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Letter to Stockholders

During the last half of 2001, the oil and gas industry faced a period of low product prices and high costs occasioned by the high product prices of the first half of the year. Swift Energy responded to this situation with an extensive cost-cutting program and a focus on increased production from existing proved developed and undeveloped reserves. As a result, during 2002 we are undertaking strategic high-impact drilling projects and are expanding, diversifying, and improving our core operating areas both in the United States and in New Zealand. In particular, we are concentrating on rapidly increasing production in our newest U.S. core area, the Lake Washington Field in Plaquemines Parish, Louisiana, and on stabilizing production in our other domestic areas. In addition, we are expanding our production in New Zealand.

As a result of these activities, our first quarter 2002 production increased to 12.3 billion cubic feet of gas equivalent (Bcfe), including 2.6 Bcfe from New Zealand. This is a 19% increase over our first quarter 2001 production and a 7% increase over our fourth quarter 2001 production. However, the continued low market prices received—an average of \$2.17 per thousand cubic feet of gas equivalent (Mcf) compared to \$6.07 per Mcfe a year ago—reduced our sales revenues by 58% to \$26.6 million.

Total revenues for the quarter were \$34.4 million, including a nonrecurring gain of \$7.3 million from the sale of our interests in the Samburg project in Western Siberia, Russia. Net income was \$3.0 million, or \$0.12 per share, a decrease of 86% from first quarter 2001. With the nonrecurring gain included and before changes in working capital, net cash flow from operations was \$18.8 million, or \$0.76 per share, a decline of 61%.

By currently focusing on the Lake Washington Field, we are accelerating the development of what we expect to be a large oil-producing asset for the Company. After a year's operation we have doubled our production in the field and plan to more than double it again before year end. These increases result both from operational improvements in a long neglected field and from new wells we are drilling. We placed one exploratory and four development wells on production in the field during the last half of 2001 and two more development wells during the first quarter of this year. During the second quarter we have already drilled four additional development wells, three of which have shown thick hydrocarbon pay sections, and plan five more wells with the current drilling rig. A completion rig will begin preparing this series of wells for production in June.

Going forward, we have an aggressive plan that will cost approximately \$25 million this year to begin exploiting the potential of the Lake Washington Field. We began the year 2002 with 29 proved undeveloped locations already identified, and we plan to drill a total of 20 development wells during the year. The 2002 program also includes two exploratory wells, one of which was unsuccessfully drilled early in the year and is now being converted to a salt water disposal well. As we gain more well-bore data through our drilling and perform further seismic and geological studies, we expect to convert large volumes of probable reserves into proved reserves. Our goal is to increase the Lake Washington reserves by 2 to 3 million barrels per quarter during 2002.

In our other domestic core areas—the AWP Field, the Brookeland Area, and the Masters Creek Area—we have been successful in slowing the production declines without significant additional drilling while awaiting the

improvement of oil and gas prices for a sustained period. We are also focusing on reducing costs. In the Masters Creek Area, in particular, we are working with vendors to decrease the costs of the large volumes of chemicals used to prevent scale buildup in the well bores, and we are reconfiguring and optimizing the compressors in the fields.

In New Zealand, we took over the operations of our new TAWN Area when it was acquired in January. Consisting of four separate fields, this area not only immediately boosted our first-quarter production, it also provided infrastructure that meshes well with our Rimu/Kauri Area. As with the Lake Washington Area, we expect to be adding to the inventory of reserves in the TAWN Area before year end and anticipate that it will be a significant producing asset for years to come.

Also in New Zealand, the commissioning of our Rimu Production Station is almost complete. Through-put from the Rimu-A1 well alone was averaging 900 to 1000 barrels of oil and 2 to 3 million cubic feet of natural gas per day in early May. Through the addition of existing completions (Rimu A pad and B pad wells) during the second quarter and future drilling and production operations, the goal will be to gradually achieve a stable rate of flow up to the plant's capacity of 3,500 barrels per day. All these wells will be producing from the Upper Tariki sand and the Upper Rimu limestone.

In other first-quarter activities in New Zealand, we increased our interest in the Rimu/Kauri Area (permit area PEP 38719) from 90% to 95% and our interest in another permit area (PEP 38716) from 7.5% to 15%. We are currently participating in an exploratory well in PEP 38716. We also drilled the Kauri-A3 well targeting the Manutahi sandstone plus a sidetrack of the Rimu-A2 well targeting the Upper Tariki sand. Both wells were successfully completed, and the Rimu well is currently scheduled for a fracture stimulation. In June, we will begin drilling the Kauri-A4 exploratory well, a deep offset to the Kauri-A1 well that will primarily target the Kauri and Lower Tariki sands. The rig will subsequently be moved to drill another development well in the Rimu area, which will target the Upper Tariki sand.

