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SWIFT ENERGY CO
Form 10-Q
November 09, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2005

Commission File Number 1-8754

SWIFT ENERGY COMPANY
(Exact Name of Registrant as Specified in its Charter)

TEXAS
(State of Incorporation)
16825 Northchase Drive, Suite 400

74-2073055
(I.R.S. Employer Identification No.)

Houston, Texas 77060
(Address of principal executive offices) (Zip Code)

(281) 874-2700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

Common Stock
(\$.01 Par Value)
(Class of Stock)

28,707,472 Shares
(Outstanding at October 31, 2005)

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SWIFT ENERGY COMPANY

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005

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SIGNATURES

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	September 30, 2005	December
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 65,884,410	\$
Accounts receivable -		
Oil and gas sales	26,033,786	3
Joint interest owners	620,836	
Other receivables	4,364,492	
Other current assets	12,711,468	1
	-----	-----
Total Current Assets	109,614,992	5
	-----	-----
Property and Equipment:		
Oil and gas, using full-cost accounting		
Proved properties being amortized	1,628,673,729	1,47
Unproved properties not being amortized	88,930,610	8
	-----	-----
	1,717,604,339	1,55
Furniture, Fixtures, and Other Equipment	13,937,524	1
	-----	-----
	1,731,541,863	1,57
Less-Accumulated Depreciation, Depletion, and Amortization	(724,883,856)	(64
	-----	-----
	1,006,658,007	92
	-----	-----
Other Assets:		
Deferred income taxes	---	
Debt issuance costs	8,315,219	
Restricted assets	1,906,356	
	-----	-----
	10,221,575	1
	-----	-----
	\$ 1,126,494,574	\$ 99
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 30,090,850	\$ 2
Accrued capital costs	32,993,814	2
Accrued interest	10,336,338	
Undistributed oil and gas revenues	8,690,801	
	-----	-----
Total Current Liabilities	82,111,803	6
Long-Term Debt	350,000,000	35
Deferred Income Taxes	111,618,430	7
Asset Retirement Obligation	16,565,580	1
Lease Incentive Obligation	177,530	
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, \$.01 par value, 5,000,000		
shares authorized, none outstanding	---	
Common stock, \$.01 par value, 85,000,000 share		
authorized,		
29,155,556 and 28,570,632 shares issued, and		

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28,706,112 and 28,089,764 shares outstanding, respectively	291,556	
Additional paid-in capital	359,240,234	34
Treasury stock held, at cost, 449,444 and 480,868 shares, respectively	(6,445,586)	(
Unearned Compensation	(6,527,242)	(
Retained Earnings	219,602,010	13
Accumulated Other Comprehensive Income (Loss), Net of Taxes	(139,741)	
	-----	-----
	566,021,231	47
	-----	-----
	\$ 1,126,494,574	\$ 99
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
SWIFT ENERGY COMPANY

	Three Months Ended		Nine Mont
	09/30/05	09/30/04	09/30/05
	-----	-----	-----
Revenues:			
Oil and gas sales	\$ 101,007,524	\$ 74,653,106	\$ 301,451,257
Price-risk management and other, net	(154,019)	289,645	(677,143)
	-----	-----	-----
	100,853,505	74,942,751	300,774,114
	-----	-----	-----
Costs and Expenses:			
General and administrative, net	5,803,946	4,390,432	15,674,141
Depreciation, depletion and amortization	23,870,287	19,845,167	76,853,296
Accretion of asset retirement obligation	191,529	168,135	565,531
Lease operating costs	12,221,153	9,848,949	34,835,158
Severance and other taxes	9,670,565	7,077,994	29,582,400
Interest expense, net	6,194,370	7,317,002	18,825,273
Debt retirement cost	---	6,822,476	---
	-----	-----	-----
	57,951,850	55,470,155	176,335,799
	-----	-----	-----
Income Before Income Taxes	42,901,655	19,472,596	124,438,315
Provision for Income Taxes	15,394,756	5,341,879	43,360,606
	-----	-----	-----
Net Income	\$ 27,506,899	\$ 14,130,717	\$ 81,077,709
	=====	=====	=====

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Per Share Amounts

Basic: Net Income	\$ 0.96	\$ 0.51	\$ 2.86
Diluted: Net Income	\$ 0.92	\$ 0.50	\$ 2.77
Weighted Average Shares Outstanding	28,632,895	27,948,095	28,390,120

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SWIFT ENERGY COMPANY

	Common Stock (1)	Additional Paid-In Capital	Treasury Stock	Unearned Compensation	Retained Earnings
Balance December 31, 2003	\$ 280,111	\$334,865,204	\$ (7,558,093)	\$ ---	\$ 70,000
Stock issued for benefit plans (46,150 shares)	---	166,298	661,848	---	---
Stock options exercised (509,105 shares)	5,091	4,260,882	---	---	---
Tax benefits from exercise of stock options	---	1,956,555	---	---	---
Employee stock purchase plan (50,418 shares)	504	502,097	---	---	---
Issuance of restricted stock	---	1,785,262	---	(1,785,262)	---
Amortization of restricted stock	---	---	---	56,677	---
Net income	---	---	---	---	68,400
Other comprehensive income	---	---	---	---	---
Total Comprehensive Income	---	---	---	---	---
Balance December 31, 2004	\$ 285,706	\$343,536,298	\$ (6,896,245)	\$ (1,728,585)	\$138,500
Stock issued for benefit plans (31,424 shares)	---	435,134	450,659	---	---
Stock options exercised (538,488 shares)	5,386	5,810,358	---	---	---
Tax benefits from exercise of stock options	---	2,625,563	---	---	---
Employee stock purchase plan (31,436 shares)	314	642,354	---	---	---
Issuance of restricted stock (15,000 shares)	150	6,229,557	---	(5,766,426)	---
Forfeitures of restricted stock	---	(39,030)	---	39,030	---
Amortization of restricted stock	---	---	---	928,739	---

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Net income	---	---	---	---	81,0
Other Comprehensive Loss	---	---	---	---	
Total Comprehensive Income					
Balance September 30, 2005	\$ 291,556	\$359,240,234	\$ (6,445,586)	\$ (6,527,242)	\$219,6

(1) \$.01 Par Value

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SWIFT ENERGY COMPANY

	Period Ended September 3	September 3
	2005	2
Cash Flows From Operating Activities:		
Net income	\$ 81,077,709	\$ 4
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation, depletion, and amortization	76,853,296	5
Accretion of asset retirement obligation	565,531	
Deferred income taxes	42,610,606	1
Debt retirement cost	---	
Other	2,324,132	
Change in assets and liabilities -		
(Increase) decrease in accounts receivable	15,162,260	(
Increase in accounts payable and accrued liabilities	739,152	
Increase in accrued interest	1,127,146	
Net Cash Provided by Operating Activities	220,459,832	12
Cash Flows From Investing Activities:		
Additions to property and equipment	(158,125,266)	(12
Proceeds from the sale of property and equipment	2,387,293	
Net cash distributed as operator of oil and gas properties	(2,183,944)	(
Net cash received (distributed) as operator of partnerships	(467,534)	
Other	64,480	
Net Cash Used in Investing Activities	(158,324,971)	(13
Cash Flows From Financing Activities:		
Proceeds from long-term debt	---	15

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Payments of long-term debt	---	(12)
Net payments of bank borrowings	(7,500,000)	(
Net proceeds from issuances of common stock	6,329,431	(
Payments of debt retirement costs	---	(
Payments of debt issuance costs	---	(
	-----	-----
Net Cash Provided by (Used in) Financing Activities	(1,170,569)	

Net Increase in Cash and Cash Equivalents	\$ 60,964,292	\$
	=====	=====
Cash and Cash Equivalents at Beginning of Period	4,920,118	

Cash and Cash Equivalents at End of Period	\$ 65,884,410	\$
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During Period for Interest, Net of Amounts Capitalized	\$ 16,887,396	\$
Cash Paid During Period for Income Taxes	\$ 750,000	\$

See accompanying notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SWIFT ENERGY COMPANY

(1) General Information

The condensed consolidated financial statements included herein have been prepared by Swift Energy Company and reflect necessary adjustments, all of which were of a recurring nature, and are in the opinion of our management necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission. We believe that the disclosures presented are adequate to allow the information presented not to be misleading. The condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the latest Form 10-K and Annual Report.

(2) Summary of Significant Accounting Policies

Property and Equipment

We follow the "full-cost" method of accounting for oil and gas

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property and equipment costs. Under this method of accounting, all productive and nonproductive costs incurred in the exploration, development, and acquisition of oil and gas reserves are capitalized. Such costs may be incurred both prior to and after the acquisition of a property and include lease acquisitions, geological and geophysical services, drilling, completion, and equipment. Internal costs incurred that are directly identified with exploration, development, and acquisition activities undertaken by us for our own account, and which are not related to production, general corporate overhead, or similar activities, are also capitalized. For the nine months ended September 30, 2005 and 2004, such internal costs capitalized totaled \$13.4 million and \$9.6 million, respectively. Interest costs are also capitalized to unproved oil and gas properties. For the nine months ended September 30, 2005 and 2004, capitalized interest on unproved properties totaled \$5.3 million and \$4.7 million, respectively. Interest not capitalized and general and administrative costs related to production and general overhead are expensed as incurred.

No gains or losses are recognized upon the sale or disposition of oil and gas properties, except in transactions involving a significant amount of reserves or where the proceeds from the sale of oil and gas properties would significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to a cost center. Internal costs associated with selling properties are expensed as incurred.

Future development costs are estimated property-by-property based on current economic conditions and are amortized to expense as our capitalized oil and gas property costs are amortized.

We compute the provision for depreciation, depletion, and amortization ("DD&A") of oil and gas properties by the unit-of-production method. Under this method, we compute the provision by multiplying the total unamortized costs of oil and gas properties--including future development costs, gas processing facilities, and both capitalized asset retirement obligations and undiscounted abandonment costs of wells to be drilled, net of salvage values, but excluding costs of unproved properties--by an overall rate determined by dividing the physical units of oil and gas produced during the period by the total estimated units of proved oil and gas reserves at the beginning of the period. This calculation is done on a country-by-country basis, and the period over which we will amortize these properties is dependent on our production from these properties in future years. Furniture, fixtures, and other equipment, recorded at cost, are depreciated by the straight-line method at rates based on the estimated useful lives of the property, which range between three and 20 years. Repairs and maintenance are charged to expense as incurred. Renewals and betterments are capitalized.

Geological and geophysical ("G&G") costs incurred on developed properties are recorded in "Proved properties" and therefore subject to amortization. G&G costs incurred that are directly associated with specific unproved properties are capitalized in "Unproved properties" and evaluated as part of the total capitalized costs associated with a prospect.

The cost of unproved properties not being amortized is assessed quarterly, on a country-by-country basis, to determine whether such properties have been impaired. In determining whether such costs should

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued SWIFT ENERGY COMPANY

be impaired, we evaluate current drilling results, lease expiration dates, current oil and gas industry conditions, international economic conditions, capital availability, foreign currency exchange rates, and available geological and geophysical information. Any impairment assessed is added to the cost of proved properties being amortized. To the extent costs accumulate in countries where there are no proved reserves, any costs determined by management to be impaired are charged to expense.

Full-Cost Ceiling Test

At the end of each quarterly reporting period, the unamortized cost of oil and gas properties (including gas processing facilities, capitalized asset retirement obligations, net of related salvage values and deferred income taxes, and excluding the recognized asset retirement obligation liability) is limited to the sum of the estimated future net revenues from proved properties (excluding cash outflows from recognized asset retirement obligations, including future development and abandonment costs of wells to be drilled, using period-end prices, adjusted for the effects of hedging, discounted at 10%, and the lower of cost or fair value of unproved properties) adjusted for related income tax effects ("Ceiling Test"). Our hedges at September 30, 2005 consisted of natural gas and crude oil price floors with strike prices lower than the period-end price and thus did not materially affect prices used in this calculation. This calculation is done on a country-by-country basis.

The calculation of the Ceiling Test and provision for DD&A is based on estimates of proved reserves. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting the future rates of production, timing, and plan of development. The accuracy of any reserves estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing, and production subsequent to the date of the estimate may justify revision of such estimates. Accordingly, reserves estimates are often different from the quantities of oil and gas that are ultimately recovered. Our reserves estimates are prepared in accordance with Securities and Exchange Commission guidelines; and, are audited on an annual basis at year-end by a firm of independent petroleum engineers in accordance with standards approved by the Board of Directors of the Society of Petroleum Engineers.

Given the volatility of oil and gas prices, it is reasonably possible that our estimate of discounted future net cash flows from proved oil and gas reserves could change in the near term. If oil and gas prices decline from our period-end prices used in the Ceiling Test, even if only for a short period, it is possible that non-cash write-downs of oil and gas properties could occur in the future.

Principles of Consolidation

The accompanying consolidated financial statements include the

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accounts of Swift Energy Company and its wholly owned subsidiaries, which are engaged in the exploration, development, acquisition, and operation of oil and natural gas properties, with a focus on inland waters and onshore oil and natural gas reserves in Louisiana and Texas, as well as oil and natural gas reserves in New Zealand. Our undivided interests in gas processing plants, and investments in six oil and gas limited partnerships where we are the general partner are accounted for using the proportionate consolidation method, whereby our proportionate share of each entity's assets, liabilities, revenues, and expenses are included in the appropriate classifications in the accompanying consolidated financial statements. Intercompany balances and transactions have been eliminated in preparing the accompanying consolidated financial statements.

Revenue Recognition

Oil and gas revenues are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectibility of the revenue is probable. Processing costs for natural gas and natural gas liquids ("NGLs") that are paid in-kind are deducted from revenues. The Company uses the entitlement method of accounting in which the Company recognizes its ownership interest in production as revenue. If our sales exceed our ownership share of production, the natural gas balancing payables are reported in "Accounts payable and accrued liabilities" on the accompanying balance sheet. Natural gas balancing receivables are reported in "Other current assets" on the accompanying balance sheet when our ownership share of production exceeds sales. As of September 30, 2005, we did not have any material natural gas imbalances.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued SWIFT ENERGY COMPANY

Accounts Receivable

Included in the "Accounts receivable" balance, which totaled \$39.0 million at December 31, 2004, on the accompanying balance sheets, were approximately \$2.3 million of receivables related to hydrocarbon volumes produced from 2001 and 2002 that had been disputed since early 2003. As a result of the dispute, we did not record a receivable with regard to any 2003 disputed volumes and our contract governing these sales expired in 2003. Based on settlement discussions, we settled our claim with this counter-party in July 2005 by receiving a cash payment for less than our gross receivable. Accordingly, in the second quarter of 2005, we increased our reserve for this claim by approximately \$0.6 million, which is recorded in "Price-risk management and other, net" on the accompanying statements of income.

We assess the collectibility of accounts receivable, and based on our judgment, we accrue a reserve when we believe a receivable may not be collected. At September 30, 2005 and December 31, 2004, we had an allowance for doubtful accounts of less than \$0.1 million and \$0.5 million, respectively. The allowance for doubtful accounts has been

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deducted from the total "Accounts receivable" balances on the accompanying balance sheets.

Inventories

We value inventories at the lower of cost or market value. Cost of crude oil inventory is determined using the weighted average method and all other inventory is accounted for using the first in, first out method ("FIFO"). The major categories of inventories, which are included in "Other current assets" on the accompanying balance sheets, are shown as follows:

	Balance at September 30, 2005 (000's)	Balance at December 31, 2004 (000's)
	-----	-----
Materials, Supplies and Tubulars	\$ 7,726	\$ 6,417
Crude Oil	711	770
	-----	-----
Total	\$ 8,437	\$ 7,187
	=====	=====

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires us to make estimates and assumptions that affect the reported amount of certain assets and liabilities and the reported amounts of certain revenues and expenses during each reporting period. We believe our estimates and assumptions are reasonable; however, such estimates and assumptions are subject to a number of risks and uncertainties that may cause actual results to differ materially from such estimates. Significant estimates underlying these financial statements include:

- o the estimated quantities of proved oil and natural gas reserves used to compute depletion of oil and natural gas properties and the related present value of estimated future net cash flows there-from,
- o accruals related to oil and gas revenues, capital expenditures and lease operating expenses,
- o the estimated future cost and timing of asset retirement obligations, and
- o estimates made in our income tax calculations.

While we are not aware of any material revisions to any of our estimates, there will likely be future revisions to our estimates resulting from matters such as changes in ownership interests, payouts, joint venture audits, re-allocations by purchasers or pipelines, or other corrections and adjustments common in the oil and gas industry, many of which require retroactive application. These types of adjustments cannot be currently estimated and will be recorded in the

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period during which the adjustment occurs.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY

Income Taxes

Under SFAS No. 109, "Accounting for Income Taxes," deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities, given the provisions of the enacted tax laws. The effective tax rates for both the first nine months of 2005 and 2004 were lower than the statutory tax rates primarily due to reductions from the New Zealand statutory rate attributable to the currency effect on the New Zealand deferred tax calculation and corrections to the New Zealand tax basis calculations. In the first nine months of 2005, these amounts were partially offset by higher deferred state income taxes. The first nine months of 2004 included favorable corrections to tax basis amounts discovered while preparing the prior year's tax returns. The tax laws in the jurisdictions we operate in are continuously changing and professional judgments regarding such laws can differ.

Accounts Payable and Accrued Liabilities

Included in "Accounts payable and accrued liabilities," on the accompanying balance sheets, at September 30, 2005 and December 31, 2004 are liabilities of approximately \$6.0 million and \$6.9 million, respectively, representing the amount by which checks issued, but not presented to the Company's banks for collection, exceeded balances in the applicable disbursement bank accounts.

