



SWIFT ENERGY COMPANY
2001 FIRST QUARTER REPORT



**SUCCESS
IS
A JOURNEY**



Letter to Stockholders

For the fifth consecutive quarter, Swift Energy Company has set new records in revenues, earnings, and net cash provided by operating activities. Compared to the first quarter of 2000, revenues during the first quarter of 2001 increased 65% to \$62.4 million, earnings rose 133% to \$22.3 million, and net cash provided by operating activities increased 105% to \$48.2 million. Earnings before an accounting principal change were \$0.92 per basic share (\$0.89 per diluted share), compared to \$0.46 per basic share (\$0.43 per diluted share) in the first quarter of 2000.

Swift Energy continues to benefit from the higher pricing environment of the past two years. During the first quarter of this year we received an average price of \$6.86 per thousand cubic feet (per Mcf) for our natural gas, much higher than the average of \$2.93 per Mcf in the first quarter of 2000. At the same time, the average price we received per barrel of oil and condensate during the first quarter of this year was slightly above that received during the first quarter of 2000 (\$27.63 vs. \$27.35).

The increased gas prices were particularly significant, since our first-quarter production was 65% gas. Our total production for the quarter was 10.3 billion cubic feet of gas equivalent (Bcfe), somewhat lower than the 10.5 Bcfe produced for the same period in 2000. However, we expect our second-quarter production levels to increase as a result of recent domestic drilling activities.

Approximately 32% of our first-quarter production was from the AWP Olmos Field in McMullen County, Texas. We have one rig operating full-time in the field, successfully completing five development wells during the first quarter and completing a sixth well and spudding a seventh early in the second quarter, all with 100% Swift working interests. We also improved the production from 17 wells in the field by refracturing the formation surrounding their well bores and thereby increasing the flow into the wells.

Another 35% of our first-quarter production came from the Masters Creek Area located in Rapides Parish and Vernon Parish in Louisiana. We have two rigs operating in this area, where our primary focus is on the Austin Chalk formation. During the first quarter we completed three successful horizontal development wells in the area with Swift working interests of 100%, 91%, and 59%. We also spudded two additional wells with interests of 100% and 92%. Of these, one is now awaiting completion (as of May 18), and the other has already been successfully completed. The latter well is located in the South Burr Ferry Field, which has the potential of becoming a new core area of operation for Swift in the near future.

An additional 11% of our first-quarter production came from the Brookeland Area in Jasper County and Newton County, Texas, where we are also utilizing two rigs full time and focusing on the Austin Chalk formation. During the first quarter, we completed three successful horizontal development wells in the area with Swift working interests of 100%, 100%, and 97%. We also participated in a fourth successful well with a 37% interest. Two more wells were spudded in the area during the first quarter, both of which have since been successfully completed. One is an operated well in which we kept a 96% working interest, and the other is a non-operated well in which we have a 10% interest.

Also during the first quarter, we launched the most wide-ranging domestic exploratory program in Swift's history, which now includes two new prospects in addition to the eleven we already had for this year. Our first exploratory well for the year, on the Rome prospect in Willacy County, Texas, was successfully drilled and logged in the Frio sands during the first quarter. Two other exploratory wells, one on the Sienna prospect in Kenedy County, Texas, and another on a Nita prospect in Goliad County, Texas, were spudded during the first quarter. Of these, the Sienna prospect is still drilling and the Nita prospect, which has had several hydrocarbon shows, is nearing completion. Three additional exploratory wells—one each on the Falcon Ridge prospect in Zapata County, Texas, the Lion prospect in San Jacinto County, Texas, and the Southeast Sweet Lake prospect in Cameron Parish, Louisiana—were spudded early in the second quarter and are still drilling.

In New Zealand, we completed drilling the Rimu-A2 well during the first quarter and spudded our fifth well, the Rimu-A3, which reached its total depth and had production casing set in April. We then moved to our Kauri prospect, spudding the Kauri-A1 on May 1. We are now constructing production and processing facilities in the Rimu area with an initial capacity of 3,500 barrels of oil and 10,000 Mcf of gas per day. With a projected year-end completion date of these facilities, we expect to begin selling natural gas to a New Zealand electric power company under a recently negotiated 10-year contract. Meanwhile, we are conducting extended production testing during the second quarter and are continuing intensive analyses of all available seismic and geologic data in order to optimize our choices of future drilling sites, including those on additional prospects.

In addition to these drilling activities, we also completed, effective March 1, a \$30.5 million acquisition of producing properties in the Lake Washington Field in Plaquemines Parish, Louisiana. The proved reserves associated with this purchase, as estimated by the Company and audited by H. J. Gruy & Associates, are 7.7 million barrels of oil equivalent (BOEs), with current production at approximately 1000 BOEs per day. We are now operating 20 wells in the field, all in water depths from 6 to 30 feet, and have a large potential for further development in the area. We also have already identified at least four exploration prospects on the property.

Obviously, we had a very busy first quarter, which, we believe, reflects our current theme, "Success Is a Journey." We are indeed on an exciting journey, and we anticipate continued success along the way.