The multiple hydrocarbon-bearing horizons in New Zealand provide us with the opportunity of a world-class operation, especially with the demand for natural gas in New Zealand expected to increase within the next few years. As we move in that direction, we have strengthened our financial position with the recent sale of 1,725,000 shares of common stock and the sale in a public offering of \$200 million of senior subordinated notes, as well as our cost-savings measures. We also have a revolving line of credit with a \$195 million borrowing base, which will allow us to take advantage of new opportunities that might arise, both in New Zealand and in the United States. In the meantime, the current program will keep us very busy and, we believe, will result in a much stronger company.

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

Summary Balance Sheet Information

Swift Energy Company and Subsidiaries

(in Thousands)

	March 31, 2002	December 31, 2001
	(Unaudited)	
Assets		
Current assets	\$ 28,368	\$ 36,753
Property and equipment, net	688,728	631,209
Other	8,053	3,723
	<u>\$ 725,149</u>	<u>\$ 671,685</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 20,549	\$ 73,245
Long-term debt	355,215	258,197
Deferred income taxes	28,350	27,590
Stockholders' equity	321,035	312,653
	<u>\$ 725,149</u>	<u>\$ 671,685</u>

First-Quarter Volumes and Prices

Swift Energy Company and Subsidiaries

(Unaudited)

	1st Qtr. 2002	1st Qtr. 2001	% Change
Natural gas production (Mcf)	6,626,222	6,705,702	-1%
Oil & condensate production (barrels)	943,521	603,221	+56%
Average gas price per Mcf	\$ 1.72	\$ 6.86	-75%
Average oil price per barrel	\$ 16.10	\$ 27.63	-42%

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,	
	2002	2001
Revenues:		
Oil and gas sales	\$ 26,613	\$ 62,696
Fees from limited partnerships and joint ventures	5	63
Interest income	6	12
Gain on asset disposition	7,332	—
Price-risk management and other, net	398	(379)
	<u>34,354</u>	<u>62,392</u>
Costs and Expenses:		
Oil and gas production	9,565	8,958
General and administrative, net	2,274	1,884
Depreciation, depletion, and amortization	13,961	13,387
Interest expense, net	3,880	2,650
	<u>29,680</u>	<u>26,879</u>
Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle	4,674	35,513
Provision for Income Taxes	1,654	12,793
Income Before Cumulative Effect of Change Accounting Principle	3,020	22,720
Cumulative Effect of Change in Accounting Principle (net of taxes)	—	393
Net Income	<u>\$ 3,020</u>	<u>\$ 22,327</u>
Per Share Amounts—		
Basic: Income Before Cumulative Effect of Change in Accounting Principle	\$ 0.12	\$ 0.92
Cumulative Effect of Change in Accounting Principle	—	(0.01)
Net Income	<u>\$ 0.12</u>	<u>\$ 0.91</u>
Diluted: Income Before Cumulative Effect of Change in Accounting Principle	\$ 0.12	\$ 0.89
Cumulative Effect of Change in Accounting Principle	—	(0.01)
Net Income	<u>\$ 0.12</u>	<u>\$ 0.88</u>
Weighted Average Shares Outstanding	<u>24,882</u>	<u>24,666</u>

Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

	Period Ended March 31,	
	2002	2001
Cash Flows from Operating Activities:		
Net income	\$ 3,020	\$ 22,327
Non-cash revenue and expense items	15,776	25,710
Gain on asset disposition	(7,333)	—
Net change in operating assets and liabilities	(629)	178
Net Cash Provided by Operating Activities	10,834	48,215
Cash Flows from Investing Activities:		
Additions to property and equipment	(83,041)	(100,015)
Proceeds from the sale of property and equipment	7,523	—
Net cash distributed as operator of oil and gas properties	(10,592)	(2,574)
Net cash received (distributed) as operator of partnerships and joint ventures	(23,090)	279
Other	33	(59)
Net Cash Used in Investing Activities	(109,167)	(102,369)
Cash Flows from Financing Activities:		
Net proceeds from bank borrowings	97,000	54,600
Net proceeds from issuances of common stock	347	702
Payments of debt issuance costs	(347)	—
Net Cash Provided by Financing Activities	97,000	55,302
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,333)	\$ 1,148
Cash and Cash Equivalents at Beginning of Period	2,149	1,987
Cash and Cash Equivalents at End of Period	\$ 816	\$ 3,135

Investor Information

BOARD OF DIRECTORS

A. Earl Swift
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Swift Energy Company

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

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

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Retired Chairman & CEO
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Consultant

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Vice President—Acquisitions, Dispositions,
& Reserves

Adrian D. Shelley
Treasurer

David W. Wesson
Controller

D. Wynn Ibach
General Counsel

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Pacific Exchange, Inc.
Symbol "SFY"

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