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Letter to Stockholders

For the third consecutive quarter this year, Swift Energy posted increases in its oil and gas production relative to the same periods in 2001. The Company's third-quarter production increased 4% to 12.2 billion cubic feet of natural gas equivalent (Bcfe), and its nine-months production increased 12% to 37.2 Bcfe.

During the third quarter, we continued to pursue our goal of building a strong production base of long-lived reserves with a flatter production profile both in the United States and in New Zealand. Domestically, this has meant that essentially all of our drilling has been in the Lake Washington Field in Plaquemines Parish, Louisiana, with none in our Austin Chalk properties that typically have high initial deliverability but sharp decline curves. This focus on Lake Washington has placed us in a transition period in preparation for increasing production from Lake Washington overcoming the continuing declines in other domestic fields. During the third quarter, however, downtime due to the tropical storm Isidore and to various facility upgrades constrained our Lake Washington production, which, together with lower demand in New Zealand, caused our Company-wide production to decrease 4% from the previous quarter. We still expect our year-end production to fall within the range of our announced goal.

As has been the case all year, our third-quarter production increase did not translate into an earnings increase. Compared to the third quarter of 2001, our net income declined 74% to $1.9 million (or $0.07 per diluted share), and our net cash provided by operating activities, before working capital changes, decreased 36% to $16.6 million (or $0.61 per diluted share). Similarly, compared to the first nine months of 2001, our net income decreased 81% to $8.5 million (or $0.32 per diluted share), and our net cash provided by operating activities, before working capital changes, was down 57% to $48.3 million (or $1.82 per diluted share). These lower numbers resulted from higher interest costs and the persistently lower average commodity prices we have received this year. The prices, in turn, have been impacted both by the general economic climate and by an increased portion of our production consisting of lower priced New Zealand gas.

Cyclical prices swayed by economic and geopolitical events are, of course, the norm, so that, in addition to running an efficient operation, our challenge is to minimize the effects of the price swings by building a large base of long-term reserves to facilitate operating flexibility. We have been exceptionally pleased with our progress in this area in the Lake Washington Field, where multiple layers of hydrocarbon-bearing sands can provide relatively stable production for many years. By year end, our production from the Lake Washington Field will have increased from about 1,500 net barrels of oil equivalent (BOEs) per day at the end of the first quarter to an expected 4,500 net BOEs per day, much of the increase coming from third-quarter wells that should be placed on production in the fourth quarter.

We drilled 10 wells in the Lake Washington Field during the third quarter and seven were successful, including an exploratory well (the Cockrell-Moran 198) located in a key fault block that again demonstrated the presence of hydrocarbons in the F sand discovered by a second-quarter well. To date (as of mid-November), three of the third-quarter wells are on production—one (the State Lease 17266#1) producing 500 BOEs per day from the "2000-foot" sand. In addition, four fourth-quarter development wells have already been successfully drilled, three of them encountering the F sand, as well as other pay sands, at various locations and depths around the field's salt dome. One of the wells (the Cockrell-Moran 206), which will initially produce from the F sand, has a 268-foot thickness of the 2000-foot sand behind pipe for subsequent production. Another one (the State Lease 212#104) is already producing from a 96-foot-thick pay section in the upper 8400-foot sand at about 800 barrels of oil and 800,000 cubic feet of gas per day, which is the maximum allowable under state regulations. A third well (the Cockrell-Moran 202), the first to find the F sand southeast of the salt dome, has a total thickness of 203 feet of pay sands in six different zones.

Currently, we are pushing to get all the Lake Washington wells drilled to date on production, and we expect to spud at least three more in the field before year end, which will give us a total of at least 29 wells drilled this year compared to the 22 wells in our original plan. We have also identified more than 70 additional locations in the field and have already initiated the lengthy permitting procedures required to drill about 50 of them next year. Finally, we are completing significant upgrades in the field's facilities, including constructing an oil/water separation facility, and we are gradually adding in-field waste water disposal capabilities to avoid transporting the formation water produced with the oil to off-site locations.

In other third-quarter domestic activity, we have a 30% working interest in a recently drilled well that found gas in the M-10 sand in the Garcia Ranch region in Kenedy County, Texas, and we have met a substantial number of the regulatory requirements for proceeding with infill drilling next year in the higher quality portion of the AWP Olmos Field in McMullen County, Texas. We also performed some significant workovers on several wells in our Masters Creek Area in central Louisiana to improve their production.

In New Zealand, our third-quarter production increased to 4.14 Bcfe, or 34% of our total production, largely from our new TAWN properties. As we had forecasted, gas production from TAWN declined somewhat from the second quarter because of the availability of hydroelectric power, but it is expected to increase in the fourth quarter. The TAWN properties represent another area where we have high-quality stable reserves with long-term production profiles. And we are currently implementing numerous projects to exploit their deeper horizons in anticipation of increased demand and higher prices as New Zealand's major gas supplier, the Maui Field, continues to decline.

In the Rimu/Kauri Area, production from the Rimu Production Station averaged about 1000 BOEs per day during the third quarter, and it now appears that the fourth-quarter increase we projected will be delayed. The fracture procedure we performed on the Rimu-A2A well to increase its production from the Upper Tariki formation was not successful, convincing us that in this well, as well as in previous wells, the formations are being damaged by certaim water-based fluids used in the drilling, completion, and fracturing processes. We have temporarily suspended further drilling in these formations and have engaged a world-renowned consulting firm, the Integrated Reservoir Solutions Division of Core Laboratories (NYSE:CLB), to review all aspects of our reservoir development. The results of their work to date have been encouraging. Meanwhile, we plan to continue evaluating the shallow Manutahi sands and testing the Kauri sands in the recently drilled Kauri-A4 well. The lower Tariki sands found in this well were of high reservoir quality but were deemed to be water-bearing and noncommercial. The Cretaceous sands were also deemed to be noncommercial at this location.

