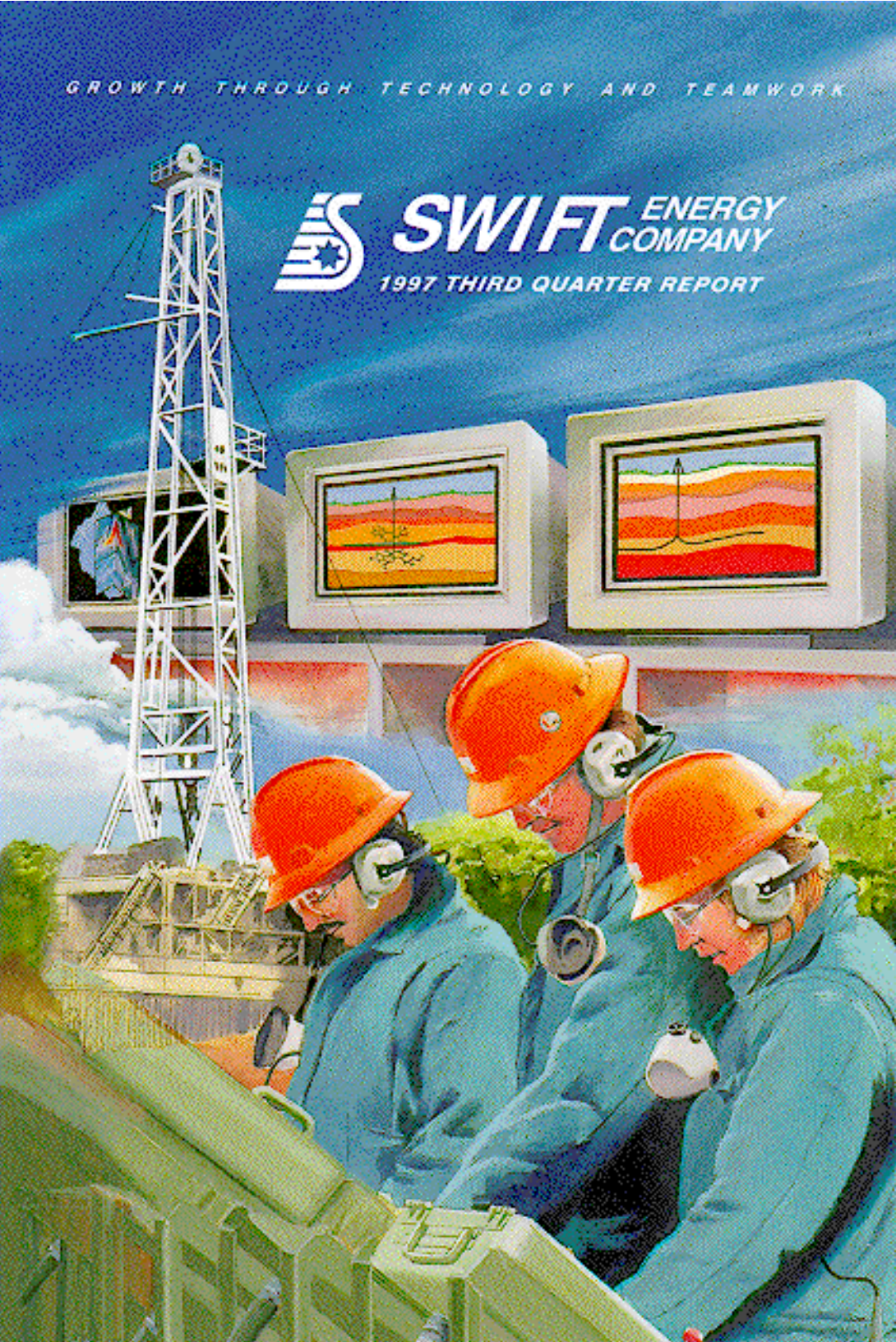


GROWTH THROUGH TECHNOLOGY AND TEAMWORK

 **SWIFT** ENERGY
COMPANY
1997 THIRD QUARTER REPORT



Letter to Stockholders

During the third quarter of 1997, Swift Energy Company's natural gas production was 34% higher than in the third quarter of 1996 and oil production was 9% higher, leading to sales of \$16.4 million. This represented a 24% increase in sales over the same period last year and the highest volume of production ever recorded by the Company for a single quarter: 6.5 billion cubic feet equivalent.