Accumulated Other Comprehensive Income (Loss), Net of Income Tax

We follow the provisions of SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting comprehensive income. In addition to net income, comprehensive income or loss includes all changes to equity during a period, except those resulting from investments and distributions to the owners of the Company. At September 30, 2005, we recorded \$0.1 million, net of taxes of less than \$0.1 million, of derivative losses in "Accumulated other comprehensive income (loss), net of income tax" on the accompanying balance sheet. The components of accumulated other comprehensive income (loss) and related tax effects for the period ending September 30, 2005 were as follows (in thousands):

	Tax Gross Value	Tax Effect	Net V
	-----	-----	-----
Other comprehensive income at			
December 31, 2004	\$ 710,828	\$ (260,163)	\$
Change in fair value of cash flow hedges	(129,865)	45,788	

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Effect of cash flow hedges settled during the period	(802,423)	296,094	
Other comprehensive loss at September 30, 2005	\$ (221,460)	\$ 81,719	\$

Total comprehensive income was \$27.7 million and \$14.2 million for the third quarters of 2005 and 2004, respectively. Total comprehensive income was \$80.5 million and \$41.8 million for the first nine months of 2005 and 2004, respectively.

Stock Based Compensation

We account for two stock-based compensation plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. We issued restricted stock to officers for the first time in the fourth quarter of 2004, and then to directors in the second quarter of 2005, and to other employees in the third quarter of 2005. For the nine month period ended September 30, 2005, we recorded expense for stock based compensation, which primarily includes restricted stock expense, of \$1.0 million in "General and administrative, net" on the accompanying statements of income. No stock-based employee compensation cost is reflected in net income for employee stock options, as all options granted under our plan had an exercise price equal to the market value of the underlying common stock on the date of the grant; or in the case of the employee stock purchase plan, as the purchase price is 85% of the lower of the closing price of our common stock as quoted on the New York Stock Exchange at the beginning or end of the plan year or a date during the year chosen by the participant. Had compensation expense for these plans been determined based on the fair value of the options consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," our net income and earnings per share would have been adjusted to the following pro forma amounts:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY

		Three Months Ended Se
		2005
Net Income:	As Reported	\$27,506,899
	Stock-based employee compensation expense determined under fair value method for all awards, net of tax	(995,399)
	Pro Forma	\$26,511,500

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Basic EPS:	As Reported	\$.96
	Pro Forma	\$.93
Diluted EPS:	As Reported	\$.92
	Pro Forma	\$.89

		Nine Months Ended Sep
		----- 2005 -----
Net Income:	As Reported	\$81,077,709
	Stock-based employee compensation expense determined under fair value method for all awards, net of tax	(2,968,488)
	Pro Forma	\$78,109,221
Basic EPS:	As Reported	\$2.86
	Pro Forma	\$2.75
Diluted EPS:	As Reported	\$2.77
	Pro Forma	\$2.67

Pro forma compensation cost reflected above may not be representative of the cost to be expected in future periods. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. We view all awards of stock compensation as a single award with an expected life equal to the average expected life of component awards and amortize the award on a straight-line basis over the life of the award.

Price-Risk Management Activities

The Company follows SFAS No. 133, which requires that changes in the derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met. The statement also establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) is recorded in the balance sheet as either an asset or a liability measured at its fair value. Hedge accounting for a qualifying hedge allows the gains and losses on derivatives to offset related results on the hedged item in the income statements and requires that a company formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. Changes in the fair value of derivatives that do not meet the criteria for hedge accounting, and the ineffective portion of the hedge, are recognized currently in income.

We have a price-risk management policy to use derivative instruments to protect against declines in oil and gas prices, mainly through the purchase of price floors and collars. During the third quarters of 2005 and 2004, we recognized net losses of \$0.4 million and \$0.2 million, respectively, relating to our derivative activities. During the first nine months of 2005 and 2004, we recognized net losses of \$0.9 million and \$1.3 million, respectively, relating to our derivative activities. This activity is recorded in "Price-risk

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued SWIFT ENERGY COMPANY

management and other, net" on the accompanying statements of income. At September 30, 2005, the Company had recorded \$0.1 million, net of taxes of less than \$0.1 million, of derivative losses in "Accumulated other comprehensive income (loss), net of income tax" on the accompanying balance sheet. This amount represents the change in fair value for the effective portion of our hedging transactions that qualified as cash flow hedges. The ineffectiveness reported in "Price-risk management and other, net" for the first nine months of 2005 and 2004 was not material. We expect to reclassify all amounts currently held in "Accumulated other comprehensive income (loss), net of income tax" into the statement of income within the next three months when the forecasted sale of hedged production occurs.

At September 30, 2005, we had in place price floors in effect for October 2005 through the December 2005 contract month for natural gas, that cover a portion of our domestic natural gas production for October 2005 to December 2005. The natural gas price floors cover notional volumes of 800,000 MMBtu, with a weighted average floor price of \$5.91 per MMBtu. Our natural gas price floors in place at September 30, 2005 are expected to cover approximately 20% to 30% of our estimated domestic natural gas production from October 2005 to December 2005.

When we entered into these transactions discussed above, they were designated as a hedge of the variability in cash flows associated with the forecasted sale of natural gas production. Changes in the fair value of a hedge that is highly effective and is designated and documented and qualifies as a cash flow hedge, to the extent that the hedge is effective, are recorded in "Accumulated other comprehensive income (loss), net of income tax." When the hedged transactions are recorded upon the actual sale of oil and natural gas, these gains or losses are reclassified from "Accumulated other comprehensive income (loss), net of income tax" and recorded in "Price-risk management and other, net" on the accompanying statement of income. The fair value of our derivatives is computed using the Black-Scholes option pricing model and is periodically verified against quotes from brokers. The fair value of these instruments at September 30, 2005, was less than \$0.1 million and is recognized on the accompanying balance sheet in "Other current assets."

Supervision Fees

Consistent with industry practice, we charge a supervision fee to the wells we operate including our wells in which we own up to a 100% working interest. Supervision fees are recorded as a reduction to general and administrative, net based on our estimate of the costs incurred to operate the wells. The total amount of supervision fees charged to the wells we operate was \$5.8 million and \$4.0 million in the first nine months of 2005 and 2004, respectively.

Asset Retirement Obligation

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The statement requires entities to record the fair value of a liability for

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legal obligations associated with the retirement obligations of tangible long-lived assets in the period in which it is incurred. When the liability is initially recorded, the carrying amount of the related long-lived asset is increased. The liability is discounted from the year the well is expected to deplete. Over time, accretion of the liability is recognized each period, and the capitalized cost is depreciated on a unit-of-production basis over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. This standard requires us to record a liability for the fair value of our dismantlement and abandonment costs, excluding salvage values. Based on our experience and analysis of the oil and gas services industry, we have not factored a market risk premium into our asset retirement obligation. SFAS No. 143 was adopted by us effective January 1, 2003. The following provides a roll-forward of our asset retirement obligation:

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued SWIFT ENERGY COMPANY

	2005	
	-----	-----
Asset Retirement Obligation recorded as of January 1	\$ 17,639,136	\$
Accretion expense for the nine months ended September 30	565,531	
Liabilities incurred for new wells and facilities construction	63,772	
Reductions due to sold, or plugged and abandoned wells	(360,104)	
Increase (decrease) due to currency exchange rate fluctuations	(27,755)	
	-----	-----
Asset Retirement Obligation as of September 30	\$ 17,880,580	\$
	-----	-----

At September 30, 2005 and December 31, 2004, approximately \$1.3 million and \$0.5 million, respectively, of our asset retirement obligation is classified as a current liability in "Accounts payable and accrued liabilities" on the accompanying balance sheets.

New Accounting Pronouncements

In September and November 2004, and March 2005, the EITF discussed a proposed framework for addressing when a limited partnership should be consolidated by its general partner, EITF Issue 04-5. The proposed framework presumes that a sole general partner in a limited partnership controls the limited partnership, and therefore should consolidate the limited partnership. The presumption of control can be overcome if the limited partners have (a) the substantive ability to remove the sole general partner or otherwise dissolve the limited partnership or (b) substantive participating rights. The EITF reached a tentative conclusion on the circumstances in which either kick-out rights or participating rights would be considered substantive and preclude

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consolidation by the general partner. The EITF tentatively concluded that for kick-out rights to be considered substantive, the conditions specified in paragraph B20 of FIN 46R should be met. With regard to the definition of participating rights that would preclude consolidation by the general partner, the EITF concluded that the definition of those rights should be consistent with those in EITF Issue 96-16. The EITF also reached a tentative conclusion on the transition for Issue 04-05. The FASB ratified the EITF consensus at the June 2005 EITF meeting. We do not believe this EITF will have a material impact on our consolidated financial statements because we believe our limited partners have substantive kick-out rights under paragraph B20 of FIN 46R.

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment. SFAS No. 123R is a revision of SFAS No. 123, Accounting for Stock-Based Compensation, and supercedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends SFAS No. 95, Statement of Cash Flows. SFAS No. 123R requires all employee share-based payments, including grants of employee stock options, to be recognized in the financial statements based on their fair values. SFAS No. 123 discontinues the ability to account for these equity instruments under the intrinsic value method as described in APB Opinion No. 25. SFAS No. 123R requires the use of an option pricing model for estimating fair value, which is amortized to expense over the service periods. The requirements of SFAS No. 123R are effective for fiscal periods beginning after June 15, 2005. SFAS No. 123R permits public companies to adopt its requirements using one of two methods:

- o A "modified prospective" method in which compensation cost is recognized beginning with the effective date based on the requirements of SFAS No. 123R for all share-based payments granted after the effective date and based on the requirements of SFAS No. 123 for all awards granted to employees prior to the adoption date of SFAS No. 123R that remain unvested on the adoption date.
- o A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate either all prior periods presented or prior interim periods of the year of adoption based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures.

In April 2005, the SEC issued a release announcing that it would provide for a phased-in implementation process for SFAS No. 123R. As a result, our required date to adopt SFAS No. 123R is now January 1, 2006. Also in April 2005, the SEC issued Staff Accounting Bulletin No. 107, Share-Based Payment, which provides guidance on the implementation of SFAS No. 123R. SAB No. 107 provides

guidance on valuing options, estimating volatility and expected terms of the option awards, and discusses the SEC's views on share-based

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payment transactions with non-employees, the capitalization of compensation cost and accounting for income tax effects of share-based payment arrangements upon adoption of SFAS No. 123R.

We have elected to adopt the provisions of SFAS No. 123R on January 1, 2006 using the modified prospective method. As permitted by Statement 123, the Company currently accounts for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of Statement No. 123R's fair value method is expected to have a significant impact on our results of operations. However, it will have no impact on our overall financial position. We currently use the Black-Scholes-Merton formula to estimate the value of stock options granted to employees and expect to continue to use this acceptable option valuation model upon the required adoption of SFAS No. 123R. The significance of the impact of adoption will depend on levels of outstanding unvested share-based payments on the date of adoption and share-based payments granted in the future. However, had we adopted Statement No. 123R in prior periods, the impact of that standard would have approximated the impact of Statement No. 123 as described in the disclosure of pro forma net income and earnings per share under "Stock Based Compensation" above.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections: a replacement of APB Opinion No. 20 and FASB Statement No. 3. SFAS No. 154 requires voluntary changes in accounting principles to be applied retrospectively, unless it is impracticable. SFAS No. 154's retrospective application requirement replaces APB 20's requirement to recognize most voluntary changes in accounting principle by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. If retrospective application for all prior periods is impracticable, the method used to report the change and the reason the retrospective application is impracticable are to be disclosed.

Under SFAS No. 154, retrospective application will be the transition method in the unusual instance that a newly issued accounting pronouncement does not provide specific transition guidance. It is expected that many pronouncements will specify transition methods other than retrospective. SFAS No. 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005, and the adoption of this statement is expected to have no impact on our financial position or results of operations.

In July 2005, the FASB issued an exposure draft "Accounting for Uncertain Tax Positions, a proposed interpretation of FASB Statement No. 109." The proposed interpretation would apply to all open tax positions under FASB No. 109. The conclusions in this interpretation include: initial recognition of tax benefits, recognition and de-recognition of tax positions, measurement of tax benefits and classifications of tax liabilities. The comment period on this exposure draft ended in September 2005, and we are currently assessing the impact, if any, that this interpretation would have on our financial position and results of operations. The proposal enactment date would require application effective December 31, 2005.

(3) Earnings Per Share

Basic earnings per share ("Basic EPS") have been computed using the weighted average number of common shares outstanding during the respective periods. Diluted earnings per share ("Diluted EPS") for all periods also assumes, as of the beginning of the period, exercise of

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stock options and restricted stock grants to employees using the treasury stock method. Certain of our stock options, that could potentially dilute Basic EPS in the future, were anti-dilutive for the three-month and nine-month periods ended September 30, 2005 and 2004, and are discussed below.

The following is a reconciliation of the numerators and denominators used in the calculation of Basic and Diluted EPS for the three-month and nine-month periods ended September 30, 2005 and 2004:

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued SWIFT ENERGY COMPANY

	Three Months Ended September 30,				
	2005			2004	
	Net Income	Shares	Per Share Amount	Net Income	Sh
Basic EPS:					
Net Income and Share Amounts	\$ 27,506,899	28,632,895	\$ 0.96	\$ 14,130,717	27,
Dilutive Securities:					
Restricted Stock	---	71,815		---	
Stock Options	---	1,081,254		---	5
Diluted EPS:					
Net Income and Assumed Share Conversions	\$ 27,506,899	29,785,964	\$ 0.92	\$ 14,130,717	28,5
	Nine Months Ended September 30,				
	2005			2004	
	Net Income	Shares	Per Share Amount	Net Income	Sh
Basic EPS:					
Net Income and Share Amounts	\$ 81,077,709	28,390,120	\$ 2.86	\$ 41,616,498	27,
Dilutive Securities:					
Restricted Stock	---	37,194		---	
Stock Options	---	866,822		---	
Diluted EPS:					
Net Income and Assumed Share Conversions	\$ 81,077,709	29,294,136	\$ 2.77	\$ 41,616,498	28,

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Options to purchase approximately 2.4 million shares at an average exercise price of \$20.24 were outstanding at September 30, 2005, while options to purchase 2.8 million shares at an average exercise price of \$17.65 were outstanding at September 30, 2004. Less than 0.1 million and 0.9 million options to purchase shares were not included in the computation of Diluted EPS for the three-month periods ended September 30, 2005 and 2004, respectively, and approximately 0.2 million and 0.9 million options to purchase shares were not included in the computation of Diluted EPS for the nine-month periods ended September 30, 2005 and 2004, respectively, because these options were antidilutive in that the option price was greater than the average closing market price for the common shares during those periods. Restricted stock grants to consultants of 15,000 shares, which were issued in the second half of 2004, were not included in the computation of Diluted EPS for the three-month and nine-month periods ended September 30, 2005, as performance conditions surrounding the vesting of these shares had not occurred.

(4) Long-Term Debt

Our long-term debt, including the current portion, as of September 30, 2005 and December 31, 2004, was as follows (in thousands):

	September 30, 2005	December 2004
	-----	-----
Bank Borrowings	\$ ---	\$ ---
7-5/8% senior notes due 2011	150,000	150,000
9-3/8% senior subordinated notes due 2012	200,000	200,000
	-----	-----
Long-Term Debt	\$ 350,000	\$ 350,000
	-----	-----

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued SWIFT ENERGY COMPANY

Bank Borrowings

At September 30, 2005, we had no outstanding borrowings under our \$400.0 million credit facility with a syndicate of ten banks that has a borrowing base of \$250.0 million and expires in October 2008. At December 31, 2004, we had \$7.5 million in outstanding borrowings under our credit facility. The interest rate is either (a) the lead bank's prime rate (6.75% at September 30, 2005), or (b) the adjusted London Interbank Offered Rate ("LIBOR") plus the applicable margin depending on the level of outstanding debt. The applicable margin is based on the ratio of the outstanding balance to the last calculated borrowing base. In June 2004, we renewed this credit facility, increasing the facility to \$400 million from \$300 million and extending its expiration to

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October 1, 2008 from October 1, 2005. The other terms of the credit facility, such as the borrowing base amount and commitment amount, stayed largely the same. The covenants related to this credit facility changed somewhat with the extension of the facility and are discussed below. We incurred \$0.4 million of debt issuance costs related to the renewal of this facility in 2004, which is included in "Debt issuance costs" on the accompanying balance sheets and will be amortized to interest expense over the life of the facility.

The terms of our credit facility also include, among other restrictions, a limitation on the level of cash dividends (not to exceed \$5.0 million in any fiscal year), a remaining aggregate limitation on purchases of our stock of \$15.0 million, requirements as to maintenance of certain minimum financial ratios (principally pertaining to adjusted working capital ratios and EBITDAX), and limitations on incurring other debt or repurchasing our 7-5/8% senior notes due 2011 or 9-3/8% senior subordinated notes due 2012. Since inception, no cash dividends have been declared on our common stock. We are currently in compliance with the provisions of this agreement. The credit facility is secured by our domestic oil and gas properties. We have also pledged 65% of the stock in our two New Zealand subsidiaries as collateral for this credit facility. The borrowing base is re-determined at least every six months and was reconfirmed by our bank group at \$250.0 million effective November 1, 2005. At our request, the commitment amount with our bank group was reduced to \$150.0 million effective May 9, 2003, and continues at this amount. Under the terms of the credit facility, we can increase this commitment amount back to the total amount of the borrowing base at our discretion, subject to the terms of the credit agreement. The next scheduled borrowing base review is in May 2006.

Interest expense on the credit facility, including commitment fees and amortization of debt issuance costs, totaled \$0.2 million and \$0.3 million for the three-months ended September 30, 2005 and 2004, respectively, and \$0.8 million and \$1.2 million for the nine-months ended September 30, 2005 and 2004, respectively. The amount of commitment fees included in interest expense, net was \$0.1 million for both the three-months ended September 30, 2005 and 2004, and \$0.4 million for both the nine-months ended September 30, 2005 and 2004.