Terry E. Swift
Chief Executive Officer,
President, and Director

A. Earl Swift
Chairman of
Board of Directors

Consolidated Balance Sheets

Swift Energy Company and Subsidiaries

(in Thousands)

| | March 31, 2001 | December 31, 2000 |
|---|-------------------|----------------------|
| | (Unaudited) | |
| Assets | | |
| Current assets | \$ 42,914 | \$ 41,873 |
| Property and equipment, net | 617,840 | 527,087 |
| Other | 3,333 | 3,427 |
| | <u>\$ 664,087</u> | <u>\$ 572,387</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | \$ 65,988 | \$ 64,325 |
| Long-term debt | 189,346 | 134,729 |
| Deferred income taxes | 52,980 | 41,179 |
| Stockholders' equity | 355,773 | 332,154 |
| | <u>\$ 664,087</u> | <u>\$ 572,387</u> |

First-Quarter Volumes and Prices

Swift Energy Company and Subsidiaries

(Unaudited)

| | 1st Qtr. 2001 | 1st Qtr. 2000 | % Change |
|---------------------------------------|------------------|------------------|----------|
| Natural gas production (Mcf) | 6,705,702 | 6,602,371 | +2% |
| Oil & condensate production (barrels) | 603,221 | 652,748 | -8% |
| Average gas price per Mcf | \$ 6.86 | \$ 2.93 | +134% |
| Average oil price per barrel | \$ 27.63 | \$ 27.35 | +1% |

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, | |
|---|---------------------------------|-----------------|
| | 2001 | 2000 |
| Revenues: | | |
| Oil and gas sales | \$ 62,696 | \$ 37,184 |
| Fees from limited partnerships and joint ventures | 63 | 43 |
| Interest income | 12 | 268 |
| Price-risk management and other, net | (379) | 253 |
| | <u>62,392</u> | <u>37,748</u> |
| Costs and Expenses: | | |
| Oil and gas production | 8,958 | 6,144 |
| General and administrative, net | 1,884 | 1,148 |
| Depreciation, depletion, and amortization | 13,387 | 11,471 |
| Interest expense, net | 2,650 | 4,066 |
| | <u>26,879</u> | <u>22,829</u> |
| Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle | 35,513 | 14,919 |
| Provision for Income Taxes | 12,793 | 5,329 |
| Income Before Cumulative Effect of Change in Accounting Principle | 22,720 | 9,590 |
| Cumulative Effect of Change in Accounting Principle (net of taxes) | 393 | — |
| Net Income | <u>\$ 22,327</u> | <u>\$ 9,590</u> |
| Per Share Amounts— | | |
| Basic: Income Before Cumulative Effect of Change in Accounting Principle | \$ 0.92 | \$ 0.46 |
| Cumulative Effect of Change in Accounting Principle | 0.01 | — |
| Net Income | <u>\$ 0.91</u> | <u>\$ 0.46</u> |
| Diluted: Income Before Cumulative Effect of Change in Accounting Principle | \$ 0.89 | \$ 0.43 |
| Cumulative Effect of Change in Accounting Principle | 0.01 | — |
| Net Income | <u>\$ 0.88</u> | <u>\$ 0.43</u> |
| Weighted Average Shares Outstanding | <u>24,666</u> | <u>20,849</u> |

Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

| | Period Ended March 31, | |
|--|---------------------------|------------------|
| | 2001 | 2000 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 22,327 | \$ 9,590 |
| Non-cash revenue and expense items | 25,710 | 16,654 |
| Net change in operating assets and liabilities | 178 | (2,736) |
| Net Cash Provided by Operating Activities | 48,215 | 23,508 |
| Cash Flows from Investing Activities: | | |
| Additions to property and equipment | (100,015) | (24,371) |
| Proceeds from the sale of property and equipment | — | 1 |
| Net cash received (distributed) as operator of oil and gas properties | (2,574) | 3,001 |
| Net cash received (distributed) as operator of partnerships and joint ventures | 279 | (775) |
| Other | (59) | (7) |
| Net Cash Used in Investing Activities | (102,369) | (22,151) |
| Cash Flows from Financing Activities: | | |
| Net proceeds from bank borrowings | 54,600 | — |
| Net proceeds from issuances of common stock | 702 | 586 |
| Net Cash Provided by Financing Activities | 55,302 | 586 |
| Net Increase in Cash and Cash Equivalents | \$ 1,148 | \$ 1,943 |
| Cash and Cash Equivalents at Beginning of Period | 1,987 | 22,686 |
| Cash and Cash Equivalents at End of Period | \$ 3,135 | \$ 24,629 |

Investor Information

BOARD OF DIRECTORS

A. Earl Swift
Chairman of the Board
Swift Energy Company

Virgil N. Swift
Vice Chairman, Swift Energy Company
Chairman, Swift Energy International

Terry E. Swift
CEO and President, Swift Energy Company
President, Swift Energy International

G. Robert Evans
Retired Chairman and CEO
Material Sciences Corporation

Henry C. Montgomery
Chairman and Founder
Montgomery Financial Management

Clyde W. Smith, Jr.
President
Millennium Technology Services, Inc.
Harold J. Withrow
Consultant

OFFICERS

Terry E. Swift
Chief Executive Officer
President

Joe A. D'Amico
Executive Vice President
Chief Operating Officer

Bruce H. Vincent
Executive Vice President—Corporate
Development, Secretary

Alton D. Heckaman, Jr.
Senior Vice President—Finance,
Chief Financial Officer

James M. Kitterman
Senior Vice President—Operations

Victor R. Moran
Senior Vice President—Energy Marketing &
Business Development

James P. Mitchell
Vice President—Land

Khushroo N. J. Patel
Vice President—Geophysics

Thomas E. Schmidt
Vice President—Exploration &
Development

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

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

Adrian D. Shelley
Treasurer

David W. Wesson
Controller

D. Wynn Ibach
General Counsel

CORPORATE HEADQUARTERS

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Trust Company
59 Maiden Lane, Plaza Level
New York, New York 10038
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EXCHANGE LISTINGS

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

Swift Energy ® and  ® are registered service marks of Swift Energy Company.

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