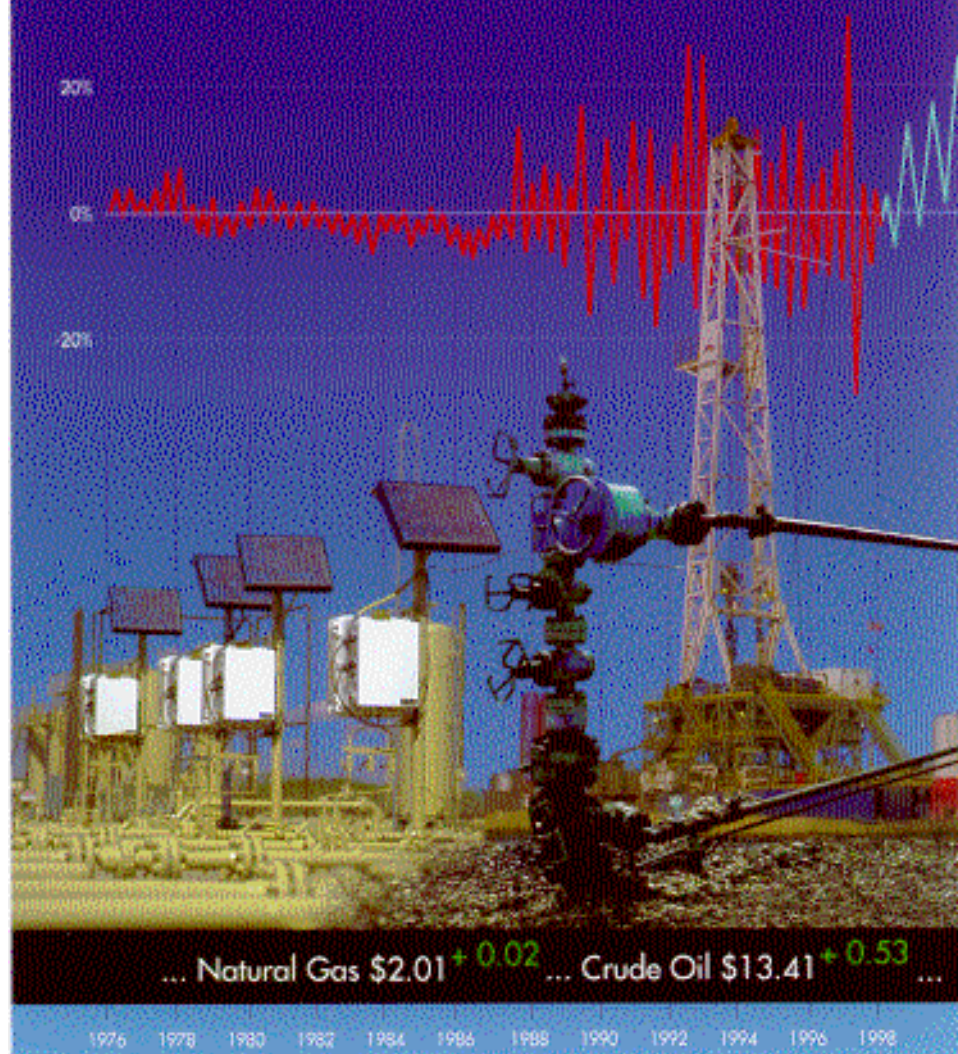


**SWIFT ENERGY COMPANY**  
1999 SECOND QUARTER REPORT

*Managing Growth in a Volatile Environment*



## Letter to Stockholders

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Swift Energy Company ended the second quarter of 1999 with a 45% increase in oil and natural gas production and a 46% increase in revenues compared to the same period in 1998. Our second-quarter production rose from 7.3 billion cubic feet of natural gas equivalent (Bcfe) in 1998 to 10.6 Bcfe in 1999, with the corresponding revenues increasing from \$16.3 million to \$23.9 million.

The increase in revenues was aided by an increase in the average composite price we received for our oil and gas, which rose 4% to \$2.23 per thousand cubic feet of gas equivalent (Mcf). This increase is particularly significant since it represents a 22.5% increase over the average price we received during the first quarter of this year when gas was only \$1.82 per Mcf and oil was down to \$10.87 per barrel. By the second quarter these prices had risen to \$2.05 per Mcf and \$15.25 per barrel.