Senior Notes Due 2011

These notes consist of \$150.0 million of 7-5/8% senior notes due 2011, which were issued on June 23, 2004 at 100% of the principal amount and will mature on July 15, 2011. The notes are senior unsecured obligations that rank equally with all of our existing and future senior unsecured indebtedness, are effectively subordinated to all our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, including borrowing under our bank credit facility, and rank senior to all of our existing and future subordinated indebtedness. Interest on these notes is payable semi-annually on January 15 and July 15, and commenced on January 15, 2005. On or after July 15, 2008, we may redeem some or all of the notes, with certain restrictions, at a redemption price, plus accrued and unpaid interest, of 103.813% of principal, declining to 100% in 2010 and thereafter. In addition, prior to July 15, 2007, we may redeem up to 35% of the notes with the net proceeds of qualified offerings of our equity at a redemption price of 107.625% of the principal amount of the notes, plus accrued and unpaid interest. We incurred approximately \$3.9 million of debt issuance costs related to these notes, which is included in "Debt issuance costs" on the accompanying balance sheets and will be amortized to interest expense, net over the life of the

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notes using the effective interest method. Upon certain changes in control of Swift Energy, each holder of notes will have the right to require us to repurchase all or any part of the notes at a purchase price in cash equal to 101% of the principal amount, plus accrued and unpaid interest to the date

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued SWIFT ENERGY COMPANY

of purchase. The terms of these notes include, among other restrictions, a limitation on how much of our own common stock we may repurchase. We are currently in compliance with the provisions of the indenture governing these senior notes.

Interest expense on the 7-5/8% senior notes due 2011, including amortization of debt issuance costs totaled \$3.0 million for both the three-months ended September 30, 2005 and 2004, and \$8.9 million and \$3.2 million for the nine-months ended September 30, 2005 and 2004, respectively.

Senior Subordinated Notes Due 2012

These notes consist of \$200.0 million of 9-3/8% senior subordinated notes due May 2012, which were issued on April 16, 2002, and will mature on May 1, 2012. The notes are unsecured senior subordinated obligations and are subordinated in right of payment to all our existing and future senior debt, including our bank credit facility and 7-5/8% senior notes. Interest on these notes is payable semiannually on May 1 and November 1, and commenced on November 1, 2002. On or after May 1, 2007, we may redeem these notes, with certain restrictions, at a redemption price, plus accrued and unpaid interest, of 104.688% of principal, declining to 100% in 2010. In addition, prior to May 1, 2005, we could have redeemed up to 33.33% of these notes with the net proceeds of qualified offerings of our equity at 109.375% of the principal amount of these notes, plus accrued and unpaid interest. Upon certain changes in control of Swift Energy, each holder of these notes will have the right to require us to repurchase the notes at a purchase price in cash equal to 101% of the principal amount, plus accrued and unpaid interest to the date of purchase. The terms of these notes include, among other restrictions, a limitation on how much of our own common stock we may repurchase. We are currently in compliance with the provisions of the indenture governing these subordinated notes.

Interest expense on the 9-3/8% senior subordinated notes due 2012, including amortization of debt issuance costs totaled \$4.8 million for both the three-months ended September 30, 2005 and 2004, and \$14.4 million for both the nine-months ended September 30, 2005 and 2004.

Other

The aggregate maturities on our long-term debt are \$150 million for 2011 and \$200 million for 2012.

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We have capitalized interest on our unproved properties in the amount of \$1.8 million and \$1.6 million for the three-months ended September 30, 2005 and 2004, respectively, and \$5.3 million and \$4.7 million for the nine-months ended September 30, 2005.

(5) Foreign Activities

As of September 30, 2005, our gross capitalized oil and gas property costs in New Zealand totaled approximately \$278.2 million. Approximately \$238.8 million has been included in the "Proved properties" portion of our oil and gas properties, while \$39.4 million is included as "Unproved properties." Our functional currency in New Zealand is the U.S. Dollar. Net assets of our New Zealand operations total \$240.0 million at September 30, 2005. In April 2005, Swift Energy New Zealand ("SENZ") was awarded petroleum mining permit ("PMP") 38155 and petroleum exploration permit ("PEP") 38495 by the New Zealand Government. PMP 38155 is for the development of our Kauri Sand and Manutahi Sand discoveries and covers 8,708 acres and allows us to fully develop our Kauri area for a primary term of 30 years. Following the award of PEP 38495, SENZ initiated a farm-in agreement with Mighty River Power ("MRP"), whereby SENZ agreed to transfer a 50% interest in the permit to MRP in return for MRP funding various seismic operations during 2005 and 2006. PEP 38495 is located offshore in the southern portion of the basin to the south and west of our PEP 38719 and encompasses approximately 600 square miles.

(6) Acquisitions and Dispositions

In late December 2004, we acquired interests in two fields in South Louisiana, the Bay de Chene and Cote Blanche Island fields. We paid approximately \$27.7 million in cash for these interests. After taking into account internal acquisition costs of \$2.8 million, our total cost was \$30.5 million. We allocated \$27.8 million of the acquisition price to "Proved properties," and \$5.1 million to "Unproved properties." We also recorded \$0.5 million to "Restricted assets," and recorded a liability of \$2.9 million to "Asset retirement obligation" on our accompanying balance sheet. This acquisition was accounted for

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued SWIFT ENERGY COMPANY

by the purchase method of accounting. We made this acquisition to increase our exploration and development opportunities in South Louisiana. The revenues and expenses from these properties have been included in our accompanying statements of income from the date of acquisition forward, however, given the acquisition was in late December 2004, these amounts were immaterial for 2004.

In the third quarter of 2005, we agreed to purchase interests in the South Bearhead Creek Field in Beauregard Parish, Louisiana with an effective date of August 1, 2005. We expect this purchase to close in November 2005 with an expected purchase price of approximately \$24 million.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY

(7) Segment Information

The Company has two reportable segments, one domestic and one foreign, which are in the business of crude oil and natural gas exploration and production. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate our performance based on profit or loss from oil and gas operations before price-risk management and other, net, general and administrative, net, and interest expense, net. Our reportable segments are managed separately based on their geographic locations. Financial information by operating segment is presented below:

	Three Months Ended September 30,			
	2005			
	Domestic	New Zealand	Total	Domestic
Oil and gas sales	\$ 81,692,754	\$ 19,314,770	\$ 101,007,524	\$ 63,497,169
Costs and Expenses:				
Depreciation, depletion and amortization	17,328,183	6,542,104	23,870,287	15,112,143
Accretion of asset retirement obligation	157,442	34,087	191,529	124,781
Lease operating costs	8,903,988	3,317,165	12,221,153	7,293,487
Severance and other taxes	8,438,368	1,232,197	9,670,565	6,310,555
Income from oil and gas operations	\$ 46,864,773	\$ 8,189,217	\$ 55,053,990	\$ 34,656,203
Price-risk management and other, net			(154,019)	
General and administrative, net			5,803,946	
Interest expense, net			6,194,370	
Debt retirement cost			---	
Income Before Income Taxes			\$ 42,901,655	

Nine Months Ended September 30,

2005

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	Domestic	New Zealand	Total	Domestic
Oil and gas sales	\$248,399,764	\$ 53,051,493	\$ 301,451,257	\$ 177,918,389
Costs and Expenses:				
Depreciation, depletion and amortization	57,560,343	19,292,953	76,853,296	44,533,330
Accretion of asset retirement obligation	465,465	100,066	565,531	375,028
Lease operating costs	25,651,928	9,183,230	34,835,158	22,147,817
Severance and other taxes	26,197,345	3,385,055	29,582,400	17,792,020
Income from oil and gas operations	\$138,524,683	\$ 21,090,189	\$ 159,614,872	\$ 93,070,194
Price-risk management and other, net			(677,143)	
General and administrative, net			15,674,141	
Interest expense, net			18,825,273	
Debt retirement cost			---	
Income Before Income Taxes			\$ 124,438,315	
Total Assets	\$886,525,732	\$239,968,842	\$1,126,494,574	\$ 719,512,808

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
SWIFT ENERGY COMPANY

You should read the following discussion and analysis in conjunction with our financial information and our condensed consolidated financial statements and notes thereto included in this report and our Form 10-K for the year ended December 31, 2004. The following information contains forward-looking statements. For a discussion of limitations inherent in forward-looking statements, see "Forward-Looking Statements" on page 33 of this report.

Overview

For the third quarter of 2005, our revenues were \$100.9 million, a 35% increase, and our production was 13.5 Bcfe, a 3% decrease, in both cases as compared to third quarter 2004 results. These revenues and production levels for the third quarter of 2005 were lower than our pre-hurricane guidance as a result of production shut-ins necessitated by Hurricanes Katrina and then Rita. We estimate that the effect of these hurricanes deferred approximately 3.0 Bcfe of production from the third quarter of 2005. The weighted average price increased 40% to

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\$7.48 per Mcfe for the third quarter of 2005 from \$5.36 in the same period of 2004. The strong commodity prices during third quarter 2005 supported the increase in our revenues as compared to the same period in 2004 despite the impact of the hurricanes on our production.

Hurricane Katrina shut-down procedures were implemented beginning August 26, 2005 in our Lake Washington Field in Plaquemines Parish, Bay de Chene Field in Jefferson and Lafourche Parishes, and Cote Blanche Island Field in St. Mary's Parish. Production at our Cote Blanche Island Field was resumed in late August to pre-hurricane levels while damage assessment and repair work on our facilities and infrastructure was conducted in Lake Washington and Bay de Chene. Some of our drilling operations had resumed in Lake Washington in mid-September when shut-down procedures were again implemented during the approach of Hurricane Rita. Our preparations for Hurricane Rita began in late September in our Lake Washington Field, the Toledo Bend Area, consisting of the Brookeland Field located in East Texas in Jasper and Newton Counties, and the Masters Creek Field located across the Sabine River in western Louisiana parishes of Rapides and Vernon, and again in our Cote Blanche Island Field. In early October, production was restored at our Lake Washington Field to approximately 80% of pre-Katrina levels and production in our Masters Creek and Brookeland Field was restored to 100% of pre-Rita levels in mid-October. We expect production in our Lake Washington field to return to pre-hurricane rates in the near future. Pending completion of repairs, production remains shut-in at our Bay de Chene Field due to damage from Hurricane Katrina. Our Cote Blanche Island Field, which had not suffered damage from Hurricane Katrina but did suffer damage from Hurricane Rita remains shut-in. Drilling, completion and recompletion operations resumed with two drilling rigs and one completion rig in Lake Washington, and one completion rig working in Bay de Chene in early October. A third drilling rig, which was damaged during Hurricane Katrina, just returned to the Lake Washington area in early November 2005.

In addition to the impact on our production, the hurricanes also resulted in substantial operational disruption in our Louisiana coastal fields. The disruption includes deferred drilling, displaced employees, offices, and dock facilities, and for a period, hampered communication. A new shore base was opened in DuLac, Louisiana to facilitate repairs in the fields and office space and housing was established for our affected employees near Houma, Louisiana. The new shore base is a considerable distance from the previous shore base in Port Sulphur adding considerable travel time to the fields. Additionally, we provided personnel and equipment as requested by local authorities to help with levee repairs and the restoration of access and services to the lower Plaquemines Parish area.

During the third quarter of 2005, we recorded approximately \$7.5 million of costs related to Hurricane Katrina and \$1.3 million related to Hurricane Rita, and expect additional hurricane related costs to be incurred in the fourth quarter of 2005. Approximately \$1.0 million of the total costs were expensed to lease operating expense, net of estimated insurance reimbursement, in the third quarter of 2005. The remainder of the costs related to capital projects. .

For the first nine months of 2005, we had revenues of \$300.8 million and production of 44.9

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS- (Continued) SWIFT ENERGY COMPANY

Bcfe, which is a 42% increase in revenues and a 6% increase in production over first nine months of 2004 results. Our revenues for the first nine months of 2005 were supported by record high oil and gas prices in the industry, while at the same time, our production increased over 2004 levels. Our efforts and capital throughout the first nine months of 2005 remained primarily focused on infrastructure improvements, increased production, and the development of long-lived reserves through exploration and exploitation activities primarily in southern Louisiana, South Texas and New Zealand. We expect to continue this focus throughout the last quarter of 2005.

Our overall costs and expenses have increased, and we expect costs and expenses to continue to increase in the fourth quarter of 2005. The primary increase in these costs and expenses is due to increased depreciation, depletion and amortization expense as a result of increased estimates for future development costs and additional capital expenditures during the year. The other primary factor for our increased costs and expenses is due to increased production in Lake Washington along with higher severance taxes due to increased revenues. We've also seen an increase in our general and administrative expenses due to an increased workforce and stock compensation expense associated with the issuance of restricted stock. Although our lease operating costs were less than originally anticipated through the first six months of 2005, due to lower than expected chemical, repair and maintenance costs as well as no significant work-over activity, lease operating costs were adversely affected in the third quarter of 2005 due to Hurricane Katrina.

Our financial position remains strong and flexible, allowing us to take advantage of future opportunities in organic growth through drilling and strategic growth through acquisitions. Our financial ratios have also continued to improve. Our debt to PV-10 ratio decreased to 10% at September 30, 2005 compared to 18% at December 31, 2004, due to higher crude oil and natural gas prices and a slight decrease in our total debt. Higher commodity prices have increased our PV-10 value. Our debt to capitalization ratio was 38% at September 30, 2005 compared to 43% at year-end 2004, as debt levels decreased slightly in 2005 and retained earnings increased as a result of the current period profit.

There are a number of factors that support our belief that Swift Energy's performance for the last quarter of 2005 will be strong. We believe that strong commodity prices will continue over the foreseeable future, based in part on forward-strip pricing. We expect to return to pre-Hurricane Katrina production levels during the fourth quarter of 2005 in Lake Washington and along with the capacity increase of the new facilities in Lake Washington is on schedule to be completed late in the fourth quarter of 2005, which was delayed due to hurricanes. Our 3-D seismic data study of southern Louisiana has yielded success in our exploration and development activities. Continued work-over and recompletion activity is expected to take place in the last quarter of 2005, particularly in the Bay de Chene and Cote Blanche Island fields in southern Louisiana, however, this work has been delayed somewhat due

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to our recovery from Hurricanes Katrina and Rita. The Piakau discovery in New Zealand has early results that are encouraging, although further reservoir delineation is required. Our diversified drilling portfolio positions us for higher impact exploration drilling as well as expanded exploitation efforts in both the last quarter of 2005 and into 2006.

Results of Operations - Three Months Ended September 30, 2005 and 2004

Revenues. Our revenues in the third quarter of 2005 increased by 35% compared to revenues in the same period in 2004, due primarily to an increase in commodity prices, partially offset by lower production volumes. Revenues from our oil and gas sales comprised substantially all of our net revenues for the third quarter of both 2005 and 2004. In the third quarter of 2005, oil production made up 47% of total production, natural gas made up 44%, and NGL represented 9%. In the third quarter of 2004, oil production made up 46% of total production, natural gas made up 43%, and NGL represented 11%.

Our third quarter of 2005 weighted average prices increased 40% to \$7.48 per Mcfe from \$5.36 in the third quarter of 2004, with per barrel oil prices appreciating 42% to \$59.66 from \$41.99 during the same period in 2004, per Mcfe natural gas prices increasing 33% to \$5.29 from \$3.97, and per barrel NGL prices rose 36% to \$31.84 from \$23.33.

Our third quarter of 2005 production was adversely affected by Hurricanes Katrina and Rita. Our Lake Washington field was shut-in from late August due to Hurricane Katrina and began producing again briefly

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS-(Continued) SWIFT ENERGY COMPANY

in late September, but was then shut-in as Hurricane Rita approached. The field began producing again in early October 2005, however, at approximately 80% of pre-Katrina levels.

The following table sets forth our revenues from oil and gas sales and the volumes underlying those sales from our core areas for the three months ended September 30, 2005 and 2004, illustrating the changes between the two periods:

Area ----	Three Months Ended September 30,		
	Oil and Gas Sales (In Millions)		Net Oil and Gas Sales
	2005 ----	2004 ----	2005 ----
AWP Olmos	\$ 16.5	\$ 11.9	2.0
Brookeland	6.5	4.5	0.8
Lake Washington	46.6	37.1	4.9
Masters Creek	4.5	5.4	0.5

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Other	7.6	4.6	0.9
Total Domestic	\$ 81.7	\$ 63.5	9.1
Rimu/Kauri	11.3	4.4	2.2
TAWN	8.0	6.8	2.2
Total New Zealand	\$ 19.3	\$ 11.2	4.4
Total	\$ 101.0	\$ 74.7	13.5

The following table breaks down our sales volumes by commodity and provides average sales prices for each commodity for the quarters ending September 30, 2005 and 2004:

	Sales Volume				Average	
	Oil (MBbl)	NGL (MBbl)	Gas (Bcf)	Combined (Bcfe)	Oil (Bbl)	NGL (Bbl)
2005						
Three Months Ended September 30:						
Domestic	925	119	2.8	9.1	\$59.44	\$40.00
New Zealand	134	85	3.1	4.4	\$61.23	\$19.00
Total	1,059	204	5.9	13.5	\$59.66	\$31.00
2004						
Three Months Ended September 30:						
Domestic	1,008	151	3.2	10.2	\$41.60	\$26.00
New Zealand	68	100	2.8	3.7	\$47.75	\$18.00
Total	1,076	251	6.0	13.9	\$41.99	\$23.00

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS-(Continued)
SWIFT ENERGY COMPANY

In the third quarter of 2005, our \$26.4 million increase in oil, NGL, and natural gas sales over the same period in 2004 resulted from:

- o Price variances that had a \$28.4 million favorable impact on sales, of which \$18.7 million was attributable to the 42% increase in average oil prices received, \$7.9 million was attributable to the 33% increase in average gas prices received, and \$1.8 million was attributable to the 36% increase in average NGL prices

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received; and

- o Volume variances that had a \$2.0 million unfavorable impact on sales, with \$0.7 million of decreases coming from the 17,000 Bbl decrease in oil sales volumes, \$0.2 million of decreases due to the less than 0.1 Bcfe decrease in gas sales volumes, and by a \$1.1 million decrease attributable to the 47,000 Bbl decrease in NGL sales volumes.

