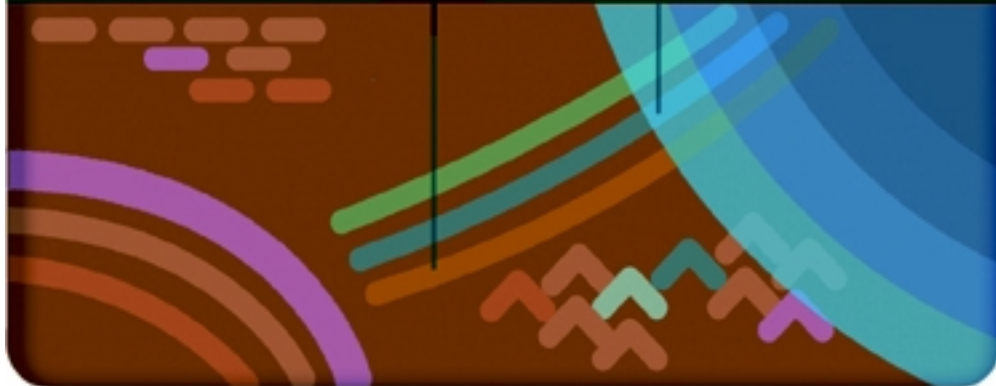




**SWIFT ENERGY**  
COMPANY  
2001 THIRD QUARTER REPORT



**SUCCESS  
IS  
A JOURNEY**



## Letter to Stockholders

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The high commodity prices that the oil and gas industry enjoyed early in the year continued to spiral downward during the third quarter. As a result, Swift Energy's revenues, earnings, and cash flows were below those reported for the same period last year despite an 11% increase in production. Still, the Company's performance for the first nine months of the year set new financial records.

Compared to the third quarter of 2000, revenues for the third quarter of 2001 decreased by 17% to \$41.2 million, earnings declined by 53% to \$7.4 million, and net income per diluted share dropped by 56% to \$0.29. Net cash provided by operating activities declined 21% to \$25.8 million. These results include earnings of \$1.6 million from oil and gas price derivatives (price floors) that we had in place to partially counter the effect of sharp price declines.

Compared to the first nine months of 2000, revenues for the first nine months of 2001 increased by 17% to \$155.9 million, earnings rose by 13% to \$44.7 million, and net income per diluted share increased by 2% to \$1.75. Net cash provided by operating activities rose 39% to \$121.8 million.

Third quarter 2001 production was 11.7 billion cubic feet of natural gas equivalent (Bcfe), up from 10.5 Bcfe in the third quarter of 2000. But with an overall drop of 27% in the commodity prices we received (from \$4.63 per thousand cubic feet of natural gas equivalent [Mcf] to \$3.36 per Mcfe), our oil and natural gas sales decreased from \$48.7 million in third quarter 2000 to \$39.3 million in third quarter 2001. Again, however, the nine-months results for 2001 were higher, with sales up 17% to \$153.2 million compared to \$131.4 million for the first nine months of 2000.

With a commitment to increase reserves and production despite fluctuating prices, we continued our development and exploration drilling programs throughout the third quarter. As expected, these activities are leading to an increase in the number of core areas the Company is operating. This year, for example, we added the Lake Washington Area in Plaquemines Parish, Louisiana, and, owing to recent exploratory successes, we have an emerging growth area on the Garcia Ranch in South Texas (in Willacy County and Kenedy County). Also, following successful tests on a number of wells, our New Zealand properties can now be recognized as our first core operating area outside the United States. We, of course, continue to operate our AWP Olmos Area in South Texas, which has provided steady production for more than a dozen years, and the Brookeland Area in East Texas and the Masters Creek Area (including the South Burr Ferry Field) in Central Louisiana, both of which we acquired in 1998.

During the first nine months of the year, our domestic development program included 32 wells with a 100% success rate. Nine of the wells were drilled in the third quarter, including two non-operated wells in which Swift had small interests. The remaining seven wells were Swift-operated wells with average working interests of 97.3%—one in the AWP Olmos Area, one in the Brookeland Area, three in the Masters Creek Area (including one in the South Burr Ferry Field), and two in the Lake Washington Area. The Lake Washington wells, the first to be drilled in this new core area, encountered more pay intervals in the targeted Miocene sands than we anticipated, as have three more wells that have been successfully drilled in the area during the fourth quarter.