As would be expected, the large increase in production was accompanied by higher costs and expenses, with production costs alone rising by 75%. In addition, interest expense rose \$1.8 million because of an increased level of bank borrowings to fund a large acquisition last year. As a result, the Company's 1999 second-quarter earnings were held to \$3.2 million (\$0.20 per share), a 9% increase compared to the \$2.9 million (\$0.18 per share) reported for the second quarter of 1998. Net cash provided by operating activities increased 8% to \$13.5 million.

Comparisons for the first six months of the year show a production increase of 55% in 1999, with the total production reaching 22.1 Bcfe. The corresponding increase in revenues was not as large (38%, for a total of \$45.4 million) because of the impact of an 8% reduction in the six-months average composite price. Earnings for the six months totaled \$4.4 million (\$0.27 per share), down by 28% from \$6.1 million in 1998. Net cash provided by operating activities increased 11% to \$28.3 million.

The recovery in oil prices realized in the second quarter of this year appears to be holding as most members of the Organization of Petroleum Exporting Countries (OPEC) maintain their resolve to cut back production. Worldwide oil prices are hovering around \$20 per barrel. Gas prices have also increased, which is particularly important to Swift, since approximately 63% of our current production is gas.

As the oil and gas industry awaits more evidence that prices will not suffer another precipitous plunge in the near term and that the recovery of international economies will increase demands for fuel, most oil and gas companies will remain in operational modes for a low-price environment. At Swift, for example, we are continuing to limit the development of our reserves through costly capital projects, including drilling, until the profit margin for the increased production rises. In the meantime, we are upgrading our producing fields in other ways to slow their anticipated production declines.

Much of this work is concentrated in two fields located on opposite sides of the Texas-Louisiana border—the Brookeland Field (in Texas) and the Masters

Creek Field (in Louisiana), which provided 13% and 41%, respectively, of our production during the first half of the year. During the second quarter, three successful development wells were completed on these properties, one drilled by us in Rapides Parish, Louisiana, and two drilled by other operators (with our participation) in Jasper County, Texas, and Vernon Parish, Louisiana. Also, in the second quarter we performed dendritic frac treatments on three wells in these fields that increased the average daily production of each well by approximately 480 Mcfe.

In our AWP Olmos Field in McMullen County, Texas, which provided 31% of our production during the first half of the year, our 1999 fracture-extension program included 26 wells through June 30 for an average daily production increase of approximately 190 Mcfe per well. During the same period, we also improved production through the installation of coiled tubing in 69 wells.

As we move into the third quarter of 1999, we have already realized two drilling successes. One is a development well which we drilled in the Lomita Field in Colorado County, Texas, as part of our joint venture program with Chevron USA Production Company in which each company holds a 50% working interest. The other is an exploratory well drilled by another operator (with a 33.5% Swift interest) in the Austin Chalk formation in Fayette County, Texas. We also have three other development wells under way, two in the Brookeland Field and one in the Masters Creek Field. In addition, after several years of planning, we are now drilling our first operated exploratory well in the Taranaki Basin on the North Island of New Zealand.

We have also recently taken steps that significantly improved our financial flexibility for future Company activities. On June 28, we filed a universal shelf registration statement with the Securities and Exchange Commission to raise up to \$275 million. On July 30, under this shelf registration, we successfully completed a public offering of 4.6 million shares of common stock and a concurrent offering of \$125 million of 10.25% senior subordinated notes due in 2009. The combined net proceeds to the Company totaled \$162.5 million, which allowed us to repay our current bank borrowings.

It is with considerable optimism that we look forward to the remainder of the year, believing that oil and gas prices did indeed bottom out early in the year and that the current prices, which are already substantially higher than the second-quarter averages, will be sustained for some time to come.