Costs and Expenses. Our expenses in the third quarter of 2005 increased \$2.5 million, or 4%, compared to expenses in the same period of 2004. The increase was mainly due to a \$4.0 million increase in DD&A, a \$2.4 million increase in lease operating costs, and a \$2.6 million increase in severance and other taxes. These cost increases in the third quarter of 2005 were partially offset by debt retirement costs that were incurred in the third quarter of 2004, which totaled \$6.8 million.

Our third quarter 2005 general and administrative expenses, net, increased \$1.4 million, or 32%, from the level of such expenses in the same 2004 period. This increase was primarily due to an increase in workforce, resulting in increased salaries and benefits, and stock compensation expense associated with the issuance of restricted stock. Our net general and administrative expenses per Mcfe produced increased to \$0.43 per Mcfe in the third quarter of 2005 from \$0.32 per Mcfe in the same 2004 period. The increase to \$0.43 per Mcfe was mainly attributable to deferred production from the hurricanes. For the third quarters of 2005 and 2004, our capitalized general and administrative costs totaled \$4.6 million and \$3.4 million, respectively. The portion of supervision fees recorded as a reduction to general and administrative expenses was \$2.0 million for the third quarter of 2005 and \$1.6 million for the 2004 period.

DD&A increased \$4.0 million, or 20%, in the third quarter of 2005 from the level of those expenses in the same period of 2004. Domestically, DD&A increased \$2.2 million in the third quarter of 2005 predominantly due to increases in our depletable oil and gas property base including future development costs, and to a lesser extent, lower reserve volumes than in the same 2004 period, offset by a decline in domestic production. In New Zealand, DD&A increased by \$1.8 million in the third quarter of 2005 due to increases in the depletable oil and gas property base, increased production in the 2005 period, and lower reserve volumes than in the same 2004 period. Our DD&A rate per Mcfe of production was \$1.77 and \$1.43 in the third quarters of 2005 and 2004, respectively.

We recorded \$0.2 million of accretions to our asset retirement obligation in both the third quarters of 2005 and 2004.

Our lease operating costs per Mcfe produced were \$0.91 and \$0.71 in the third quarters of 2005 and 2004, respectively. Our lease operating costs in the third quarter of 2005 increased \$2.4 million, or 24%, over the level of such expenses in the same 2004 period. Approximately \$1.6 of the increase was related to our domestic operations, which increased by a net of \$1.0 million due to Hurricane Katrina related costs. Our lease operating costs in New Zealand increased in the third quarter of 2005 by \$0.8 million due to increased production in the 2005 period. The increase to \$0.91 per Mcfe was mainly attributable to deferred production from the hurricanes.

In the third quarter of 2005, severance and other taxes increased \$2.6 million, or 37%, over levels in the third quarter of 2004. The

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increase was due primarily to higher commodity prices. Severance and other taxes, as a percentage of oil and gas sales, were approximately 9.6% and 9.5% in the third quarters of 2005 and 2004, respectively.

Interest expense on our 7-5/8% senior notes due 2011 issued in June 2004, including amortization of debt issuance costs, totaled \$3.0 million in the third quarters of 2005 and 2004. Interest expense on our

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS-(Continued) SWIFT ENERGY COMPANY

9-3/8% senior subordinated notes due 2012 issued in April 2002, including amortization of debt issuance costs, totaled \$4.8 million for the third quarters of 2005 and 2004. Interest expense on our 10-1/4% senior subordinated notes issued in August 1999 and retired in 2004, including amortization of debt issuance costs, totaled \$0.8 million in the third quarter of 2004. Interest expense on our bank credit facility, including commitment fees and amortization of debt issuance costs, totaled \$0.2 million in the third quarter of 2005 and \$0.3 million in the same period in 2004. Our total interest cost in the third quarter of 2005 was \$8.0 million, of which \$1.8 million was capitalized. Our total interest cost in the third quarter of 2004 was \$8.9 million, of which \$1.6 million was capitalized. We capitalize a portion of interest related to unproved properties. The decrease of interest expense in the third quarter of 2005 was primarily attributable to the replacement of our 10-1/4% senior subordinated notes with our 7-5/8% senior notes.

In the third quarter of 2004, we incurred \$6.8 million of debt retirement costs related to the repurchase of a portion of our 10-1/4% senior subordinated notes due 2009 pursuant to a tender offer. The costs were comprised of approximately \$4.8 million of premiums paid to repurchase the notes, \$1.6 million to write-off unamortized debt issuance costs, and \$0.4 million to write-off unamortized debt discount.

Our overall effective tax rate was 35.9% in the third quarter of 2005 and 27.4% in the same 2004 period. The effective income tax rate for both the third quarter of 2005 and 2004 was lower than the statutory tax rates primarily due to reductions from the New Zealand statutory rate attributable to the currency effect on the New Zealand deferred tax calculation. Additionally, the third quarter of 2004 rate is lower due to a favorable return to provision adjustment and reversal of a tax contingency.

Net Income. For the third quarter of 2005, our net income of \$27.5 million was 95% higher, and Basic EPS of \$0.96 was 90% higher, than our third quarter of 2004 net income of \$14.1 million and Basic EPS of \$0.51. Our Diluted EPS in the third quarter of 2005 of \$0.92 was 86% higher than our third quarter 2004 Diluted EPS of \$0.50. These higher amounts are due to our increased oil and gas revenues, which in turn were higher due to continued strong commodity prices, partially offset by lower hurricane-deferred production volumes during the third quarter

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of 2005.

Results of Operations - Nine Months Ended September 30, 2005 and 2004

Revenues. Our revenues in the first nine months of 2005 increased by 42% compared to revenues in the same period in 2004, due primarily to an increase in commodity prices and production from our Lake Washington area and the Rimu/Kauri area. Revenues from our oil and gas sales comprised substantially all of net revenues for the first nine months of 2005 and 2004. In the first nine months of 2005, oil production made up 51% of total production, natural gas made up 41%, and NGL represented 8%. In the first nine months of 2004, oil production made up 47% of total production, natural gas made up 41%, and NGL represented 12%. The increase in the percentage of our total production from oil is because production from Lake Washington is almost entirely crude oil, and production from this area has increased significantly as a result of our continued development in the field.

Our first nine months of 2005 weighted average prices increased 34% to \$6.71 per Mcfe from \$5.00 in the first nine months of 2004, with per barrel oil prices appreciating 38% to \$51.99 from \$37.72 during the first nine months of 2004, per Mcfe natural gas prices increasing 20% to \$4.73 from \$3.93, and per barrel NGL prices rose 27% to \$27.15 from \$21.46.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS-Continued SWIFT ENERGY COMPANY

The following table sets forth our revenue from oil and gas sales and the volumes underlying those sales from each of our core areas for the nine months ended September 30, 2005 and 2004, illustrating the changes between the two periods:

Area -----	Nine Months Ended September 30,		
	Oil and Gas Sales (In Millions)		Net Oil and Gas Sales
	2005 ----	2004 ----	2005 ----
AWP Olmos	\$ 40.7	\$ 36.2	5.7
Brookeland	14.6	13.8	2.2
Lake Washington	160.1	98.8	19.5
Masters Creek	13.6	16.0	2.0
Other	19.4	13.1	2.6
Total Domestic	\$ 248.4	\$ 177.9	32.0
Rimu/Kauri	33.1	13.8	6.5

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TAWN	20.0	20.7	6.4
Total New Zealand	\$53.1	\$34.5	12.9
Total	\$ 301.5	\$ 212.4	44.9

The following table breaks down our sales volumes by commodity and provides average sales prices for each commodity for the nine months ending September 30, 2005 and 2004:

	Sales Volume				Average S	
	Oil (MBbl)	NGL (MBbl)	Gas (Bcf)	Combined (Bcfe)	Oil (Bbl)	NG (Bb)
2005						
Nine Months Ended September 30:						
Domestic	3,448	381	9.1	32.0	\$51.65	\$32
New Zealand	358	255	9.2	12.9	\$55.25	\$18
Total	3,806	636	18.3	44.9	\$51.99	\$27
2004						
Nine Months Ended September 30:						
Domestic	3,047	540	9.3	30.8	\$37.58	\$23
New Zealand	296	257	8.3	11.7	\$39.26	\$17
Total	3,343	797	17.6	42.5	\$37.72	\$21

In the first nine months of 2005, our \$89.0 million increase in oil, NGL, and natural gas sales resulted from:

- o Price variances that had a \$72.4 million favorable impact on sales, of which \$54.3 million was attributable to the 38% increase in average oil prices received, \$14.5 million was attributable to the 20% increase in average gas prices received, and \$3.6 million was attributable to the 27% increase in average NGL prices received; and
- o Volume variances that had a \$16.6 million favorable impact on sales, with \$17.5 million of increases coming from the 463,000 Bbl

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increase in oil sales volumes, \$2.6 million of increases due to the 0.7 Bcf increase in gas sales volumes, partially offset by a \$3.5 million decrease attributable to the 162,000 Bbl decrease in NGL sales volumes.

Costs and Expenses. Our expenses in the first nine months of 2005 increased \$24.6 million, or 16%, compared to expenses in the same period of 2004. The increase was due to a \$19.2 million increase in DD&A, a \$9.3 million increase in severance and other taxes, and a \$4.9 million increase in lease operating costs, all of which are primarily due to increased production volumes and high oil and gas prices in the first nine months of 2005. These cost increases in the first nine months of 2005 were partially offset by debt retirement costs that were incurred in the first nine months of 2004, which totaled \$9.5 million.

Our first nine months of 2005 general and administrative expenses, net, increased \$3.1 million, or 24%, from the level of such expenses in the same 2004 period. This increase was primarily due to an increase in workforce, resulting in increased salaries, benefits and stock compensation expense associated with the issuance of restricted stock. Our net general and administrative expenses per Mcfe produced increased to \$0.35 per Mcfe in the first nine months of 2005 from \$0.30 per Mcfe in the same 2004 period. For the first nine months of 2005 and 2004, our capitalized general and administrative costs totaled \$13.4 million and \$9.6 million, respectively. The portion of supervision fees recorded as a reduction to general and administrative expenses was \$5.8 million for the first nine months of 2005 and \$4.0 million for the 2004 period.

DD&A increased \$19.2 million, or 33%, in the first nine months of 2005 from the level of those expenses in the same period of 2004. Domestically, DD&A increased \$13.0 million in the first nine months of 2005 due to increases in the depletable oil and gas property base including future development costs and higher production in the 2005 period. In New Zealand, DD&A increased by \$6.2 million in the first nine months of 2005 due to increases in the depletable oil and gas property base, higher production in the 2005 period and lower reserve volumes than in the same 2004 period. Our DD&A rate per Mcfe of production was \$1.71 and \$1.36 in the first nine months of 2005 and 2004, respectively.

We recorded \$0.6 million of accretions to our asset retirement obligation in the first nine months of 2005 and \$0.5 million in the same period of 2004.

Our lease operating costs per Mcfe produced were \$0.78 in the first nine months of 2005 and \$0.70 in the 2004 period. Our lease operating costs in the first nine months of 2005 increased \$4.9 million, or 16%, over the level of such expenses in the same 2004 period. Approximately \$3.5 million of the increase was related to our domestic operations, which increased primarily due to higher production from our Lake Washington area and a net of approximately \$1.0 million in Hurricane Katrina related costs. Our lease operating costs in New Zealand increased in the nine months of 2005 by \$1.4 million due to higher plant operating expense and higher production in the Rimu/Kauri area partially offset by the decline in the TAWN area.

In the first nine months of 2005, severance and other taxes increased \$9.3 million, or 46%, over levels in the first nine months of 2004. The increase was due primarily to higher commodity prices and

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increased Lake Washington and Rimu/Kauri production in the period. Severance taxes on oil in Louisiana are 12.5% of oil sales, which is higher than in the other states where we have production. As our percentage of oil production in Louisiana increases, the overall percentage of severance costs to sales also increases. Severance and other taxes, as a percentage of oil and gas sales, were approximately 9.8% and 9.5% in the first nine months of 2005 and 2004, respectively.

Interest expense on our 7-5/8% senior notes due 2011 issued in June 2004, including amortization of debt issuance costs, totaled \$8.9 million in the first nine months of 2005 and \$3.2 million in the same 2004 period, which was the period these notes were issued and the 10-1/4% senior subordinated notes were retired. Interest expense on our 9-3/8% senior subordinated notes due 2012 issued in April 2002, including amortization of debt issuance costs, totaled \$14.4 million in both the first nine months of 2005 and 2004. Interest expense on our

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS-Continued SWIFT ENERGY COMPANY

10-1/4% senior subordinated notes issued in August 1999 and retired in 2004, including amortization of debt issuance costs, totaled \$7.4 million in the first nine months of 2004. Interest expense on our bank credit facility, including commitment fees and amortization of debt issuance costs, totaled \$0.8 million in the first nine months of 2005 and \$1.1 million in the same period in 2004. Our total interest cost in the first nine months of 2005 was \$24.1 million, of which \$5.3 million was capitalized. Our total interest cost in the first nine months of 2004 was \$26.1 million, of which \$4.7 million was capitalized. We capitalize a portion of interest related to unproved properties. The decrease of interest expense in the first nine months of 2005 was primarily attributable to the replacement of our 10-1/4% senior subordinated notes with our 7-5/8% senior notes.

In the first nine months of 2004, we incurred \$9.5 million of debt retirement costs related to the repurchase of a portion of our 10-1/4% senior subordinated notes pursuant to a tender offer. The costs were comprised of approximately \$6.5 million of premiums paid to repurchase the notes, \$2.2 million to write-off unamortized debt issuance costs, \$0.6 million to write-off unamortized debt discount and \$0.2 million of other costs.

Our overall effective tax rate was 34.8% in the first nine months of 2005 and 30.1% in the same 2004 period. The effective income tax rate for both the first nine months of 2005 and 2004 was lower than the statutory tax rates primarily due to reductions from the New Zealand statutory rate attributable to the currency effect on the New Zealand deferred tax calculation and corrections to the New Zealand tax basis calculations. Additionally, the 2004 rate is lower due to favorable corrections to tax basis amounts discovered while preparing the prior year's tax returns.

Net Income. For the first nine months of 2005, our net income of

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\$81.1 million was 95% higher, and Basic EPS of \$2.86 was 90% higher, than our first nine months of 2004 net income of \$41.6 million and Basic EPS of \$1.50. Our Diluted EPS in the first nine months of 2005 of \$2.77 was 88% higher than our first nine months of 2004 Diluted EPS of \$1.47. These higher amounts are due to our increased oil and gas revenues, which in turn were higher due to continued strong commodity prices and our increased production during the first nine months of 2005.

Contractual Commitments and Obligations

We had no material changes in our contractual commitments and obligations from December 31, 2004 amounts referenced in our Annual Report on Form 10-K for the period ending December 31, 2004.

Commodity Price Trends and Uncertainties

Oil and natural gas prices historically have been volatile and are expected to continue to be volatile in the future. The price of oil has increased over the last two years and is currently at record highs when compared to longer-term historical prices. Factors such as geopolitical activities, worldwide supply disruptions, worldwide economic conditions, weather conditions, actions taken by OPEC, and fluctuating currency exchange rates can cause wide fluctuations in the price of oil. Domestic natural gas prices continue to remain high when compared to longer-term historical prices. North American weather conditions, the industrial and consumer demand for natural gas, storage levels of natural gas, and the availability and accessibility of natural gas deposits in North America can cause significant fluctuations in the price of natural gas. Such factors are beyond our control.

Income Tax Regulations

The tax laws in the jurisdictions we operate in are continuously changing and professional judgments regarding such tax laws can differ. We do not believe the recently enacted American Jobs Creation Act of 2004 will have a material impact on our financial position or cash flow from operations in the near-term.

Liquidity and Capital Resources

During the first nine months of 2005, we relied upon our net cash provided by operating activities of \$220.5 million to fund capital expenditures of \$158.1 million and to pay down our bank borrowings by \$7.5 million. During the first nine months of 2004, we largely relied upon our net cash provided by operating activities of \$126.4 million and proceeds from the offering of our 7-5/8% senior notes due 2011 of

\$150.0 million to fund capital expenditures of \$128.5 million, repurchase \$125.0 million of our 10-1/4% senior subordinated notes due

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2009, and repay outstanding indebtedness under our bank credit facility.

Net Cash Provided by Operating Activities. For the first nine months of 2005, our net cash provided by operating activities was \$220.5 million, representing a 74% increase as compared to \$126.4 million generated during the same 2004 period. The \$94.0 million increase in the first nine months of 2005 was primarily due to an increase of \$89.0 million in oil and gas sales, attributable to higher commodity prices and production, offset in part by higher lease operating costs due to higher production and severance taxes.

Accounts Receivable. Included in the "Accounts receivable" balance, which totaled \$39.0 million at December 31, 2004, on the accompanying balance sheets, were approximately \$2.3 million of receivables related to hydrocarbon volumes produced from 2001 and 2002 that had been disputed since early 2003. As a result of the dispute, we did not record a receivable with regard to any 2003 disputed volumes and our contract governing these sales expired in 2003. Based on settlement discussions, we settled our claim with this counter-party in July 2005 by receiving a cash payment for less than our gross receivable. Accordingly, in the second quarter of 2005, we increased our reserve for this claim by approximately \$0.6 million, which is recorded in "Price-risk management and other, net" on the accompanying statements of income.

We assess the collectibility of accounts receivable, and based on our judgment, we accrue a reserve when we believe a receivable may not be collected. At September 30, 2005 and December 31, 2004, we had an allowance for doubtful accounts of less than \$0.1 million and \$0.5 million, respectively. The allowance for doubtful accounts has been deducted from the total "Accounts receivable" balances on the accompanying balance sheets.