Our domestic exploratory program for the first nine months of the year included nine wells with five successes. Of the nine, four wells were drilled in the third quarter

with one success—a Swift-operated well (with a 60% working interest) drilled to the Wilcox formation on the Brandon prospect in Goliad County. (We successfully drilled two other wells to the Wilcox formation earlier in the year, one in Goliad County and another in Zapata County, Texas.) A second Swift-operated well drilled during the third quarter on the Bullwinkle prospect in Converse County, Wyoming, was determined to have noncommercial production rates; however, the southern part of the prospect still offers potential. In other third-quarter activity, tests we conducted on an earlier well drilled to the Woodbine sands on the Lion prospect in San Jacinto County, Texas, led to the well being temporarily abandoned. To further explore the Woodbine sands, a non-operated well in which Swift has a 9.5% working interest will be drilled during the fourth quarter on the Max prospect approximately 3 miles north of the Lion prospect.

Our fourth-quarter exploration activities include two wells targeting the Miocene sands in Plaquemines Parish, Louisiana, one now drilling on the Grand Lake prospect and another to be spudded around the first of the year on the Duckhead prospect within the Lake Washington Area. Also, in the Garcia Ranch Area, where we successfully drilled two exploratory wells to the deep Frio sands during the first half of the year (on the Rome and Siena prospects), we have an exploratory well drilling on the Capri prospect in Willacy County, Texas, with another expected to be spudded before year-end on the Milan prospect in Kenedy County.

In New Zealand, we have now drilled eight wells, all of which have had significant hydrocarbon shows and collectively have intercepted nine different hydrocarbon-bearing zones. During the third quarter, we drilled the Kauri-A2 well to test the shallow Manutahi sand encountered in the Kauri-A1 well, with the results indicating a high-quality interval of about 66 feet. We also began testing the Kauri-A1 well, currently focusing on three intervals of the approximately 872-ft-thick Kauri sand found above the targeted Tariki sandstone. In addition, to further delineate the Rimu area, we drilled the Rimu-B3 well, which did not encounter either the expected Upper Tariki sandstone or the Upper Rimu limestone but did find another shallow sand and a deep Eocene sand. Because of mechanical difficulties, the Rimu-B3 well was plugged back to a depth of about 5,000 feet, from which point a sidetrack well is being drilled. Also during the third quarter, we continued production testing of the earlier Rimu wells and construction of our Rimu production station. Finally, we performed a seismic survey to obtain approximately 18.6 miles (30 kilometers) of two-dimensional data for our second permit area to the north of Rimu, where we are evaluating the shallow Rata prospect.

As is apparent from this report, the year 2001 has been extremely exciting and rewarding for Swift Energy in spite of the declining prices. We anticipate no less as we move into the coming new year.

Terry E. Swift  
Chief Executive Officer  
and President

A. Earl Swift  
Chairman of  
Board of Directors

## Summary Balance Sheet Information

### Swift Energy Company and Subsidiaries

(in Thousands)

	September 30, 2001	December 31, 2000
	(Unaudited)	
<b>Assets</b>		
Current assets	\$ 38,365	\$ 41,873
Property and equipment, net	700,815	527,087
Other	3,142	3,427
	<u>\$ 742,322</u>	<u>\$ 572,387</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities	\$ 47,681	\$ 64,325
Long-term debt	250,480	134,729
Deferred income taxes	65,184	41,179
Stockholders' equity	378,977	332,154
	<u>\$ 742,322</u>	<u>\$ 572,387</u>

## Third-Quarter Volumes and Prices

### Swift Energy Company and Subsidiaries

(Unaudited)

	3rd Qtr. 2001	3rd Qtr. 2000	% Change
Natural gas production (Mcf)	6,819,828	6,970,980	-2%
Oil & condensate production (barrels)	813,170	591,159	+38%
Average gas price per Mcf	\$ 2.94	\$ 4.39	-33%
Average oil price per barrel	\$ 23.76	\$ 30.68	-23%

