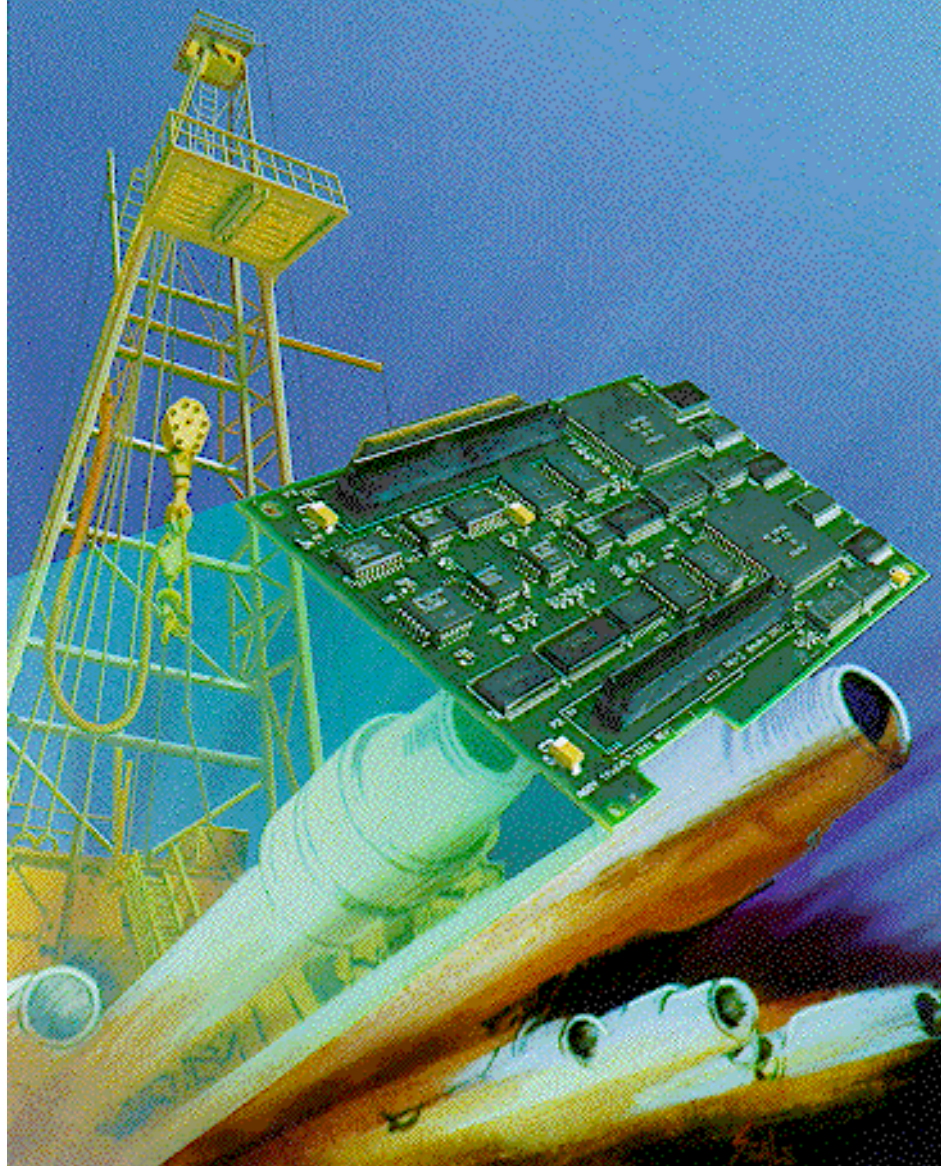


SUSTAINED GROWTH THROUGH STRATEGIC MANAGEMENT

SWIFT ENERGY
COMPANY
1998 SECOND QUARTER REPORT



Letter to Stockholders

For the three-month period ending June 30, 1998, and for the twelfth consecutive quarter, Swift Energy Company reported record levels in oil and natural gas production. During the second quarter of 1998, the Company's production reached 7.3 billion cubic feet of natural gas equivalent (Bcfe), a 20% increase over that reported for the same period in 1997. For the six-month period ending June 30, production was 14.3 Bcfe, 19% above that for the comparable period in 1997.