Bank Credit Facility. We had no borrowings under our bank credit facility at September 30, 2005, and \$7.5 million in outstanding borrowings at December 31, 2004. Our bank credit facility at September 30, 2005 consisted of a \$400.0 million revolving line of credit with a \$250.0 million borrowing base. The borrowing base is re-determined at least every six months and was reaffirmed by our bank group at \$250.0 million, effective November 1, 2005. We maintained the commitment amount at \$150.0 million, which amount was set at our request effective May 9, 2003. We can increase this commitment amount to the total amount of the borrowing base at our discretion, subject to the terms of the credit agreement. Our revolving credit facility includes, among other restrictions that changed somewhat as the facility was renewed and extended, requirements to maintain certain minimum financial ratios (principally pertaining to adjusted working capital ratios and EBITDAX), and limitations on incurring other debt. We are in compliance with the provisions of this agreement.

Our access to funds from our credit facility is not restricted under any "material adverse condition" clause, a clause that is common for credit agreements to include. A "material adverse condition" clause can remove the obligation of the banks to fund the credit line if any condition or event would reasonably be expected to have an adverse or material effect on our operations, financial condition, prospects or properties, and would impair our ability to make timely debt repayments. Our credit facility includes covenants that require us to report events or conditions having a material adverse effect on our financial condition. The obligation of the banks to fund the credit facility is not conditioned on the absence of a material adverse

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effect.

Debt Maturities. Our credit facility extends until October 1, 2008. Our \$150.0 million of 7-5/8% senior notes mature July 15, 2011, and our \$200.0 million of 9-3/8% senior subordinated notes mature May 1, 2012.

Working Capital. Our working capital improved from a deficit of \$14.2 million at December 31, 2004, to a surplus of \$27.5 million at September 30, 2005. The improvement primarily resulted from an increase in our cash balances due to increased cash flows from operating activities exceeding capital expenditures.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS-Continued SWIFT ENERGY COMPANY

Hurricanes Costs. Our cash flow from operations will be negatively affected in the fourth quarter of 2005 resulting from Hurricanes Katrina and Rita. As our Lake Washington field was shut-in from late August through most of September and then shut-in again for Hurricane Rita until early October 2005, we will not collect oil and gas sales revenue at this location for these production dates. Through September 30, 2005, we have recorded approximately \$7.5 million of costs related to Hurricanes Katrina and \$1.3 million of costs related to Hurricane Rita. Approximately \$1.9 million of these total costs were recorded in lease operating costs in the third quarter of 2005. The remaining amounts were recorded in the third quarter of 2005 relating to capital costs. The majority of these costs have been accrued as of September 30, 2005. As cash payments are made against these expenses, our cash flow from operations will be reduced. The hurricane damage assessments for Lake Washington and Bay de Chene have been completed, however, the assessment for Cote Blanche Island is still ongoing.

Capital Expenditures. In the first nine months of 2005, we relied upon our net cash provided by operating activities of \$220.5 million to fund total capital expenditures of \$158.1 million in the first nine months of 2005, which included:

Domestic expenditures of \$124.1 million as follows:

- o \$102.8 million for drilling and developmental activity costs, predominantly in our Lake Washington and AWP areas;
- o \$18.9 million of domestic prospect costs, principally prospect leasehold, activity, and geological costs of unproved prospects;
- o \$2.3 million primarily for a field office building, mobile homes for employee use, computer equipment, software, furniture, and fixtures;
- o less than \$0.1 million on gas processing plants in the

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Brookeland and Masters Creek areas.

New Zealand expenditures of \$34.0 million as follows:

- o \$27.9 million for drilling and developmental activity costs;
- o \$5.3 million on prospect costs and geological costs of unproved properties;
- o \$0.6 million on gas processing plants;
- o and \$0.2 million for computer equipment, software, furniture, and fixtures.

We successfully completed 35 of 49 wells in the first nine months of 2005, for a success rate of 71%. Domestically, we completed 29 of 35 development wells for a success rate of 83% and completed three of five exploration wells during the first nine months of 2005. During the same period, a total of 26 wells were drilled in the Lake Washington area, of which 18 were completed; 13 wells were drilled in the AWP Olmos area and all were completed, and one non-operated well was drilled in the Brookeland area and was completed. In New Zealand during the first nine months of 2005, we drilled six development wells of which two were successful, and three exploratory wells of which one was successful.

For the last quarter of 2005, we expect to make capital expenditures of approximately \$75 to \$95 million including acquisitions. Our current estimated total capital expenditures for 2005 are estimated to be \$240 to \$260 million, including acquisition costs.

During the last quarter of 2005, we anticipate drilling or participating in the drilling of up to an additional 6 to 7 wells in the Lake Washington area, an additional 4 to 7 wells in the AWP Olmos area, and several additional wells, with varying working interest percentages, mainly in South Texas. Approximately 10 to 12 wells were deferred until 2006 due to the hurricanes experienced in the third quarter of 2005. In addition, we plan on drilling 2 to 4 wells in New Zealand.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—Continued SWIFT ENERGY COMPANY

Our 2005 capital expenditures continue to be focused on developing and producing long-lived reserves in our Lake Washington, AWP Olmos, and Rimu/Kauri area. For 2005, based upon our progress to date and effects of the hurricanes experienced in the third quarter, we now estimate our total production to increase 1% to 3%, or approximately 59.0 Bcfe to 60.0 Bcfe, and estimate that proved reserves will increase 5% to 10%, over 2004 levels.

Our 2006 capital expenditure budget is estimated to be 25% higher than 2005 spending levels, or about \$300.0 to \$325.0 million, mainly

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due to continued oilfield service cost increases and expanded drilling at our recently acquired properties, as well as a continuation of activities in our other core areas. Our preliminary 2006 estimate for production is an increase of 14% to 18% over 2005 levels.

New Accounting Pronouncements

In September and November 2004, and March 2005, the EITF discussed a proposed framework for addressing when a limited partnership should be consolidated by its general partner, EITF Issue 04-5. The proposed framework presumes that a sole general partner in a limited partnership controls the limited partnership, and therefore should consolidate the limited partnership. The presumption of control can be overcome if the limited partners have (a) the substantive ability to remove the sole general partner or otherwise dissolve the limited partnership or (b) substantive participating rights. The EITF reached a tentative conclusion on the circumstances in which either kick-out rights or participating rights would be considered substantive and preclude consolidation by the general partner. The EITF tentatively concluded that for kick-out rights to be considered substantive, the conditions specified in paragraph B20 of FIN 46R should be met. With regard to the definition of participating rights that would preclude consolidation by the general partner, the EITF concluded that the definition of those rights should be consistent with those in EITF Issue 96-16. The EITF also reached a tentative conclusion on the transition for Issue 04-05. The FASB ratified the EITF consensus at the June 2005 EITF meeting. We do not believe this EITF will have a material impact on our consolidated financial statements because we believe our limited partners have substantive kick-out rights under paragraph B20 of FIN 46R.

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment. SFAS No. 123R is a revision of SFAS No. 123, Accounting for Stock-Based Compensation, and supercedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends SFAS No. 95, Statement of Cash Flows. SFAS No. 123R requires all employee share-based payments, including grants of employee stock options, to be recognized in the financial statements based on their fair values. SFAS No. 123 discontinues the ability to account for these equity instruments under the intrinsic value method as described in APB Opinion No. 25. SFAS No. 123R requires the use of an option pricing model for estimating fair value, which is amortized to expense over the service periods. The requirements of SFAS No. 123R are effective for fiscal periods beginning after June 15, 2005. SFAS No. 123R permits public companies to adopt its requirements using one of two methods:

- o A "modified prospective" method in which compensation cost is recognized beginning with the effective date based on the requirements of SFAS No. 123R for all share-based payments granted after the effective date and based on the requirements of SFAS No. 123 for all awards granted to employees prior to the adoption date of SFAS No. 123R that remain unvested on the adoption date.
- o A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate either all prior periods presented or prior interim periods of the year of adoption based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures.

In April 2005, the SEC issued a release announcing that it would provide for a phased-in implementation process for SFAS No. 123R. As a

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result, our required date to adopt SFAS No. 123R is now January 1, 2006. Also in April 2005, the SEC issued Staff Accounting Bulletin No. 107, Share-Based Payment, which provides guidance on the implementation of SFAS No. 123R. SAB No. 107 provides guidance on valuing options, estimating volatility and expected terms of the option awards, and

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—Continued SWIFT ENERGY COMPANY

discusses the SEC's views on share-based payment transactions with non-employees, the capitalization of compensation cost and accounting for income tax effects of share-based payment arrangements upon adoption of SFAS No. 123R.

We have elected to adopt the provisions of SFAS No. 123R on January 1, 2006 using the modified prospective method. As permitted by Statement 123, the Company currently accounts for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of Statement No. 123R's fair value method is expected to have a significant impact on our results of operations. However, it will have no impact on our overall financial position. We currently use the Black-Scholes-Merton formula to estimate the value of stock options granted to employees and expect to continue to use this acceptable option valuation model upon the required adoption of SFAS No. 123R. The significance of the impact of adoption will depend on levels of outstanding unvested share-based payments on the date of adoption and share-based payments granted in the future. However, had we adopted Statement No. 123R in prior periods, the impact of that standard would have approximated the impact of Statement No. 123 as described in the disclosure of pro forma net income and earnings per share under "Stock Based Compensation" above.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections: a replacement of APB Opinion No. 20 and FASB Statement No. 3. SFAS No. 154 requires voluntary changes in accounting principles to be applied retrospectively, unless it is impracticable. SFAS No. 154's retrospective application requirement replaces APB 20's requirement to recognize most voluntary changes in accounting principle by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. If retrospective application for all prior periods is impracticable, the method used to report the change and the reason the retrospective application is impracticable are to be disclosed.

Under SFAS No. 154, retrospective application will be the transition method in the unusual instance that a newly issued accounting pronouncement does not provide specific transition guidance. It is expected that many pronouncements will specify transition methods other than retrospective. SFAS No. 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005, and the adoption of this statement is expected to have no impact on our financial position or results of operations.

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In July 2005, the FASB issued an exposure draft "Accounting for Uncertain Tax Positions, a proposed interpretation of FASB Statement No. 109." The proposed interpretation would apply to all open tax positions under FASB No. 109. The conclusions in this interpretation include: initial recognition of tax benefits, recognition and de-recognition of tax positions, measurement of tax benefits and classifications of tax liabilities. The comment period on this exposure draft ended in September 2005, and we are currently assessing the impact, if any, that this interpretation would have on our financial position and results of operations. The proposal enactment date would require application effective December 31, 2005.

New Developments

South Bearhead Creek. Swift Energy signed an agreement to purchase interests in South Bearhead Creek Field in Beauregard Parish, Louisiana with an effective date of August 1, 2005. This acquisition is expected to close in November 2005 with a purchase price of approximately \$24 million, subject to post-closing adjustments.

Our estimates project total proved reserves of these purchased properties to be approximately 3.6 million BOE. Approximately 42% of the reserves are classified as proved developed and future development costs are estimated to be \$22.7 million for an all-in acquisition cost of \$13.11 per BOE (or \$2.19 per thousand cubic feet equivalent). Current production is approximately 90% crude oil and is less than 160 BOE per day net to the purchased working interests. The purchase price will be funded with current cash flow. Pursuant to the terms of the

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS-Continued SWIFT ENERGY COMPANY

agreement, we will acquire a 100% working interest in the seller's operated wells in the field and a 25% working interest in certain non-operated wells.

South Bearhead Creek Field ("SBC") is located near the Toledo Bend area approximately 50 miles south of our Masters Creek Field and 30 miles north of Lake Charles, Louisiana. Oil and gas are produced in SBC predominantly from the upper and lower Wilcox sands, at depths ranging from approximately 10,600 to 13,700 feet. The field also has production in the Cockfield sands at approximately 8,000 to 8,500 feet. SBC was discovered in 1958 by a major oil company. It is a large east-west trending anticlinal closure and has had cumulative production of over 4 million BOE. The field consists of approximately 5,800 gross acres with an average net revenue interest of approximately 78%.

We plan to initiate an exploitation program in 2006 to drill

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proved undeveloped and probable locations, fracture stimulate several wells, enhance facilities and improve per unit operating costs. It is expected that our 2006 budget will include \$8 million to \$12 million of capital expenditures in this field.

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Forward Looking Statements

The statements contained in this report that are not historical facts are forward-looking statements as that term is defined in Section 21E of the Securities and Exchange Act of 1934, as amended. Such forward-looking statements may pertain to, among other things, financial results, capital expenditures, drilling activity, development activities, cost savings, production efforts and volumes, hydrocarbon reserves, hydrocarbon prices, liquidity, regulatory matters and competition. Such forward-looking statements generally are accompanied by words such as "plan," "future," "estimate," "expect," "budget," "predict," "anticipate," "projected," "should," "believe" or other words that convey the uncertainty of future events or outcomes. Such forward-looking information is based upon management's current plans, expectations, estimates and assumptions, upon current market conditions, and upon engineering and geologic information available at this time, and is subject to change and to a number of risks and uncertainties, and therefore, actual results may differ materially.

Among the factors that could cause actual results to differ materially are the uncertainty of finding, replacing, developing or acquiring reserves; the uncertainty of drilling results and reserve estimates; damage to operations, decreased production or diminished market outlets due to hurricanes or tropical storms through November or the adequacy of our insurance coverage of those costs; operating hazards; availability of equipment, services or supplies; changes in geologic or engineering information; geopolitical events; volatility in oil and gas prices; fluctuations of demand for our oil and natural gas; changes in market conditions; increased competition; and government regulations; as well as the risks and uncertainties set forth from time to time in our other public reports, filings and public statements. Also, because of the volatility in oil and gas prices, availability of insurance at reasonable prices, expected increases in development costs and other factors, interim results are not necessarily indicative of those for a full year.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Commodity Risk

Our major market risk exposure is the volatile commodity pricing applicable to our oil and natural gas production. Realized commodity

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prices received for such production are primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to natural gas. The effects of such pricing volatility are expected to continue.

Our price-risk management policy permits the utilization of derivative instruments (such as futures, forward contracts, swaps, and option contracts such as floors and collars) to mitigate price risk associated with fluctuations in oil and natural gas prices. Below is a description of the derivative instruments we have utilized to hedge our exposure to price risk.

oPrice Floors - At September 30, 2005, we had in place price floors in effect through the December 2005 contract month for natural gas, which cover 20% to 30% of our estimated domestic natural gas production for October 2005 to December 2005. The natural gas price floors cover notional volumes of 800,000 MMBtu, and expire at various dates from October 2005 to December 2005, with a weighted average floor price of \$5.91 per MMBtu.

oNew Zealand Gas Contracts - Almost all of our current gas production in New Zealand is sold under long-term, fixed-price contracts denominated in New Zealand dollars. These contracts protect against price volatility, and our revenue from these contracts will vary only due to production fluctuations and foreign currency exchange rates.

Customer Credit Risk

We are exposed to the risk of financial non-performance by customers. Our ability to collect on sales to our customers is dependent on the liquidity of our customer base. To manage customer credit risk, we monitor credit ratings of customers and seek to minimize exposure to any one customer where other customers are readily available. Due to availability of other purchasers, we do not believe that the loss of any single oil or gas customer would have a material adverse effect on our financial position or results of operations.

Foreign Currency Risk

We are exposed to the risk of fluctuations in foreign currencies, most notably the New Zealand dollar. Fluctuations in rates between the New Zealand dollar and U.S. dollar may impact our financial results from our New Zealand subsidiaries since we have receivables, liabilities, natural gas and NGL sales contracts, and New Zealand income tax calculations, all denominated in New Zealand dollars.

Interest Rate Risk

Our 7-5/8% senior notes due 2011 and 9-3/8% senior subordinated notes due 2012 have fixed interest rates, consequently we are not exposed to cash flow risk from market interest rate changes on these notes. However, there is a risk that market rates will decline and the required interest payments on these notes may exceed those payments based on the current market rate. At September 30, 2005, we had no borrowings under our credit facility, which is subject to floating rates and therefore susceptible to interest rate fluctuations. The result of a 10% fluctuation in the bank's base rate would constitute 70 basis points and would not have a material adverse effect on our 2005 cash flows based on this same level or a modest level of borrowing.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. Our chief executive officer and chief financial officer have evaluated our disclosure controls and procedures as of the end of the period covered by this report and have concluded that such disclosure controls and procedures are effective in ensuring that material information required to be disclosed in this report is accumulated and communicated to them and our management to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the third quarter of 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

SWIFT ENERGY COMPANY

PART II. - OTHER INFORMATION

Item 1. Legal Proceedings

No material legal proceedings are pending other than ordinary, routine litigation incidental to the Company's business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders -
Our annual meeting of shareholders was held on May 10, 2005. At the record date, 28,222,966 shares of common stock were outstanding and entitled to one vote per share upon all matters submitted at the meeting. At the annual meeting, three nominees were elected to serve as Directors of Swift for three year terms to expire at the 2008 annual meeting of shareholders:

NOMINEES FOR DIRECTORS	FOR	WITHHELD
Deanna L. Cannon	23,693,494	2,562,363
Douglas J. Lanier	23,691,491	2,564,366
Bruce H. Vincent	20,663,780	5,592,077

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The terms of directors Raymond E. Galvin, Clyde W. Smith, Jr., Terry E. Swift expire at the 2006 annual meeting and the terms of directors A. Earl Swift, Greg Matiuk and Henry C. Montgomery expire at the 2007 annual meeting.

The following two proposals were also approved at the annual meeting.