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,	
	2001	2000	2001	2000
<b>Revenues:</b>				
Oil and gas sales	\$ 39,346	\$ 48,717	\$ 153,155	\$ 131,403
Fees from limited partnerships and joint ventures	19	138	212	258
Interest income	16	445	40	1,084
Price-risk management and other, net	1,863	225	2,533	655
	<u>41,244</u>	<u>49,525</u>	<u>155,940</u>	<u>133,400</u>
<b>Costs and Expenses:</b>				
Oil and gas production	9,285	7,569	27,223	20,601
General and administrative, net	2,100	1,649	5,991	4,257
Depreciation, depletion, and amortization	14,858	11,589	42,964	34,611
Interest expense, net	3,394	3,970	9,232	12,046
	<u>29,637</u>	<u>24,777</u>	<u>85,410</u>	<u>71,515</u>
Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle	11,607	24,748	70,530	61,885
Provision for Income Taxes	4,187	8,916	25,417	22,250
Income Before Cumulative Effect of Change in Accounting Principle	7,420	15,832	45,113	39,635
Cumulative Effect of Change in Accounting Principle (net of taxes)	—	—	393	—
Net Income	<u>\$ 7,420</u>	<u>\$ 15,832</u>	<u>\$ 44,720</u>	<u>\$ 39,635</u>
<b>Per Share Amounts—</b>				
Basic: Income Before Cumulative Effect of Change in Accounting Principle	\$ 0.30	\$ 0.74	\$ 1.83	\$ 1.88
Cumulative Effect of Change in Accounting Principle	—	—	0.02	—
Net Income	<u>\$ 0.30</u>	<u>\$ 0.74</u>	<u>\$ 1.81</u>	<u>\$ 1.88</u>
Diluted: Income Before Cumulative Effect of Change in Accounting Principle	\$ 0.29	\$ 0.66	\$ 1.77	\$ 1.71
Cumulative Effect of Change in Accounting Principle	—	—	0.02	—
Net Income	<u>\$ 0.29</u>	<u>\$ 0.66</u>	<u>\$ 1.75</u>	<u>\$ 1.71</u>
<b>Weighted Average Shares</b>				
Outstanding	24,760	21,348	24,716	21,068

# Consolidated Statements of Cash Flows

## Swift Energy Company and Subsidiaries

(Unaudited)  
(in Thousands)

	Nine Months Ended September 30,	
	2001	2000
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 44,720	\$ 39,635
Non-cash revenue and expense items	66,990	56,362
Net change in operating assets and liabilities	10,102	(8,162)
<b>Net Cash Provided by Operating Activities</b>	<b>121,812</b>	<b>87,835</b>
<b>Cash Flows from Investing Activities:</b>		
Additions to property and equipment	(217,960)	(102,121)
Proceeds from the sale of property and equipment	2,940	3,378
Net cash received (distributed) as operator of oil and gas properties	(24,116)	19,485
Net cash received (distributed) as operator of partnerships and joint ventures	341	(1,866)
Other	(80)	(11)
<b>Net Cash Used in Investing Activities</b>	<b>(238,875)</b>	<b>(81,135)</b>
<b>Cash Flows from Financing Activities:</b>		
Net proceeds from bank borrowings	115,700	—
Net proceeds from issuances of common stock	1,463	2,927
<b>Net Cash Provided by Financing Activities</b>	<b>117,163</b>	<b>2,927</b>
Net Increase in Cash and Cash Equivalents	100	9,627
Cash and Cash Equivalents at Beginning of Period	1,987	22,686
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 2,087</b>	<b>\$ 32,313</b>

# 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

Adrian D. Shelley  
Treasurer

David W. Wesson  
Controller

D. Wynn Ibach  
General Counsel

## CORPORATE HEADQUARTERS

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Houston, Texas 77060-6098  
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## INDEPENDENT ACCOUNTANTS

Arthur Andersen LLP  
711 Louisiana, Suite 1300  
Houston, Texas 77002

## TRANSFER AGENT AND REGISTRAR

American Stock Transfer &  
Trust Company  
59 Maiden Lane, Plaza Level  
New York, New York 10038  
Telephone: (212) 936-5100

## 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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