Earnings for the quarter increased 1% to \$4.7 million, and net cash provided by operating activities increased 12% to \$12.8 million. Net income per share was \$0.29 compared to \$0.30 during the third quarter of 1996, with adjustments made for both years to account for a 10% stock dividend declared in October 1997. The relatively flat per-share earnings reflect lower overall product prices, a higher number of outstanding shares, and the Company's assimilation of debt associated with our offering of \$115 million of 6.25% Convertible Subordinated Notes in November 1996. Improved prices, coupled with expected increases in sales volumes as capital investments in drilling continue, should produce increased revenues, cash flows, and per-share profitability in the fourth quarter.

For the first nine months of 1997, our production, revenues, earnings and cash flows all reached record levels. Natural gas production was 44% higher than for the first nine months of 1996, and oil production was 7% higher, increasing sales by 45% to \$48.9 million and total revenues by 46% to \$57.4 million. Earnings increased 37% to \$15.6 million, resulting in a net income per share of \$0.94, which was 19% above the net income per share of \$0.79 realized for the first nine months of 1996. Net cash provided by operating activities rose 63%, from \$26.4 million in 1996 to \$43.1 million in 1997.

Drilling activities in our accelerated exploration and development program have remained on schedule. In the AWP Olmos Field, 23 development wells were successfully completed during the third quarter, and, as of November 7, an additional nine wells had been added in the fourth quarter, increasing to 126 the total number of successful wells drilled this year. This activity continues with four rigs currently operating in the field.

We have recently purchased approximately 2,800 gross leasehold acres in the heart of the AWP Field which include an estimated 35 new development drilling locations, 35 producing wells, and a related 20-mile pipeline. The current production from the wells is approximately 2 million cubic feet equivalent per day and the associated reserves are estimated to be about 22 billion cubic feet equivalent. With this addition, our holdings in the area total approximately 38,000 net acres.

In the Texas Austin Chalk trend, we drilled or participated in five successful horizontal wells during the third quarter. An exploratory well in Trinity County, in which we have a 27.5% working interest, tested at rates up to 3.6 million cubic feet of natural gas and 486 barrels of condensate

per day (the Great Western CMT #1-H). Four development wells in Fayette County included one that tested at 4.5 million cubic feet of natural gas and 1,152 barrels of oil per day (the Tannenberger #1-OL with a 36.2% Swift working interest) and another that tested at 8.5 million cubic feet of gas and 536 barrels of condensate per day (the Citation #1 with a 35% Swift working interest).

Our leasehold acreage in the Austin Chalk has now expanded to 148,000 gross acres and several recent seismic surveys have been conducted in the area. With six rigs currently operating in the Austin Chalk, we anticipate a number of additional horizontal well successes before year end. One development well in Washington County has already been completed in the fourth quarter and tested at 18.5 million cubic feet of gas per day (the Jarmon #1 with a 25% Swift working interest).

Also during the third quarter, we had a successful exploratory well drilled to the Frio formation in Lavaca County, Texas. This has been followed in the fourth quarter by two additional successful exploratory wells, one drilled to the Queen City formation in Jim Hogg County, Texas, and another to the Frio formation in Jackson County, Texas. Three additional development wells were also successfully drilled during the third quarter, one each in Lavaca County, Texas; Webster Parish, Louisiana; and Caddo County, Oklahoma.

With the drilling successes achieved by Swift Energy over the last two and one-half years, the Board of Directors in October declared the 10% stock dividend mentioned earlier in this letter. This is in keeping with our belief that the stockholders should share in the results of the Company's good performance.

In another move consistent with our long-term succession plans, the Board of Directors on November 3 elected Terry E. Swift to the position of president of Swift Energy Company. Having joined the Company in 1981 and served as executive vice president and chief operating officer since 1991, Terry Swift, who retains the position of chief operating officer, has played a leading role in implementing our current exploration and development program. Together with Swift Energy's dedicated management teams, he will provide the leadership required to ensure the Company's successful transition into the 21st century.