	FOR	ABSTAIN
Approval of Swift Energy Company's 2005 Stock Compensation Plan	15,065,918	29,266
Approval of Ratification of Ernst & Young LLP as Swift Energy Company's Independent Auditors for the fiscal year ending December 31, 2005	26,418,784	5,999

Item 5. Other Information

A Certificate of Designation for our preferred stock created in connection with our Rights Plan was filed with the Texas Secretary of State on November 7, 2005. The newly filed Certificate of Designation is identical to the Certificate of Designation previously filed in 1997. When the Company's Articles of Incorporation were amended and restated in June of 2001, the previously filed Certificate of Designation was inadvertently eliminated. The new Certificate of Designation is attached as an exhibit to this report.

The Company amended and restated its bylaws to change the provisions relating to offices to match current practice and provide for future flexibility regarding such offices to eliminate the specific number of directors required, and to increase the range of the number of directors required to not more than ten directors. Additionally, the statutory requirement of a vote of 66-2/3% of shareholders to amend the Company's Articles of Incorporation was expressly included in the Bylaws. The Third Amended and Restated Bylaws of Swift Energy Company adopted November 4, 2005 are also attached as an exhibit to this report.

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Item 6. Exhibits

- 3.1* Certificate of Designation of Series A Junior Participating Preferred Stock of Swift Energy Company.
- 3.2* Third Amended and Restated Bylaws of Swift Energy Company adopted November 4, 2005.
- 10.1* First Amendment to First Amended and Restated Credit Agreement effective as of November 1, 2005 by and among Swift Energy Company, JP Morgan Chase Bank, N.A. as Administrative Agent, J.P. Morgan Securities, Inc. as Sole Lead Arranger and Sole Book Runner, Wells Fargo Bank, National Association, as Sydication Agent, BNP Paribas, as Syndication Agent, Caylon, as Documentation Agent, and Societe Generale, as Documentation Agent.
- 31.1* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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31.2* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32* Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SWIFT ENERGY COMPANY
(Registrant)

Date: November 9, 2005

By: (original signed by)

Alton D. Heckaman, Jr.
Executive Vice President and
Chief Financial Officer

Date: November 9, 2005

By: (original signed by)

David W. Wesson
Controller and Principal
Accounting Officer

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Exhibit 31.1

CERTIFICATION

I, Terry E. Swift, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2005, of Swift Energy Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not

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misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting, to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2005

/s/ Terry E. Swift

Terry E. Swift
Chief Executive Officer

CERTIFICATION

I, Alton D. Heckaman, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2005, of Swift Energy Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting, to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over

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financial reporting.

Date: November 9, 2005

/s/ Alton D. Heckaman, Jr.

Alton D. Heckaman, Jr.
Executive Vice President and
Chief Financial Officer

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Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the accompanying Quarterly Report on Form 10-Q for the period ended September 30, 2005 (the "Report") of Swift Energy Company ("Swift") as filed with the Securities and Exchange Commission on November 9, 2005, the undersigned, in his capacity as an officer of Swift, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Swift.

Dated: November 9, 2005

/s/ Alton D. Heckaman, Jr.

Alton D. Heckaman, Jr.
Executive Vice President
and Chief Financial Officer

Dated: November 9, 2005

/s/ Terry E. Swift

Terry E. Swift
Chief Executive Officer

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Exhibit 3.1

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CERTIFICATE OF DESIGNATION
of
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
of
SWIFT ENERGY COMPANY
Pursuant to Article 2.13(D) of the
Texas Business Corporation Act

SWIFT ENERGY COMPANY, a corporation organized and existing under the Texas Business Corporation Act (the "Corporation"), in accordance with the applicable provisions thereof, DOES HEREBY CERTIFY:

That pursuant to the authority vested in the Board of Directors in accordance with the provisions of the Articles of Incorporation of the said Corporation, the said Board of Directors on November 4, 2005 duly adopted the following resolution creating a series of shares of Preferred Stock designated as "Series A Junior Participating Preferred Stock":

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of the Articles of Incorporation, a series of Preferred Stock, par value \$.01 per share, of the Corporation be and hereby is created, and that the designation and number of shares thereof and the voting and other powers, preferences and relative, participating, optional or other rights of the shares of such series and the qualifications, limitations and restrictions thereof are as follows:

Series A Junior Participating Preferred Stock

1.Designation and Amount. There shall be a series of Preferred Stock that shall be designated as "Series A Junior Participating Preferred Stock," and the number of shares constituting such series shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series A Junior Participating Preferred Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

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2.Dividends and Distribution.

(A)Subject to the prior and superior right of the holders of any shares of any class or series of stock of the Corporation ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the 15th day of January, April, July and October, in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance, of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the Adjustment Number (as defined below) times the aggregate per share amount of

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all cash dividends, and the Adjustment Number times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$.01 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. The "Adjustment Number" shall initially be 1000. In the event the Corporation shall at any time after August 12, 1997 (the "Rights Declaration Date") (i) declare and pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to a number of votes equal to the Adjustment Number on all matters submitted to a vote of the stockholders of the Corporation.

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(B) Except as required by law and by Section 10 hereof, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up)

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to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of Series A Junior Participating Preferred Stock, or to such holders and holders of any such shares ranking on a parity therewith, upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. **Reacquired Shares.** Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired promptly after the acquisition thereof. All such shares shall upon their retirement become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to any conditions and restrictions on issuance set forth herein.

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6. **Liquidation, Dissolution or Winding Up.** (A) Upon any liquidation, dissolution or winding up of the Corporation, voluntary or otherwise, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received an amount per share (the "Series A Liquidation Preference") equal to the greater of (i) \$1.00 plus an amount equal to accrued and unpaid dividends and distributions thereon whether or not declared, to the date of such payment, or (ii) the Adjustment Number times the per share amount of all cash and other property to be distributed in respect of the Common Stock upon such liquidation, dissolution or winding up of the Corporation.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other classes and series of stock of the Corporation, if any, that rank on a parity with the Series A Junior Participating Preferred Stock in respect thereof, then the assets available for such distribution shall be distributed ratably to the holders of the Series A Junior Participating Preferred Stock and the holders of such parity shares in proportion to their respective liquidation preferences.

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(C)Neither the merger or consolidation of the Corporation into or with another corporation nor the merger or consolidation of any other corporation into or with the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6.

7.Consolidation, Merger, Etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the outstanding shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Adjustment Number times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged.

8.No Redemption. Shares of Series A Junior Participating Preferred Stock shall not be subject to redemption by the Company.

9.Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Preferred Stock as to the payment of dividends, and as to the distribution of assets upon liquidation, dissolution or winding up, unless the terms of any such series shall provide otherwise, and shall rank senior to the Common Stock as to such matters.

10.Amendment. At any time that any shares of Series A Junior Participating Preferred Stock are outstanding, the Articles of Incorporation of the Corporation, as amended or restated from time to time, shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

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11.Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 7th day of November, 2005.

SWIFT ENERGY COMPANY

By:

Bruce H. Vincent
President

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THIRD AMENDED AND RESTATED BYLAWS OF
SWIFT ENERGY COMPANY

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THIRD AMENDED AND RESTATED BYLAWS OF
SWIFT ENERGY COMPANY

ARTICLE I
SHAREHOLDERS

1. ANNUAL MEETING. The annual meeting of shareholders for the purpose of electing directors shall be held on such date and time as may be fixed from time to time by the board of directors and stated in the notice of the meeting. Any business may be transacted at an annual meeting, except as otherwise provided by law or by these Bylaws.

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2. SPECIAL MEETING. A special meeting of shareholders may be called at any time by the president or secretary at the request in writing of the holders of at least ten percent (10%) of the outstanding stock entitled to be voted at such meeting, or a special meeting of shareholders may be called at any time by a majority of the members of the board of directors who are "Continuing Directors," being those directors then in office who have been or will have been directors for the two year period (or such shorter period as the corporation has been in existence) ending on the date notice of the meeting or written consent to take such action is first provided to shareholders, or those directors who have been nominated for election or elected to succeed such directors by a majority of such directors, by the chairman of the board, by the vice chairman of the board or by the president. Only such business shall be transacted at a special meeting as may be stated or indicated in the notice of such meeting.

3. MANNER AND PLACE OF MEETING. The annual meeting of shareholders may be held in any manner permitted by law or these Bylaws at any place within or without the State of Texas designated by the board of directors. Special meetings of shareholders may be held in any manner permitted by law or these Bylaws at any place within or without the State of Texas designated by the chairman of the board or the President, if he shall call the meeting, or the board of directors, if they shall call the meeting. Any meeting may be held at any place within or without the State of Texas designated in a waiver of notice of such meeting held at the principal office of the corporation unless another place is designated for meetings in the manner provided herein. Subject to the provisions herein for notice of meetings, meetings of shareholders may be held by means of conference telephone or similar communications equipment by means of which all participants can hear each other.

4. NOTICE. Written or printed notice stating the place, day and hour of each meeting of shareholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail, to each shareholder of record entitled to vote at such meeting. Whenever any notice is required to be given to any shareholder, a waiver thereof in writing signed by such person(s) entitled to such notice

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(whether signed before or after the time required for such notice) shall be equivalent to the giving of such notice.

5. BUSINESS TO BE CONDUCTED AT ANNUAL OR SPECIAL MEETING¹). At an annual meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual or special meeting business must be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (b) otherwise properly brought before the meeting by or at the direction of the board of directors, or (c) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual or special meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a shareholder's notice regarding business to be conducted at an annual

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meeting must be delivered to or mailed and received at the principal executive offices of the corporation, not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. To be timely, a shareholder's notice regarding business to be conducted at a special meeting must be delivered to or mailed and received at the principal executive offices of the corporation no later than the date the notice required under Section 4 of this Article I is provided to the shareholders; provided that, in no event shall the special meeting be held sooner than forty (40) days after the notice is received by the corporation. A shareholder's notice to the secretary shall set forth as to each matter the shareholder proposes to bring before the meeting (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the corporation's books, of the shareholder proposing such business, (c) the class and number of shares of the corporation which are beneficially owned by the shareholder, and (d) any material interest of the shareholder in such business. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at any meeting except in accordance with the procedures set forth in this Section 5. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 5, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

6. QUORUM. Except as otherwise required by law, the Articles of Incorporation or these Bylaws, the holders of at least a majority of the outstanding shares entitled to vote thereat and present in person or by proxy shall constitute a quorum. The shareholders present at any meeting, though less than a quorum, may adjourn the meeting. No notice of adjournment, other than the announcement at the meeting, need be given.

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7. VOTE REQUIRED TO TAKE ACTION. Except as otherwise provided in these Bylaws or the Articles of Incorporation, the affirmative vote of the holders of a majority of the shares entitled to vote on, and that voted for or against or expressly abstained with respect to, that matter at a meeting of shareholders at which a quorum is present shall decide any question brought before such meeting, unless the question is one upon which express provisions of (e) applicable Texas statutes, (f) the rules of any exchange or quotation system upon which securities of the corporation are traded, or (g) the Articles of Incorporation require a different vote, in which case such express provision shall govern and control the decision of such question. The affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of the capital stock of the corporation entitled to vote shall be required to amend the Articles of Incorporation. In addition to the foregoing voting requirements, the affirmative vote of the holders of at least sixty-six and two thirds percent (66-2/3%) of the outstanding shares of the capital stock of the corporation entitled to vote shall be required (1) to sell, assign or dispose of all or substantially all of the corporation's assets (consisting of more than fifty percent (50%) of either the total assets or the total proved reserves of the corporation) in one or a series of related transactions, (2) to merge,

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consolidate or engage in a share exchange with another corporation or other entity, or (3) to enter into any transaction (including the issuance or transfer of securities of the corporation), with any holder of 20% or more of the outstanding capital stock of the corporation if such transaction is not approved by a majority of the directors and any such transaction with a holder of 20% or more of the outstanding capital stock of the corporation must otherwise comply with Section 13.03 of the Texas Business Corporation Act (the "TBCA") or successor statute.

8. PROXIES. At all meetings of shareholders, a shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. Such proxies shall be filed with the corporation before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable or unless otherwise made irrevocable by law.

9. VOTING OF SHARES. Each outstanding share of a class entitled to vote upon a matter submitted to a vote at a meeting of shareholders shall be entitled to one vote on such matter except to the extent that the voting rights are limited or denied by the Articles of Incorporation. No shareholder shall have the right to cumulate his votes in the election of directors.

10. OFFICERS. The chairman of the board shall preside at and the secretary shall keep the records of each meeting of shareholders, but in the absence of the chairman, the president shall perform the chairman's duties, and in the absence of the secretary and all assistant secretaries, his duties shall be performed by some person appointed by the presiding officer.

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11. LIST OF SHAREHOLDERS. A complete list of shareholders entitled to vote at each shareholders' meeting, arranged in alphabetical order, with the address of and number of shares held by each, shall be prepared by the officer or agent having charge of the stock transfer books and filed at the registered office of the corporation and shall be subject to inspection by any shareholder during usual business hours for a period of ten (10) days prior to such meeting and shall be produced at such meeting and at all times during such meeting be subject to inspection by any shareholder.

ARTICLE II BOARD OF DIRECTORS

1. MANAGEMENT. The business and affairs of the corporation shall be managed by the board of directors. The board may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute, by the Articles of Incorporation or these Bylaws directed or required to be exercised or done by the shareholders.

2. NUMBER. The number of directors which shall constitute the board of directors shall be not less than three (3) nor more than ten (10) directors. Within the limits specified above, the number of directors shall be determined by

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resolution of the board of directors or by the shareholders at the annual meeting. The number of directors may be changed from time to time by amendment to these bylaws, but no decrease in the number of directors shall shorten the term of any director.

3.ELECTION AND TERM.

(A)The directors are divided into three classes, as nearly equal in number as the total number of directors constituting the entire board permits, with the term of office of one class expiring each succeeding year. At each annual meeting of shareholders the successors to the class of directors whose term shall then expire, shall be elected to hold office until the third succeeding annual meeting or until their respective successors shall have been elected and qualified, unless removed in accordance with these Bylaws. Directors need not be shareholders or residents of Texas.

(B) Any vacancies in the board of directors for any reason, and any directorships resulting from any increase in the number of directors, may be filled by the board of directors, acting by a majority of the directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next election of the class for which such directors shall have been chosen or until their successors shall be elected and qualified.

4. DIRECTOR NOMINATION PROCEDURES. Only persons who are nominated in accordance with the procedures set forth in this Section 4 shall be eligible for election as directors. Nominations of persons for election to the board of directors of the corporation may be made at a meeting of shareholders (h)by or at the

direction of the board of directors or (i)by any shareholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 4. Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing to the secretary of the corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation (a)in the case of an annual meeting, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is changed by more than 30 days from such anniversary date, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or public disclosure was made, and (b)in the case of a special meeting at which directors are to be elected, not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or public disclosure was made. Such shareholder's notice shall set forth (a)as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares, if any, of the corporation which are beneficially owned by such person, and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such persons' written consent to being named in the proxy statement as a nominee and

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to serving as a director if elected); and (b) as to the shareholder giving the notice (i) the name and address, as they appear on the corporation's books, of such shareholder and (ii) the class and number of shares of the corporation which are beneficially owned by such shareholder. At the request of the board of directors any person nominated by the board of directors for election as a director shall furnish to the secretary of the corporation that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 4. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the Bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

5. REMOVAL. Any director or the entire board of directors of the corporation may be removed at any time, with cause by the affirmative vote of the holders of sixty-six and two-thirds percent (66-2/3%) or more of the outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors cast at a meeting of the shareholders called for that purpose and for which notice was provided in accordance with these Bylaws.

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6. MEETING OF DIRECTORS. The directors may hold their meetings and may have an office and keep the books of the corporation, except as otherwise provided by statute, in such place or places in the State of Texas, or outside the State of Texas, as the board of directors may from time to time determine. The directors may hold their meetings in any manner permitted by law, including, by conference telephone or similar communications equipment by means of which all participants can hear each other.

7. FIRST MEETING. Each newly elected board of directors may hold its first meeting for the purpose of organization and the transaction of business, if a quorum is present, immediately after and at the same place as the annual meeting of the shareholders, and no notice of such meeting shall be necessary.

8. ELECTION OF OFFICERS. At the first meeting of the board of directors in each year at which a quorum shall be present, directors shall proceed to the election of the officers of the corporation.

9. REGULAR MEETINGS. Regular meetings of the board of directors shall be held in any manner permitted by law or these Bylaws and at such times and places as shall be designated, from time to time by resolution of the board of directors. Notice of such regular meetings shall not be required.

SPECIAL MEETINGS. Special meetings of the board of directors shall be held in any manner permitted by law or these Bylaws and whenever called by the chairman of the board, the present or by a majority of the directors for the time being in office.

10. NOTICE. The secretary shall give notice of each special meeting in person,

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or by mail or telegraph at least two (2) days before the meeting to each director. The attendance of a director at any meeting or the participation by a director in a conference meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting or participates in a conference meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

At any meeting at which every director shall be present in person or by participation, even though without any notice, any business may be transaction.

Whenever any notice is required to be given to any director, a waiver thereof in writing signed by such person(s) entitled thereto (whether signed before or after the time required for such notice) shall be equivalent to the giving of such notice.

12. QUORUM. A majority of the directors fixed by these Bylaws shall constitute a quorum for the transaction of business, but if at any meeting of the board of

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directors there be less than a quorum present, a majority of those present or any director solely present may adjourn the meeting from time to time without further notice. The act of a majority of the directors present at a meeting at which a quorum is in attendance shall be the act of the board of directors, unless the act of a greater number is required by statute, the Articles of Incorporation, or by these Bylaws.

13. ORDER OF BUSINESS. At meetings of the board of directors, business shall be transacted in such order as from time to time the board may determine.

At all meetings of the board of directors, the chairman of the board of directors shall preside, in the absence of the chairman of the board, the vice chairman of the board (if any) shall preside. In the absence of the chairman and vice chairman of the board, the chief executive officer shall preside, and in the absence of all three such officers, the president shall preside. If none of the above enumerated officers are present, a chairman shall be chosen by the board from among the directors present.

The secretary of the corporation shall act as secretary of all meetings of the board of directors, but in the absence of the secretary the presiding officer may appoint any person to act as secretary of the meeting.