With higher production, our second-quarter oil and gas sales reached \$15.7 million, an 11% increase over last year's second-quarter sales. A corresponding increase in cash flows—to \$12.5 million—was 16% above that for the same period in 1997; however, because of depressed oil prices, higher costs related to increased production, and increased interest expense, net income declined to \$2.9 million (\$0.18 per share, diluted) in 1998 from \$4.1 million (\$0.24 per share, diluted) in 1997, a 30% decrease.

For the six-month period ending June 30, 1998, the 19% increase in production could not offset the lower prices we received. As a result, compared to the first half of 1997, we experienced a sales decline of 3% to \$31.5 million, a cash flow decline of 16% to \$25.5 million, and a net income decline of 44% to \$6.1 million (\$0.37 per share, diluted).

The precipitous drop in oil and gas prices has greatly impacted the overall industry. At Swift, we experienced a 34% decline in the average price we received for oil and condensate between the second quarters of 1997 and 1998—from \$17.08 to \$11.20 per barrel. For the first half of the year, we experienced a 36% decline—from \$18.64 in 1997 to \$11.91 in 1998.

While the average price we received for natural gas was \$2.20 per thousand cubic feet (Mcf) in the second quarters of both 1997 and 1998, it was at the low end of fluctuating prices in an overall decline. For the six months ending June 30, the average price we received for natural gas decreased 15% from \$2.62 per Mcf in 1997 to \$2.24 per Mcf in 1998. This decrease, combined with the lower oil prices, resulted in a 19% decline in the average price we received for our total production—\$2.20 per Mcfe during the first half of 1998 versus \$2.70 per Mcfe in 1997.

Despite the low prices, we continued our drilling programs in core areas throughout the first half of the year, with the resulting boost in production. Our Austin Chalk activity during the second quarter remained focused in Fayette County, Texas, where we completed three development wells (retaining greater than a 90% working interest in each) and participated in completing a fourth. Relative to 1997, our total second-quarter Austin Chalk production increased 83%.

In the AWP Field, in McMullen County, Texas, we drilled nine productive development wells during the second quarter, bringing to 322 the number of successful wells we have added in the field since 1995, most with retained working interests of 100%. Also in this field we have improved our formation-fracturing techniques and reduced their costs, which has allowed us to improve results in both old and new wells.

Other successful second-quarter drilling activity included an exploratory well in Pointe Coupee, Louisiana, in which we have a 56.75% working interest, and a third development well in the new West Coyote Field in Jim Hogg County, Texas, in which we have a 68% working interest.

Before these drilling projects were completed, however, the prevailing pricing environment was creating new challenges and opportunities for the Company. As a result, we elected, where appropriate, to delay various types of additional drilling projects into next year's program and, instead, to focus on the acquisition and operation of attractively priced producing properties in areas in which we have particular expertise.

We have, in fact, recently announced the largest acquisition of producing properties in our history—an \$87.6 million purchase from Sonat Exploration Company. Located in the Austin Chalk trend, the properties consist of interests in 156 producing wells in the Brookeland Field in southeast Texas and the Masters Creek Field in western Louisiana, with Swift assuming operations of 113 of the wells. The acquisition also includes over 200,000 net undeveloped acres plus Sonat's 20% interest in two natural gas processing plants. These plants, one in each field, have a combined capacity of up to 250 million cubic feet of gas per day.

On the basis of our own detailed studies and those of independent reserves auditors, the new properties are estimated to have proved reserves of 91.1 Bcfe, which will increase the Company's total reserves by approximately 25% and significantly increase our production. Not only will this acquisition complement our existing asset base, it will also provide additional opportunities for the Company when the pricing environment improves.

Swift Energy's Board of Directors has expressed its confidence in our strategy for adapting to and capitalizing on a changing economic environment. Believing also that the low prices have caused Swift's stock to be currently undervalued relative to its assets, the Board has authorized the repurchase of up to \$10 million of the Company's common stock. This follows a repurchase program initiated in 1997 and completed on June 30, 1998, in which the Company repurchased 435,274 shares of its common stock.

All of us at Swift Energy are particularly pleased that we were presented with a large acquisition opportunity at this time, and we anticipate good results to ensue throughout the remainder of the year.