A. Earl Swift
Chief Executive Officer
and Chairman

Consolidated Balance Sheets

Swift Energy Company and Subsidiaries

(in Thousands)

	September 30, 1997	December 31, 1996
	(Unaudited)	
Assets		
Current assets	\$ 38,666	\$ 101,619
Property and equipment, net	285,322	202,974
Other	5,034	5,782
	<u>\$ 329,022</u>	<u>\$ 310,375</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 36,517	\$ 32,915
Long-term debt	115,000	115,000
Deferred revenues	3,273	4,404
Deferred income taxes	22,143	15,294
Stockholders' equity	152,089	142,762
	<u>\$ 329,022</u>	<u>\$ 310,375</u>

Third-Quarter Volumes and Prices

	1997	1996	% Change
Natural gas production (Mcf)	5,560,395	4,159,151	+34%
Oil & condensate production (barrels)	163,672	150,084	+9%
Average natural gas price per Mcf \$	2.47	\$ 2.44	+1%
Average oil price per barrel \$	16.50	\$ 20.45	-19%
Average combined oil and natural gas price per Mcfe \$	2.51	\$ 2.61	-4%

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,	
	1997	1996	1997	1996
Revenues:				
Oil and gas sales	\$ 16,412	\$ 13,227	\$ 48,853	\$ 33,733
Fees from limited partnerships and joint ventures	379	455	643	616
Supervision fees	1,329	1,150	3,850	3,277
Interest income	415	9	2,165	35
Other, net	690	591	1,885	1,518
	<u>19,225</u>	<u>15,432</u>	<u>57,396</u>	<u>39,179</u>
Costs and Expenses:				
Oil and gas production	2,855	2,090	8,287	5,749
General and administrative, net	1,597	1,749	4,666	4,601
Depreciation, depletion, and amortization	6,387	4,414	17,495	11,314
Interest expense, net	1,362	—	3,755	294
	<u>12,201</u>	<u>8,253</u>	<u>34,203</u>	<u>21,958</u>
Income Before Income Taxes	7,024	7,179	23,193	17,221
Provision for Income Taxes	2,338	2,537	7,624	5,818
Net Income	<u>\$ 4,686</u>	<u>\$ 4,642</u>	<u>\$ 15,569</u>	<u>\$ 11,403</u>
Per Share Amounts—				
Primary	<u>\$ 0.29</u>	<u>\$ 0.30</u>	<u>\$ 0.94</u>	<u>\$ 0.79</u>
Fully diluted	<u>\$ 0.27</u>	<u>\$ 0.29</u>	<u>\$ 0.88</u>	<u>\$ 0.79</u>
Weighted Average Shares				
Outstanding	<u>16,418</u>	<u>15,672</u>	<u>16,508</u>	<u>14,454</u>

Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

	Nine Months Ended September 30,	
	1997	1996
Cash Flows from Operating Activities:		
Net income	\$ 15,569	\$ 11,403
Non-cash revenue and expense items	24,025	15,294
Net change in operating assets and liabilities	3,486	(346)
Net Cash Provided by Operating Activities	43,080	26,351
Cash Flows from Investing Activities:		
Additions to property and equipment	(100,908)	(55,996)
Proceeds from the sale of property and equipment	1,656	1,149
Net cash received (distributed) as operator of oil and gas properties	744	(6,056)
Net cash received (distributed) as operator of partnerships and joint ventures	1,328	10,824
Prepaid drilling costs	—	(337)
Other	(202)	(75)
Net Cash Used in Investing Activities	(97,382)	(50,491)
Cash Flows from Financing Activities:		
Net proceeds from bank borrowings	—	17,170
Net proceeds from issuances of common stock	1,631	1,950
Purchase of treasury stock	(8,417)	—
Loan to ESOP for purchase of shares	—	(569)
Net Cash Provided by (Used in) Financing Activities	(6,786)	18,551
Net Decrease in Cash and Cash Equivalents	\$ (61,088)	\$ (5,589)
Cash and Cash Equivalents at Beginning of Period	77,795	7,575
Cash and Cash Equivalents at End of Period	\$ 16,707	\$ 1,986

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
Chief Executive Officer

Terry E. Swift
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 77002

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

EXCHANGE LISTINGS

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

For additional information, contact: John R. Alden, Chief Financial Officer, Phone: (281) 874-2700 or (800) 777-2412, Fax: (281) 874-2726, E-mail: info@swiftenergy.com, Web site: www.swiftenergy.com.



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