\$ 3.06	\$ 2.16	+42%
Average oil price per barrel	\$ 20.13	\$ 17.78	+13%

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,	
	1997	1996
<b>Revenues:</b>		
Oil and gas sales	\$ 18,370	\$ 9,692
Fees from limited partnerships and joint ventures	99	70
Supervision fees	1,248	1,031
Interest income	999	9
Other, net	530	387
	<u>21,246</u>	<u>11,189</u>
<b>Costs and Expenses:</b>		
Oil and gas production	2,763	1,848
General and administrative, net	1,575	1,438
Depreciation, depletion, and amortization	5,397	3,270
Interest expense, net	1,350	72
	<u>11,085</u>	<u>6,628</u>
Income Before Income Taxes	10,161	4,561
Provision for Income Taxes	3,392	1,479
Net Income	<u>6,769</u>	<u>3,082</u>
<b>Per Share Amounts—</b>		
Primary	<u>\$ 0.45</u>	<u>\$ 0.25</u>
Fully diluted	<u>\$ 0.41</u>	<u>\$ 0.22</u>
Weighted Average Shares Outstanding	<u>15,184</u>	<u>12,540</u>

# Consolidated Statements of Cash Flows

## Swift Energy Company and Subsidiaries

(Unaudited)  
(in Thousands)

	Three Months Ended March 31,	
	1997	1996
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 6,769	\$ 3,082
Non-cash revenue and expense items	8,562	4,106
Net change in operating assets and liabilities	4,208	(989)
<b>Net Cash Provided by Operating Activities</b>	<b>19,539</b>	<b>6,199</b>
<b>Cash Flows from Investing Activities:</b>		
Additions to property and equipment	(28,409)	(11,481)
Proceeds from the sale of property and equipment	530	—
Net cash received (distributed) as operator of oil and gas properties	1,288	(13,143)
Net cash received (distributed) as operator of partnerships and joint ventures	738	1,915
Limited partnership formation and marketing costs	(462)	(493)
Prepaid drilling costs	—	(143)
Other	151	(82)
<b>Net Cash Used in Investing Activities</b>	<b>(26,164)</b>	<b>(23,427)</b>
<b>Cash Flows from Financing Activities:</b>		
Net proceeds from short-term bank borrowings	—	12,000
Net proceeds from issuances of common stock	759	597
Purchase of treasury stock	(3,760)	—
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(3,001)</b>	<b>12,597</b>
Net Decrease in Cash and Cash Equivalents	\$ (9,626)	\$ (4,631)
Cash and Cash Equivalents at Beginning of Period	77,795	7,574
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 68,169</b>	<b>\$ 2,943</b>

# 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

G. Robert Evans  
Chairman of the Board  
Material Sciences Corporation

Raymond O. Loen  
President  
R. O. Loen Company

Henry C. Montgomery  
Executive Vice President  
SyQuest Technology, Inc.

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 A. D'Amico  
Vice President—Exploration & Development

Alton D. Heckaman, Jr.  
Vice President  
Controller

James P. Mitchell  
Vice President—Land

Victor R. Moran  
Vice President—Natural Gas Marketing/  
Business Development

Khushroo N. J. Patel  
Vice President—Geophysics

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

James R. Stewart  
Vice President—Drilling & Production

Adrian D. Shelley  
Treasurer

D. Wynn Ibach  
General Counsel

## CORPORATE HEADQUARTERS

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Houston, Texas 77060-6098  
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(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"



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Houston, Texas 77060-6098