Terry E. Swift
President and
Chief Operating Officer



A. Earl Swift
Chairman and
Chief Executive Officer

Consolidated Balance Sheets

Swift Energy Company and Subsidiaries

(in Thousands)

	June 30, 1998	December 31, 1997
	(Unaudited)	
Assets		
Current assets	\$ 39,283	\$ 29,982
Property and equipment, net	359,769	304,219
Other	5,207	4,914
	<u>\$ 404,259</u>	<u>\$ 339,115</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 28,937	\$ 28,518
Long-term debt	115,000	115,000
Bank borrowings	64,000	7,915
Deferred revenues	2,302	2,928
Deferred income taxes	28,083	25,354
Stockholders' equity	165,937	159,400
	<u>\$ 404,259</u>	<u>\$ 339,115</u>

Second-Quarter Volumes and Prices

	1998	1997	% Change
Natural gas production (Mcf)	6,159,255	5,142,947	+20%
Oil & condensate production (barrels)	190,225	160,341	+19%
Average gas price per Mcf	\$ 2.20	\$ 2.20	--%
Average oil price per barrel	\$ 11.20	\$ 17.08	-34%

Mcf = 1,000 cubic feet

Consolidated Statements of Income

Swift Energy Company and Subsidiaries

(Unaudited)

(in Thousands Except Per Share Amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Revenues:				
Oil and gas sales	\$ 15,681	\$ 14,072	\$ 31,483	\$ 32,441
Fees from limited partnerships and joint ventures	125	165	205	264
Interest income	45	751	63	1,750
Other, net	490	665	1,065	1,195
	<u>16,341</u>	<u>15,653</u>	<u>32,816</u>	<u>35,650</u>
Costs and Expenses:				
Oil and gas production	2,355	2,033	4,875	4,172
General and administrative, net	880	857	1,880	1,808
Depreciation, depletion, and amortization	7,251	5,711	13,985	11,108
Interest expense, net	1,585	1,044	2,970	2,393
	<u>12,071</u>	<u>9,645</u>	<u>23,710</u>	<u>19,481</u>
Income Before Income Taxes	4,270	6,008	9,106	16,169
Provision for Income Taxes	1,374	1,894	2,980	5,286
Net Income	<u>\$ 2,896</u>	<u>\$ 4,114</u>	<u>\$ 6,126</u>	<u>\$ 10,883</u>
Per Share Amounts—				
Basic	<u>\$ 0.18</u>	<u>\$ 0.25</u>	<u>\$ 0.37</u>	<u>\$ 0.66</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.24</u>	<u>\$ 0.37</u>	<u>\$ 0.61</u>
Weighted Average Shares				
Outstanding	16,525	16,402	16,513	16,552

Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

	Six Months Ended June 30,	
	1998	1997
Cash Flows from Operating Activities:		
Net income	\$ 6,126	\$ 10,883
Non-cash revenue and expense items	16,300	15,729
Net change in operating assets and liabilities	3,065	3,673
Net Cash Provided by Operating Activities	25,491	30,285
Cash Flows from Investing Activities:		
Additions to property and equipment	(66,968)	(64,043)
Proceeds from the sale of property and equipment	1,199	1,648
Net cash received (distributed) as operator of oil and gas properties	(6,749)	(1,741)
Net cash received (distributed) as operator of partnerships and joint ventures	576	2,364
Limited partnership formation and marketing costs	(478)	(345)
Other	(49)	248
Net Cash Used in Investing Activities	(72,469)	(61,869)
Cash Flows from Financing Activities:		
Net proceeds from bank borrowings	56,085	—
Net proceeds from issuances of common stock	1,179	1,429
Purchase of treasury stock	(827)	(8,417)
Net Cash Provided by (Used in) Financing Activities	56,437	(6,988)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 9,459	\$ (38,572)
Cash and Cash Equivalents at Beginning of Period	2,047	77,795
Cash and Cash Equivalents at End of Period	\$ 11,506	\$ 39,223

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
Retired Chairman and CEO
Material Sciences Corporation

Raymond O. Loen
President
R. O. Loen Company

Henry C. Montgomery
Chairman and Founder
Montgomery Financial Services Corp.

Clyde W. Smith, Jr.
President
Millennium Technology Services, 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

Joe A. D'Amico
Senior Vice President—Exploration & Development

James M. Kitterman
Senior Vice President—Operations

Bruce H. Vincent
Senior Vice President—Funds Management

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. Seaman
Vice President—Acquisitions, Dispositions,
& Reserves

James R. Stewart, Jr.
Vice President—Drilling & Production

Adrian D. Shelley
Treasurer

D. Wynn Ibach
General Counsel

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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 Exchange, Inc.
Symbol "SFY"

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