Affirming our New Zealand commitment, we recently bought out our partners in both the Rimu/Kauri Area and the TAWN Area, and we successfully bid on two additional exploration permits in two blocks adjacent to the Rimu/Kauri Area.

Finally, the borrowing base under our revolving credit facility has recently been reaffirmed at $195 million, which provides us with the financial liquidity and flexibility to execute our strategy as we move forward with our business plan. The transition we have undertaken this year demonstrates our commitment to having a larger contribution of our production coming from higher quality reservoirs. With our plans for 2003, our reserves base and production should continue to grow, which, in turn, should improve our financial performance. Personally, I am very confident of the soundness of our strategy and expect the anticipated results to become increasingly apparent throughout the year.

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

Summary Balance Sheet Information

Swift Energy Company and Subsidiaries

(in Thousands)

	September 30, 2002 (Unaudited)	December 31, 2001
Assets		
Current assets	$ 31,202	$ 36,753
Property and equipment, net	710,560	631,209
Other	12,175	3,723
	$ 753,937	$ 671,685
Liabilities and Stockholders' Equity		
Current liabilities	$ 33,771	$ 73,245
Long-term debt	328,752	258,197
Deferred income taxes	29,910	27,590
Stockholders' equity	361,504	312,653
	$ 753,937	$ 671,685

Third-Quarter Volumes and Prices

Swift Energy Company and Subsidiaries

(Unaudited)

	3rd Qtr. 2002	3rdQtr. 2001	% Change
Natural gas production (Mcf)	6,761,456	6,819,828	–1%
Oil & condensate production (barrels)	908,145	813,170	+12%
Average gas price per Mcf	$ 2.32	$ 2.94	–21%
Average oil price per barrel	$ 23.05	$ 23.76	–3%

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,	
	2002	2001	2002	2001
Revenues:				
Oil and gas sales	$ 36,592	$ 39,346	$ 101,536	$ 153,155
Fees from limited partnerships and joint ventures	6	19	60	212
Interest income	159	16	191	40
Gain on asset disposition	—	—	7,333	—
Price-risk management and other, net	(186)	1,863	375	2,533
	36,571	41,244	109,495	155,940
Costs and Expenses:				
Oil and gas production	11,005	9,285	30,602	27,223
General and administrative, net	2,497	2,100	7,369	5,991
Depreciation, depletion, and amortization	13,488	14,858	41,790	42,964
Interest expense, net	6,648	3,394	16,608	9,232
	33,638	29,637	96,369	85,410
Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle	2,933	11,607	13,126	70,530
Provision for Income Taxes	986	4,187	4,575	25,417
Income Before Cumulative Effect of Change in Accounting Principle	1,947	7,420	8,551	45,113
Cumulative Effect of Change in Accounting Principle (net of taxes)	—	—	—	393
Net Income	$ 1,947	$ 7,420	$ 8,551	$ 44,720
Per Share Amounts—				
Basic: Income Before Cumulative Effect of Change in Accounting Principle	$ 0.07	$ 0.30	$ 0.33	$ 1.83
Cumulative Effect of Change in Accounting Principle	—	—	—	(0.02)
Net Income	$ 0.07	$ 0.30	$ 0.33	$ 1.81
Diluted: Income Before Cumulative Effect of Change in Accounting Principle	$ 0.07	$ 0.29	$ 0.32	$ 1.77
Cumulative Effect of Change in Accounting Principle	—	—	—	(0.02)
Net Income	$ 0.07	$ 0.29	$ 0.32	$ 1.75
Weighted Average Shares Outstanding	26,889	24,760	26,112	24,716

Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

	Period Ended September 30, 2002	Period Ended September 30, 2001
Cash Flows from Operating Activities:		
Net income	$ 8,551	$ 44,720
Non-cash revenue and expense items	39,740	66,990
Net change in operating assets and liabilities	7,403	10,102
Net Cash Provided by Operating Activities	55,694	121,812
Cash Flows from Investing Activities:		
Additions to property and equipment	(132,521)	(217,960)
Proceeds from the sale of property and equipment	11,526	2,940
Net cash distributed as operator of oil and gas properties	(4,247)	(24,116)
Net cash received (distributed) as operator of partnerships and joint ventures	(26,528)	341
Other	68	(80)
Net Cash Used in Investing Activities	(151,702)	(238,875)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	200,000	—
Net proceeds from (payments of) bank borrowings	(129,500)	115,700
Net proceeds from issuances of common stock	31,330	1,463
Payments of debt issuance costs	(6,257)	—
Net Cash Provided by Financing Activities	95,573	117,163
Net Increase (Decrease) in Cash and Cash Equivalents	(435)	100
Cash and Cash Equivalents at Beginning of Period	2,149	1,987
Cash and Cash Equivalents at End of Period	$ 1,714	$ 2,087

Investor Information

BOARD OF DIRECTORS

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Swift Energy Company

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Vice Chairman, Swift Energy Company
Chairman, Swift Energy International

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President & CEO, Swift Energy Company
President, Swift Energy International

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Retired Chairman & CEO
Material Sciences Corporation

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D. Wynn Ibach
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