14. ACTION BY WRITTEN CONSENT. Any action required or permitted to be taken by the board of directors or executive committee, under the applicable provisions of the statutes, the Articles of Incorporation or these Bylaws, may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the board of directors or executive committee, as the case may be.

15. COMPENSATION. Directors as such shall not receive any stated salary for

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their services, but by resolution of the board a fixed sum and expense of attendance, if any, may be allowed for attendance at such regular or special meetings of the board; provided that nothing contained herein shall be construed to preclude any director from serving the corporation in any other capacity or receiving compensation therefor.

16. PRESUMPTION OF ASSENT. A director of the corporation who is present at a meeting of the board of directors or by law at which action of any corporate matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

17. COMMITTEES. The board of directors, by resolution adopted by a majority of the number of directors fixed by these Bylaws, may designate one or more directors to constitute an Executive Committee or any other committee, which committees, to the extent provided in such resolution, shall have and may exercise all of the authority of the board of directors in the business and

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affairs of the corporation except where action of the board of directors is specified by law, but the designation of any such committee and the delegation thereto of authority shall not operate to relieve the board of directors, or any member thereof, of any responsibility imposed upon it or him by law. The executive committee shall keep regular minutes of its proceedings and report the same to the board when required.

ARTICLE III OFFICERS

1. NUMBER, TITLES AND TERM OF OFFICE. The officers of the corporation shall consist of a chairman of the board, a chief executive officer (who may also serve as the president), a president, one or more vice presidents, a secretary, a treasurer, and such other officers as the board of directors may from time to time elect or appoint. The officers of the corporation may also include a vice chairman of the board. Each officer shall hold office until his or her successor shall have been duly elected by the board and qualified or until his death or until he or she shall resign or shall have been removed in the manner hereinafter provided. One person may hold more than one office. None of the officers need be a director.

2. REMOVAL. Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

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3. VACANCIES. A vacancy in the office of any officer may be filled by vote of a majority of the directors for the unexpired portion of the term.

4. SALARIES. The salaries of all officers of the corporation shall be fixed by the board of directors except as otherwise directed by the board.

5. POWERS AND DUTIES OF THE CHAIRMAN OF THE BOARD. The chairman of the board shall preside at all meetings of the shareholders and of the board of directors and shall advise and counsel the chief executive officer and other officers and shall have such other powers and duties as from time to time may be assigned to him by the board of directors. If the board of directors designates the chairman of the board as the chief executive officer of the corporation, the chairman of the board shall have the powers and duties of the chief executive officer as enumerated below.

6. POWERS AND DUTIES OF VICE-CHAIRMAN OF THE BOARD. The vice-chairman of the board shall, if any, in the absence of the chairman of the board, preside at all meetings of the shareholders and of the board. He shall have such other powers and perform such other duties as from time to time may be assigned to him by the board or the chairman of the board..

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7. POWERS AND DUTIES OF THE CHIEF EXECUTIVE OFFICER. The chief executive officer shall have general supervision, direction and active management of the business and affairs of the corporation, general control over the property and business of the corporation, and over all other officers, agents and employees of the corporation, other than the chairman and/or vice chairman of the board, subject to the control and direction of the board of directors. The chief executive officer will be responsible for the execution of the policies, orders and resolutions of the board and shall perform such other duties and may exercise such other powers as from time to time may be assigned to him by the board under these bylaws. In the absence of the chairman of the board and the vice chairman of the board, the chief executive officer will preside when present at all meetings of the stockholders and the board.

8. POWERS AND DUTIES OF THE PRESIDENT. The president, subject to the direction of the chief executive officer (if different than the president) and the board of directors, shall have general management and control of the day-to-day business operations and properties of the corporation with all such powers with respect to such responsibilities; he shall preside in the absence of all of the chairman of the board, the vice chairman of the board and the chief executive officer at all meetings of the shareholders and of the board of directors. If designated as chief executive officer of the corporation, the president shall have the powers and duties of the chief executive officer as enumerated above.

9. VICE PRESIDENTS. Each vice president shall have such powers and duties as may be assigned to him by the board of directors and shall exercise the powers of the president during that officer's absence or inability to act. Any action taken by a vice president in the performance of the duties of the president shall be conclusive evidence of the absence or inability to act of the president at the time such action was taken.

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10. TREASURER. The treasurer shall have custody of all the funds and securities of the corporation which come into his hands. When necessary or proper, he may endorse, on behalf of the corporation, for collection, checks, notes and other obligations and shall deposit the same to the credit of the corporation in such bank or banks or depositories as shall be designated in the manner prescribed by the board of directors; he may sign all receipts and vouchers for payments made to the corporation, either alone or jointly with such other officer as is designated by the board of directors. Whenever required by the board of directors, he shall render a statement of his cash account; he shall enter or cause to be entered regularly in the books of the corporation to be kept by him for that purpose full and accurate accounts of all monies received and paid out on account of the corporation; he shall perform all acts incident to the position of treasurer subject to the control of the board of directors; he shall, if required by the board of directors, give such bond for the faithful discharge of his duties in such form as the board of directors may require.

11. ASSISTANT TREASURER. Each assistant treasurer shall have the usual powers and duties pertaining to his office, together with such other powers and duties as may be assigned to him by the board of directors. The assistant treasurer

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shall exercise the powers of the treasurer during that officer's absence or inability to act.

12. SECRETARIES. The secretary shall keep the minutes of all meetings of the board of directors and the minutes of all meetings of the shareholders in books provided for that purpose or in any other form capable of being converted into written form within a reasonable time; he shall attend to the giving and serving of all notices; he may sign with the president in the name of the corporation, all contracts of the corporation and affix the seal of the corporation thereto; he may sign with the president all certificates for shares of the capital stock of the corporation; he shall have charge of the certificate books, transfer books and stock ledgers, and such other books and papers as the board of directors may direct, all of which shall at all reasonable times be open to the inspection of any director upon application at the office of the corporation during business hours, and he shall in general perform all duties incident to the office of secretary, subject to the control of the board of directors.

13. ASSISTANT SECRETARIES. Each assistant secretary shall have the usual powers and duties pertaining to his office, together with such other powers and duties as may be assigned to him by the board of directors or the secretary. The assistant secretaries shall exercise the powers of the secretary during that officer's absence or inability to act.

ARTICLE IV INDEMNIFICATION AND INSURANCE

1. INDEMNIFICATION OF DIRECTORS.

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A. Definitions. For purposes of this Article:

1. "Expenses" include court costs and attorneys' fees.

2. "Official capacity" means

a) when used with respect to a director, the office of director in the corporation, and

b) when used with respect to a person other than a director, the elective or appointive office in the corporation held by the officer or the employment or agency relationship undertaken by the employee or agent on behalf of the corporation, but

c) in both Paragraphs (a) and (b), such term does not include service for any other foreign or domestic corporation or any partnership, joint

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venture, sole proprietorship, trust, employee benefit plan, or other enterprise, except as may otherwise be specified in Section 2 or 3 hereunder.

3. "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, any appeal in such an action, suit, or proceeding, and any inquiry or investigation that could lead to such an action, suit, or proceeding.

B. Indemnification where director has been wholly successful in the proceeding. The corporation shall indemnify a director against reasonable expenses incurred by him in connection with a proceeding in which he is a named defendant or respondent because he is or was a director if he has been wholly successful, on the merits or otherwise, in the defense of the proceeding.

C. Indemnification where director has not been wholly successful in proceeding.

1. The corporation shall indemnify a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a director of the corporation, and who does not qualify for indemnification under subsection B of this Section, if it is determined, in accordance with the procedure set out in Section F of Article 2.02-1 of the TBCA, that the person:

a) conducted himself in good faith;

b) reasonably believed:

i) in the case of conduct in his official capacity as a director of the corporation, that his conduct was in the corporation's best interests; and

ii) in all other cases, that his conduct was at least not opposed to the corporation's best interests; and

c) in the case of any criminal proceeding, had no reasonable cause to believe his conduct was unlawful.

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If it is determined pursuant to Section F of Article 2.02-1 of the TBCA that indemnification is to be authorized, the corporation shall determine the reasonableness of the expenses claimed by the director seeking indemnification in accordance with the procedure set out in Section G of Article 2.02-1 of the TBCA.

2. The termination of a proceeding by judgment, order, settlement, or conviction, or on a plea of nolo contendere or its equivalent, is not of itself determinative that the person did not meet the requirements set forth in

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subsection C(1) hereof. A person shall be deemed to have been found liable in respect of any claim, issue or matter only after the person shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom.

3. A person shall be indemnified under subsection C(1) hereof against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with the proceeding; but if the person is found liable to the corporation or is found liable on the basis that personal benefit was improperly received by the person, the indemnification (1) is limited to reasonable expenses actually incurred by the person in connection with the proceeding and (2) shall not be made in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the corporation.

3. except as otherwise provided in subsection C(3), a director may not be indemnified under subsection C(1) of this Section for obligations resulting from a proceeding:

a) in which the director is found liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action in the director's official capacity; or

b) in which the director is found liable to the corporation.

D.Court-ordered indemnification. A director may apply to a court of competent jurisdiction for indemnification from the corporation, whether or not he has met the requirements set forth in subsection CC(1) hereof or has been adjudged liable in the circumstances set out in the second clause of subsection CC(3) hereof. If a director of the corporation seeks to obtain court-ordered indemnification pursuant hereto, the corporation and its board of directors shall cooperate fully with such director in satisfying the procedural steps required therefor.

E.Advancement of expenses. Reasonable expenses incurred by a director who was, is, or is threatened to be made a named defendant or respondent in a proceeding shall be paid or reimbursed by the corporation in advance of the final disposition of the proceeding and without any of the determinations specified in Sections F and G of Article 2.02-1 of the TBCA if the requirements of Sections K and L of Article 2.02-1 of the TBCA are satisfied. The board of directors may authorize the corporation's counsel to represent such individual in any proceeding, whether or not the corporation is a party thereto.

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F. Directors as witnesses. The corporation shall pay or reimburse expenses incurred by a director in connection with his appearance as a witness or other participation in a proceeding at a time when he is not a named defendant or respondent in the proceeding.

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G. Notice to shareholders. Any indemnification of or advancement of expenses to a director in accordance with this Section shall be reported in writing to the shareholders of the corporation with or before the notice or waiver of notice of the next shareholders' meeting or with or before the next submission to shareholders of a consent to action without a meeting pursuant to Section A of Article 9.10 of the TBCA and, in any case, within the twelve-month period immediately following the date of the indemnification or advance.

H. Directors' services to benefit plans. For purposes of this Article IV, the corporation is deemed to have requested a director to serve an employee benefit plan whenever the performance by him of his duties to the corporation also imposes duties on or otherwise involves services by him to the plan or participants or beneficiaries of the plan. Excise taxes assessed on a director with respect to an employee benefit plan pursuant to applicable law are deemed fines. Action taken or omitted by him with respect to an employee benefit plan in the performance of his duties for a purpose reasonably believed by him to be in the interest of the participants and beneficiaries of the plan is deemed to be for a purpose which is not opposed to the best interests of the corporation.

2. INDEMNIFICATION OF OFFICERS

A. In general. The corporation shall indemnify and advance expenses to an officer of the corporation in the same manner and to the same extent as is provided by Section 1 of this Article for a director. An officer is entitled to seek indemnification to the same extent as a director.

B. Additional rights to indemnification. The corporation may, at the discretion of the board of directors in view of all the relevant circumstances, indemnify and advance expenses to a person who is an officer, employee or agent of the corporation and who is not a director of the corporation to such further extent, consistent with law, as may be provided by its Articles of Incorporation, by general or specific actions of its board of directors, by contract, or as permitted or required by common law.

3. INDEMNIFICATION OF OTHER PERSONS. The corporation may, at the discretion of the board of directors in view of the relevant circumstances, indemnify and advance expenses to persons who are not or were not officers, employees, or agents of the corporation but who are or were serving at the request of the corporation as directors, officers, partners, venturers, proprietors, trustees, employees, agents, or similar functionaries of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, to the same extent that it may indemnify and advance expenses to directors hereunder.

4.0PROCEDURE FOR INDEMNIFICATION. To request indemnification pursuant hereto, written notice describing the circumstances and proceedings giving rise to such request shall be submitted to the corporation at 16825 Northchase Drive, Suite

400, Houston, Texas 77060. Any indemnification of a director or officer of the corporation, or another person entitled to indemnification pursuant to Section 3 hereof, or advance of costs, charges and expenses to a director or officer or another person entitled to indemnification pursuant to Section 3 hereof, shall be made promptly, and in any event within 30 days, upon the written notice of such individual. If a determination by the corporation that the individual is entitled to indemnification pursuant to this Article is required, and the corporation fails to respond within 60 days to a written request for indemnity, the corporation shall be deemed to have approved such request. If the corporation denies a written request for indemnity or advancement of expenses, in whole or in part, or if payment in full pursuant to such request is not made within 30 days, the right to indemnification or advances as granted by this Article shall be enforceable by such individual in any court of competent jurisdiction in Harris County, Texas. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of reasonable expenses where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in subsection 11.C(1) hereof, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in subsection 11.C(1) hereof, nor the fact that there has been an actual determination by the corporation that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

5. SURVIVAL; PRESERVATION OF OTHER RIGHTS. The foregoing indemnification provisions contained in this Article shall be deemed to be a contract between the corporation and each director, officer, employee or agent, or another person entitled to indemnification pursuant to Section 3 hereof, who serves in any such capacity at any time while these provisions, as well as the relevant provisions of the TBCA are in effect, and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a "contract right" may not be modified retroactively without the consent of such director or officer, employee, agent or another person entitled to indemnification pursuant to Section 3 hereof. Notwithstanding this provision, the corporation may enter into additional contracts of indemnity with these persons, which contracts may provide the same rights as provided by this Article, or may restrict or increase the rights provided by this Article.

6. INSURANCE. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation or who is or was serving at the request of the corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, other enterprise, or employee benefit

plan, against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a person, whether or not the corporation would have the power to indemnify him against that liability hereunder. If the insurance or other arrangement is with a person or entity that is not regularly engaged in the business of providing insurance coverage, the insurance or arrangement may provide for payment of a liability with respect to which the corporation would not have the power to indemnify the person only if including coverage for the additional liability has been approved by the shareholders of the corporation. Without limiting the power of the corporation to procure or maintain any kind of insurance or other arrangement, the corporation may, for the benefit of persons indemnified by the corporation, (1) create a trust fund; (2) establish any form of self-insurance; (3) secure its indemnity obligation by grant of a security interest or other lien on the assets of the corporation; or (4) establish a letter of credit, guaranty, or surety arrangement. The insurance or other arrangement may be procured, maintained, or established within the corporation or with any insurer or other person deemed appropriate by the board of directors regardless of whether all or part of the stock or other securities of the insurer or other person are owned in whole or part by the corporation. In the absence of fraud, the judgment of the board of directors as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other person participating in an arrangement shall be conclusive and the insurance or arrangement shall not be voidable and shall not subject the directors approving the insurance or arrangement to liability, on any ground, regardless of whether directors participating in the approval are beneficiaries of the insurance or arrangement.

7. SEVERABILITY. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director or officer, employee or agent, as to expenses, judgments, fines and amounts paid in settlement with respect to any proceeding, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law. If any provision hereof should be held, by a court of competent jurisdiction, to be invalid, it shall be limited only to the extent necessary to make such provision enforceable, it being the intent of these Bylaws to indemnify each individual who serves or who has served as a director, officer, employee or agent, to the maximum extent permitted by laws.

ARTICLE V
CAPITAL STOCK

1. CERTIFICATE OF SHARES. The certificates for shares of the capital stock of the corporation shall be in such form as shall be approved by the board of directors. The certificates shall be signed by the chief executive officer, president or any vice president, and also by the secretary or an assistant secretary or by the treasurer or an assistant treasurer and may be sealed with the seal of this corporation or a facsimile thereof. Where any such certificate

is countersigned by a transfer agent, or registered by a registrar, either of

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which is other than the corporation itself or an employee of the corporation, the signatures of any such president or vice president and secretary or assistant secretary may be facsimiles. They shall be consecutively numbered and shall be entered in the books of the corporation as they are issued and shall exhibit the holder's name and the number of shares.

2. TRANSFER OF SHARES. The shares of stock of the corporation shall be transferable only on the books of the corporation by the holders thereof in person or by their duly authorized attorneys or legal representatives, upon surrender to the corporation of a certificate for share duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, and it shall be the duty of the corporation to issue a new certificate to the person entitled thereto for a like number of shares to cancel the old certificate, and to record the transaction upon its books.

3. CLOSING OF TRANSFER BOOKS. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the board of directors of the corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty (50) days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the board of directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than fifty (50) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which the notice of the meeting is mailed or the date on which the resolution of the board of directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as herein provided, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of stock transfer books and the stated period of closing has expired.

4. REGISTERED SHAREHOLDERS. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of the share to receive dividends, and to vote as such owner, and for all other purposes as such owner; and the corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Texas.

5. LOST CERTIFICATE. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed,

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upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the name in such manner as it shall require and/or give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

6. REGULATIONS. The board of directors shall have power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration or the replacement of certificates for shares of the capital stock of the corporation not inconsistent with these Bylaws.

ARTICLE VI ACCOUNTS

1. DIVIDENDS. The board of directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares, except when the declaration or payment thereof would be contrary to statute or the Articles of Incorporation. Such dividends may be declared at any regular or special meeting of the board, and the declaration and payment shall be subject to all applicable provisions of laws, the Articles of Incorporation and these Bylaws.

2. RESERVES. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, deem proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

3. DIRECTORS' ANNUAL STATEMENT. The board of directors shall present at each annual meeting a full and clear statement of the business and condition of the corporation. The officers of the corporation shall mail to any shareholder of record, upon his written request, the latest annual financial statement and the most recent interim financial statements, if any, which have been filed in a public record or otherwise published.