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, 1999	December 31, 1998
	(Unaudited)	
<b>Assets</b>		
Current assets	\$ 29,466	\$ 35,246
Property and equipment, net	359,545	359,723
Other	6,569	8,676
	<u>\$ 395,580</u>	<u>\$ 403,645</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities	\$ 24,288	\$ 31,415
Convertible notes	115,000	115,000
Bank borrowings	140,000	146,200
Deferred revenues	1,080	1,667
Deferred income taxes	1,903	—
Stockholders' equity	113,309	109,363
	<u>\$ 395,580</u>	<u>\$ 403,645</u>

## Second-Quarter Volumes and Prices

### Swift Energy Company and Subsidiaries

(Unaudited)

	1999	1998	% Change
Natural gas production (Mcf)	6,688,316	6,159,255	+9%
Oil & condensate production (barrels)	644,323	190,225	+239%
Average gas price per Mcf	\$ 2.05	\$ 2.20	-7%
Average oil price per barrel	\$ 15.25	\$ 11.20	+36%

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,	
	1999	1998	1999	1998
<b>Revenues:</b>				
Oil and gas sales	\$ 23,573	\$ 15,681	\$ 44,668	\$ 31,483
Fees from limited partnerships and joint ventures	57	125	100	205
Interest income	10	45	23	63
Other, net	289	490	626	1,065
	<u>23,929</u>	<u>16,341</u>	<u>45,417</u>	<u>32,816</u>
<b>Costs and Expenses:</b>				
Oil and gas production	4,131	2,355	8,551	4,875
General and administrative, net	1,185	880	2,294	1,880
Depreciation, depletion, and amortization	10,478	7,251	21,227	13,985
Interest expense, net	3,349	1,585	6,653	2,970
	<u>19,143</u>	<u>12,071</u>	<u>38,725</u>	<u>23,710</u>
Income Before Income Taxes	4,786	4,270	6,692	9,106
Provision for Income Taxes	1,634	1,374	2,258	2,980
Net Income	<u>\$ 3,152</u>	<u>\$ 2,896</u>	<u>\$ 4,434</u>	<u>\$ 6,126</u>
<b>Per Share Amounts—</b>				
Basic	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.27</u>	<u>\$ 0.37</u>
Diluted	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.27</u>	<u>\$ 0.37</u>
<b>Weighted Average Shares</b>				
Outstanding	16,152	16,525	16,154	16,513

# Consolidated Statements of Cash Flows

## Swift Energy Company and Subsidiaries

(Unaudited)  
(in Thousands)

	Three Months Ended June 30,	
	1999	1998
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 4,434	\$ 6,126
Non-cash revenue and expense items	23,084	16,300
Net change in operating assets and liabilities	785	3,065
<b>Net Cash Provided by Operating Activities</b>	<b>28,303</b>	<b>25,491</b>
<b>Cash Flows from Investing Activities:</b>		
Additions to property and equipment	(23,190)	(66,968)
Proceeds from the sale of property and equipment	1,746	1,199
Net cash received (distributed) as operator of oil and gas properties	(1,355)	(6,749)
Net cash received (distributed) as operator of partnerships and joint ventures	3,244	576
Limited partnership formation and marketing costs	(649)	(478)
Other	(183)	(49)
<b>Net Cash Used in Investing Activities</b>	<b>(20,387)</b>	<b>(72,469)</b>
<b>Cash Flows from Financing Activities:</b>		
Net proceeds from (payments of) bank borrowings	(6,200)	56,085
Net proceeds from issuances of common stock	477	1,179
Purchase of treasury stock	(1,463)	(827)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(7,186)</b>	<b>56,437</b>
Net Increase in Cash and Cash Equivalents	\$ 730	\$ 9,459
Cash and Cash Equivalents at Beginning of Period	1,631	2,047
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 2,361</b>	<b>\$ 11,506</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  
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

## CORPORATE HEADQUARTERS

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## INDEPENDENT ACCOUNTANTS

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711 Louisiana, Suite 1300  
Houston, Texas 77002

## TRANSFER AGENT AND REGISTRAR

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"

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At the Swift Energy worldwide web site (<http://www.swiftenergy.com>), you can view Swift Energy's quarterly reports, press releases, and a number of other Company documents as soon as they are released for publication. If you prefer not to receive printed copies of these documents and to be notified when they are posted on the web site, please send your full name, e-mail address, and a request to be added to our e-mail updates list to: [updates@swiftenergy.com](mailto:updates@swiftenergy.com).