4. CHECKS. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

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5. FISCAL YEAR. The fiscal year of the corporation shall be such as established by resolution of the board of directors.

ARTICLE VII

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AMENDMENTS

These Bylaws may be altered, amended or repealed or new Bylaws may be adopted at any annual meeting of the board of directors or at any special meeting of the board of directors at which a quorum is present provided notice of the proposed alteration, amendment, repeal or adoption be contained in the notice of such meeting, by the affirmative vote of a majority of the Continuing Directors (as that term is defined in Article I, Section 2; provided, however, that no change of the time or place of the annual meeting of the board of directors shall be made after the issuance of notice thereof. In accordance with the Articles of Incorporation, the shareholders may amend or repeal any provisions of these Bylaws adopted by the board of directors, but only by the affirmative vote of the holders of sixty-six and two-thirds percent (66 2/3%) or more of the outstanding capital stock of the corporation.

ARTICLE VIII MISCELLANEOUS PROVISIONS

1. OFFICES. Until the board of directors otherwise determines, the registered office of the corporation required by the TBCA to be maintained in the state of Texas shall be that registered office set forth in the Articles of Incorporation, but such registered office may be changed from time to time by the board of directors in the manner provided by law and need not be identical to the principal place of business of the corporation.

2. SEAL. The seal of the corporation shall be such as from time to time may be approved by the board of directors, but the use of a seal shall not be essential to the validity of any agreement.

3. NOTICE AND WAIVER OF NOTICE. Whenever any notice whatever is required to be given under the provisions of these Bylaws, said notice shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed postpaid wrapper addressed to the person entitled thereto at his post office address, as it appears on the books of the corporation, and such notice shall be deemed to have been given on the day of such mailing. A waiver of notice, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

4. RESIGNATIONS. Any director or officer may resign at any time. Such resignations shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by

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the president or secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

5. SECURITIES OF OTHER CORPORATIONS. The chairman of the board, the president or any vice president of the corporation shall have power and authority to transfer, endorse for transfer, vote, consent or take any other action with respect to any securities of another issuer which may be held or owned by the corporation and to make, execute and deliver any waiver, proxy or consent with

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respect to any such securities.

Karen Bryant, Secretary

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Exhibit 10.1

FIRST AMENDMENT TO FIRST AMENDED AND RESTATED CREDIT AGREEMENT

This FIRST AMENDMENT TO FIRST AMENDED AND RESTATED CREDIT AGREEMENT (this "First Amendment") is made and entered into effective as of October 21, 2005, by and among SWIFT ENERGY COMPANY, a Texas corporation (the "Borrower"), each lender that is a signatory hereto or becomes a signatory hereto as provided in Section 9.1 of the Credit Agreement (individually, together with its successors and assigns, a "Lender" and, collectively, together with their respective successors and assigns, the "Lenders"), and JPMORGAN CHASE BANK, N.A., (successor by merger to Bank One, NA (Main Office Chicago)), a national banking association, as Administrative Agent for the Lenders (in such capacity, together with its successors in such capacity pursuant to the terms hereof, the "Administrative Agent"), J.P. MORGAN SECURITIES, INC. as Sole Lead Arranger and Sole Book Runner, WELLS FARGO BANK, NATIONAL ASSOCIATION, as Syndication Agent, BNP PARIBAS, as Syndication Agent, CALYON as Documentation Agent and SOCIETE GENERALE as Documentation Agent.

W I T N E S S E T H

WHEREAS, the above named parties did execute and exchange counterparts of that certain First Amended and Restated Credit Agreement dated June 29, 2004 (the "Agreement"), to which reference is here made for all purposes;

WHEREAS, the parties subject to and bound by the Agreement are desirous of amending the Agreement in the particulars hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties to the Agreement, as set forth therein, and the mutual covenants and agreements of the parties hereto, as set forth in this First Amendment, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.01 Terms Defined Above. As used herein, each of the terms "Administrative Agent", "Agreement," "Borrower," "First Amendment," "Lender," and "Lenders" shall have the meaning assigned to such term hereinabove.

1.02 Terms Defined in Agreement. As used herein, each term defined in the Agreement shall have the meaning assigned thereto in the Agreement, unless expressly provided herein to the contrary.

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1.03 References. References in this First Amendment to Article or Section numbers shall be to Articles and Sections of this First Amendment, unless expressly stated herein to the contrary. References in this First Amendment to

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"hereby," "herein," hereinafter," hereinabove," "hereinbelow," "hereof," and "hereunder" shall be to this First Amendment in its entirety and not only to the particular Article or Section in which such reference appears.

1.04 Articles and Sections. This First Amendment, for convenience only, has been divided into Articles and Sections and it is understood that the rights, powers, privileges, duties, and other legal relations of the parties hereto shall be determined from this First Amendment as an entirety and without regard to such division into Articles and Sections and without regard to headings prefixed to such Articles and Sections.

1.05 Number and Gender. Whenever the context requires, reference herein made to the single number shall be understood to include the plural and likewise the plural shall be understood to include the singular. Words denoting sex shall be construed to include the masculine, feminine, and neuter, when such construction is appropriate, and specific enumeration shall not exclude the general, but shall be construed as cumulative. Definitions of terms defined in the singular and plural shall be equally applicable to the plural or singular, as the case may be.

ARTICLE II AMENDMENTS

The Borrower, Administrative Agent and the Lenders hereby amend the Agreement in the following particulars:

2.01 Amendment of Section 6.2(d). Section 6.2(d) of the Agreement is hereby amended to read as follows:

"6.2 (d) advances to employees of the Borrower or such Subsidiary in the ordinary course of business not exceeding \$1,000,000 in the aggregate at any time outstanding,"

2.02 Amendment of Section 6.7. Section 6.7 of the Agreement is hereby amended to read as follows:

"6.7 Rental or Lease Agreements. Enter into any contract to rent or lease any Properties, real or personal, the aggregate of rental and lease payments under which for the Borrower, its Subsidiaries and the Partnerships on a consolidated basis will exceed \$7,500,000 in any calendar year or \$30,000,000 during the term of such leases; provided, however, the foregoing restriction shall not apply to (a) bonuses and rentals paid under oil, gas and mineral leases, or (b) the lease covering the corporate office of the Borrower."

2.03 Amendment of Exhibit VIII. Exhibit VIII, i.e. "Subsidiaries and Partnerships" shall be as set forth on Exhibit VIII to this First Amendment.

ARTICLE III
CONDITIONS

The obligation of the Lenders to amend the Agreement as provided herein is subject to the fulfillment of the following conditions precedent:

3.01 Receipt of Documents. The Lenders shall have received, reviewed, and approved the following documents and other items, appropriately executed when necessary and in form and substance satisfactory to the Lenders:

- a) multiple counterparts of this First Amendment, as requested by the Lender; and
- b) such other agreements, documents, items, instruments, opinions, certificates, waivers, consents, and evidence as the Administrative Agent may reasonably request.

3.02 Accuracy of Representations and Warranties. The representations and warranties contained in Article IV of the Agreement and this First Amendment shall be true and correct.

3.03 Matters Satisfactory to Lenders. All matters incident to the consummation of the transactions contemplated hereby shall be satisfactory to the Administrative Agent and the Lenders.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

The Borrower hereby expressly re-makes, in favor of the Lenders, all of the representations and warranties set forth in Article IV of the Agreement, and represents and warrants that all such representations and warranties remain true and unbreached.

RATIFICATION

Each of the parties hereto does hereby adopt, ratify, and confirm the Agreement and the other Loan Documents, in all things in accordance with the terms and provisions thereof, as amended by this First Amendment.

ARTICLE V
MISCELLANEOUS

6.01 Scope of Amendment. The scope of this First Amendment is expressly limited to the matters addressed herein and this First Amendment shall not operate as a waiver of any past, present, or future breach, Default, or Event of Default under the Agreement. except to the extent, if any, that any such breach, Default, or Event of Default is remedied by the effect of this First Amendment.

6.02 Agreement as Amended. All references to the Agreement in any document heretofore or hereafter executed in connection with the transactions contemplated in the Agreement shall be deemed to refer to the Agreement as amended by this First Amendment.

6.03 Parties in Interest. All provisions of this First Amendment shall be binding upon and shall inure to the benefit of the Borrower, the Administrative Agent and the Lenders and their respective successors and assigns.

6.04 Rights of Third Parties. All provisions herein are imposed solely and exclusively for the benefit of the Administrative Agent, the Lenders and the Borrower, and no other Person shall have standing to require satisfaction of such provisions in accordance with their terms and any or all of such provisions may be freely waived in whole or in part by the Lenders at any time if in their sole discretion it deems it advisable to do so.

6.05 ENTIRE AGREEMENT. THIS FIRST AMENDMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT HEREOF AND SUPERSEDES ANY PRIOR AGREEMENT, WHETHER WRITTEN OR ORAL, BETWEEN SUCH PARTIES REGARDING THE SUBJECT HEREOF. FURTHERMORE IN THIS REGARD, THIS FIRST AMENDMENT, THE AGREEMENT, THE NOTE, THE SECURITY INSTRUMENTS, AND THE OTHER WRITTEN DOCUMENTS REFERRED TO IN THE AGREEMENT OR EXECUTED IN CONNECTION WITH OR AS SECURITY FOR THE NOTES REPRESENT, COLLECTIVELY, THE FINAL AGREEMENT AMONG THE PARTIES THERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

6.06 JURISDICTION AND VENUE. ALL ACTIONS OR PROCEEDINGS WITH RESPECT TO, ARISING DIRECTLY OR INDIRECTLY IN CONNECTION WITH, OUT OF, RELATED TO, OR FROM THIS FIRST AMENDMENT, THE AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE LITIGATED IN COURTS HAVING SITUS IN HARRIS COUNTY, TEXAS. EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY SUBMITS TO THE JURISDICTION OF ANY LOCAL, STATE, OR FEDERAL COURT LOCATED IN HARRIS COUNTY, TEXAS, AND HEREBY WAIVES ANY RIGHTS IT MAY HAVE TO TRANSFER OR CHANGE THE JURISDICTION OR VENUE OF ANY LITIGATION BROUGHT AGAINST IT BY THE BORROWER, THE ADMINISTRATIVE AGENT OR THE LENDERS IN ACCORDANCE WITH THIS SECTION.

(Remainder of Page Intentionally Left Blank)

IN WITNESS WHEREOF, this Agreement is executed effective as of the date first above written.

BORROWER:

SWIFT ENERGY COMPANY

By:

Alton D. Heckaman, Jr.

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Executive Vice President
Chief Financial Officer

By: _____

Adrian D. Shelley
Treasurer

Address for Notices:
Swift Energy Company
16825 Northchase Drive, Suite 400
Houston, Texas 77060
Attention: Alton D. Heckaman, Jr.
Telecopy: (281) 874-2701

(Signatures Continued on Next Page)

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ADMINISTRATIVE AGENT AND LENDER:

JPMORGAN CHASE BANK, N.A.,
(successor by merger to Bank One,
NA (Main Office Chicago))

By: _____

Charles Kingswell-Smith
Director

Applicable Lending Office
for Alternative Base Rate Loans and
Eurodollar Rate Loans:

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One Bank One Plaza
Chicago, Illinois 60670

Address for Notices:

600 Travis, 20th Floor
Houston, Texas 77002
Attention: Charles Kingswell-Smith
Telecopy: (713) 216-7770

(Signatures Continued on Next Page)

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LENDER:

BANK OF SCOTLAND

By: _____
Printed Name: _____
Title: _____

Applicable Lending Office
for Alternative Base Rate Loans and
Eurodollar Rate Loans:

565 Fifth Avenue
New York, New York 10017
Attention: Karen Workman

Address for Notices:
1021 Main Street, Suite 1370
Suite 1750
Houston, Texas 77002
Attention: Richard Butler
Telecopy: 713-651-9714

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With a copy to:
Annie Glynn
565 Fifth Avenue
New York, New York 10017

(Signatures Continued on Next Page)

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LENDER:

NATEXIS BANQUES POPULAIRES

By: _____
Printed Name: _____
Title: _____

Applicable Lending Office
for Alternative Base Rate Loans and
Eurodollar Rate Loans:

Attention:

Address for Notices:

Attention:
Telecopy:

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LENDER:

UFJ BANK LIMITED

By: _____

Printed Name: _____

Title: _____

Applicable Lending Office
for Alternative Base Rate Loans and
Eurodollar Rate Loans:

Park Avenue Plaza
55 East 52nd Street
New York, New York 10055
Attention: Wai Mei (Sandy) Lew

Address for Notices:
Park Avenue Plaza
55 East 52nd Street
New York, NY 10055
Attention: Kentaro Yamagishi
Telecopy: 212-754-2360

with a copy to:

Mr. Clyde Redford
Vice President
UFJ Bank Limited
1200 Smith Suite 2670
Houston, Texas 77002

(Signatures Continued on Next Page)

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DOCUMENTATION AGENT AND LENDER:

SOCIETE GENERALE

By:

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Printed Name: _____

Title: _____

Applicable Lending Office
for Alternative Base Rate Loans and
Eurodollar Rate Loans:

560 Lexington Avenue
New York, New York 10022
Attention: Arlene Tellerman
Telephone: 212-278-6086
Telecopy: 212-278-7490

Address for Notices:

1111 Bagby, Suite 2020
Houston, TX 77002
Attention: Mr. Jason Henderson
 Ms. Elena Robciuc
Telecopy: 713-650-0824

(Signatures Continued on Next Page)

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DOCUMENTATION AGENT AND LENDER:

CALYON NEW YORK BRANCH

By: _____

Printed Name: _____

Title: _____

By: _____

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Printed Name: _____
Title: _____

Applicable Lending Office
for Alternative Base Rate Loans and
Eurodollar Rate Loans:

1301 Avenue of the Americas, 15th Floor
New York, New York 10019
Attn: Loan Administration Department

with a copy to:

1301 Travis, Suite 2100
Houston, Texas 77002
Attention: John Falbo

Address for Notices:

1301 Avenue of the Americas, 15th Floor
New York, New York 10019
Attn: Loan Administration Department

with a copy to:

1301 Travis, Suite 2100
Houston, TX 77002
Attention: John Falbo
Telecopy: 713-751-0307

(Signatures Continued on Next Page)

SYNDICATION AGENT AND LENDER:

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By: _____
Printed Name: _____
Title: _____

Applicable Lending Office

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for Alternative Base Rate Loans and
Eurodollar Rate Loans:

1740 Broadway, 3rd Floor
Denver, CO 80274
Attention: Tanya Ivie

Address for Notices:

1000 Louisiana St., 3rd Floor
Houston, TX 77002
Attention: Carlos L. Quinteros

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SYNDICATION AGENT AND LENDER:

BNP PARIBAS

By: _____
Printed Name: _____
Title: _____

Applicable Lending Office
for Alternative Base Rate Loans and
Eurodollar Loans:

Attention:

Address for Notices:

Attention:
Telecopy:

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LENDER:

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COMERICA BANK

By: _____
Printed Name: _____
Title: _____

Applicable Lending Office
for Alternative Base Rate Loans and
Eurodollar Rate Loans:

Attention:

Address for Notices:

Attention:
Telecopy:

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LENDER:

AMEGY BANK NATIONAL ASSOCIATION

By: _____
Printed Name: _____
Title: _____

Applicable Lending Office
for Alternative Base Rate Loans and
Eurodollar Rate Loans:

Attention:

Address for Notices:

Attention:
Telecopy:

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FIRST AMENDMENT TO AMENDED AND RESTATED
CREDIT AGREEMENT

AMONG

SWIFT ENERGY COMPANY,
AS BORROWER

JPMORGAN CHASE BANK, N.A.
AS ADMINISTRATIVE AGENT

WELLS FARGO BANK (TEXAS), NATIONAL ASSOCIATION
AS SYNDICATION AGENT

BNP PARIBAS
AS SYNDICATION AGENT

CALYON
AS DOCUMENTATION AGENT

SOCIETE GENERALE
AS DOCUMENTATION AGENT

AND

THE LENDERS SIGNATORY HERETO

AND

J.P. MORGAN SECURITIES, INC.
AS SOLE LEAD ARRANGER AND SOLE BOOK RUNNER

Effective as of October 21, 2005

Revolving Line of Credit of up to \$400,000,000
with Letter of Credit Subfacility

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EXHIBIT VIII
SUBSIDIARIES AND PARTNERSHIPS

Name	Percentage Ownership of Outstanding Common Stock or Partnership Interest (Distributive Share)	Place of Incorporation or Jurisdiction of Formation of Partnership	
Subsidiaries:			
GASRS, Inc.	100.00%	TX	16825 Houst
Swenco-Western, Inc.	100.00%	TX	16825 Houst
Swift Energy Marketing Co.	100.00%	TX	16825 Houst
Swift Exploration Services Inc.	100.00%	TX	16825 Houst

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Swift Energy International, Inc.	100.00%	TX	16825 Houst
Swift Energy Canada, Ltd.	100.00%	Canada	16825 Houst
Swift Energy New Zealand Limited	100.00%	New Zealand	16825 Houst
Swift Energy New Zealand Holdings	100.00%	TX	16825 Houst
Southern Petroleum (New Zealand) Exploration Limited Partnerships:	100.00%	TX	16825 Houst

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Swift Energy Drilling Venture 1996-1, Ltd.	20.00%	TX	c/o S 16825 Houst
Swift Energy Drilling Venture 1997-1, Ltd.	20.00%	TX	c/o S 16825 Houst
Swift Energy Drilling Venture 1998-1, Ltd.	20.00%	TX	c/o S 16825 Houst
Swift Energy Drilling Venture 1998-1, Ltd.	20.00%	TX	c/o S 16825 Houst
Swift Energy Development Program 1996-A, Ltd.	40.00%	TX	c/o S 16825 Houst
Swift Energy Development Program 1998, Ltd.	40.00%	TX	c/o S 16825 Houst

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