

SWIFT ENERGY CO
Form 10-Q/A
February 19, 2008

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

FORM 10-Q/A
Amendment No. 1

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2007

Commission File Number 1-8754

SWIFT ENERGY COMPANY

TEXAS
(State of Incorporation)

20-3940611
(I.R.S. Employer Identification No.)

16825 Northchase Drive, Suite 400
Houston, Texas
(Address of principal executive offices)

77060
(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, and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (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 (\$0.01 Par Value) (Class of Stock)	30,105,226 Shares (Outstanding at October 31, 2007)
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Explanatory Note

This Amendment No. 1 on Form 10-Q/A is filed by Swift Energy Company (Swift Energy or the "Company") to amend the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2007, originally filed with the Securities and Exchange Commission (the "SEC") on November 1, 2007 (the "Original Filing"). The Sarbanes Oxley Section 302 certifications of our Chief Executive Officer and Chief Financial Officer in the Original Filing were inadvertently dated August 1, 2007 on the EDGAR version; however, the manual signatures were obtained on and correctly dated November 1, 2007. The sole purpose of this amendment is to update the certifications of our Chief Executive Officer and Chief Financial Officer. As a result, the certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 have been re-executed and re-filed as of the date of this Form 10-Q/A. This amendment is not intended to update any other information presented in the Original Filing.

SWIFT ENERGY COMPANY

FORM 10-Q/A

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007
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Item 1.

Condensed Consolidated Balance Sheets
 Swift Energy Company and Subsidiaries
 (in thousands, except share amounts)

	September 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 11,711	\$ 1,058
Accounts receivable-		
Oil and gas sales	58,409	63,935
Joint interest owners	1,177	1,844
Other Receivables	1,133	1,231
Deferred tax asset	---	2,383
Other current assets	46,466	22,122
Total Current Assets	118,896	92,573
Property and Equipment:		
Oil and gas, using full-cost accounting		
Proved properties	2,569,223	2,264,832
Unproved properties	107,689	112,136
	2,676,912	2,376,968
Furniture, fixtures, and other equipment	34,633	28,041
	2,711,545	2,405,009
Less – Accumulated depreciation, depletion, and amortization	(1,073,797)	(921,697)
	1,637,748	1,483,312
Other Assets:		
Debt issuance costs	7,527	7,382
Restricted assets	2,398	2,415
	9,925	9,797
	\$ 1,766,569	\$ 1,585,682
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 67,212	\$ 74,425
Accrued capital costs	60,925	55,282
Accrued interest	8,577	8,764
Undistributed oil and gas revenues	2,071	7,504
Total Current Liabilities	138,785	145,975
Long-Term Debt	400,000	381,400
Deferred Income Taxes	279,958	224,967
Asset Retirement Obligation	35,141	33,695
Lease Incentive Obligation	1,549	1,728
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized, none outstanding	---	---
	305	302

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Common stock, \$.01 par value, 85,000,000 shares authorized, 30,518,791 and 30,170,004 shares issued, and 30,083,821 and 29,742,918 shares outstanding, respectively

Additional paid-in capital	401,980	387,556
Treasury stock held, at cost, 434,970 and 427,086 shares, respectively	(7,420)	(6,125)
Retained earnings	516,271	415,868
Accumulated other comprehensive income, net of income tax	---	316
	911,136	797,917
	\$ 1,766,569	\$ 1,585,682

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Income (Unaudited)
 Swift Energy Company and Subsidiaries
 (in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	09/30/07	09/30/06	09/30/07	09/30/06
Revenues:				
Oil and gas sales	\$ 179,525	\$ 173,369	\$ 488,228	\$ 453,316
Price-risk management and other, net	1,695	90	2,254	3,489
	181,220	173,459	490,482	456,805
Costs and Expenses:				
General and administrative, net	10,265	8,018	29,295	23,323
Depreciation, depletion and amortization	53,568	45,868	150,894	120,151
Accretion of asset retirement obligation	388	172	1,170	666
Lease operating costs	21,530	12,926	59,960	45,844
Severance and other taxes	20,152	18,490	55,465	49,211
Interest expense, net	5,700	5,776	19,742	17,436
Debt retirement cost	---	---	12,765	---
	111,603	91,250	329,291	256,631
Income Before Income Taxes	69,617	82,209	161,191	200,174
Provision for Income Taxes	27,335	31,397	59,811	73,879
Net Income	\$ 42,282	\$ 50,812	\$ 101,380	\$ 126,295
Per Share Amounts				
Basic: Net Income	\$ 1.41	\$ 1.74	\$ 3.39	\$ 4.33
Diluted: Net Income	\$ 1.38	\$ 1.68	\$ 3.32	\$ 4.20
Weighted Average Shares Outstanding	30,051	29,252	29,937	29,161

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Stockholders' Equity
 Swift Energy Company and Subsidiaries
 (in thousands, except share amounts)

	Common Stock (1)	Additional Paid-in Capital	Treasury Stock	Unearned Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2005	\$ 295	\$ 365,086	\$ (6,446)	\$ (5,850)	\$ 254,303	\$ (70)	\$ 607,318
Stock issued for benefit plans (22,358 shares)	-	714	321	-	-	-	1,035
Stock options exercised (652,829 shares)	7	11,831	-	-	-	-	11,838
Adoption of SFAS No. 123R	-	(5,875)	-	5,850	-	-	(25)
Excess tax benefits from stock-based awards	-	4,811	-	-	-	-	4,811
Employee stock purchase plan (22,425 shares)	-	671	-	-	-	-	671
Issuance of restricted stock (35,776 shares)	-	-	-	-	-	-	-
Amortization of stock compensation	-	10,318	-	-	-	-	10,318
Comprehensive income:							
Net income	-	-	-	-	161,565	-	161,565
Other comprehensive income	-	-	-	-	-	386	386
Total comprehensive income							161,951
Balance, December 31, 2006	\$ 302	\$ 387,556	\$ (6,125)	\$ -	\$ 415,868	\$ 316	\$ 797,917
Stock issued for benefit plans (32,817 shares) (2)	-	953	471	-	-	-	1,424
Stock options exercised (148,665 shares) (2)	1	1,901	-	-	-	-	1,902
Purchase of treasury shares (40,701 shares) (2)	-	-	(1,766)	-	-	-	(1,766)
Adoption of FIN 48 (2)	-	-	-	-	(977)	-	(977)
Employee stock purchase plan (17,678 shares) (2)	-	619	-	-	-	-	619
	2	(2)	-	-	-	-	-

Issuance of restricted
stock (182,444 shares)
(2)

Amortization of stock compensation (2)	-	10,953	-	-	-	-	10,953
Comprehensive income:							
Net income (2)	-	-	-	-	101,380	-	101,380
Other comprehensive loss (2)	-	-	-	-	-	(316)	(316)
Total comprehensive income (2)							101,064
Balance, September 30, 2007 (2)	\$ 305	\$ 401,980	\$ (7,420)	\$ -	\$ 516,271	\$ -	\$ 911,136

(1)\$0.01 par value.

(2)Unaudited.

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows (Unaudited)
 Swift Energy Company and Subsidiaries
 (in thousands)

	Nine Months Ended September 30,	
	2007	2006
Cash Flows from Operating Activities:		
Net income	\$ 101,380	\$ 126,295
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation, depletion, and amortization	150,894	120,151
Accretion of asset retirement obligation	1,170	666
Deferred income taxes	59,688	67,169
Stock-based compensation expense	7,783	5,057
Debt retirement cost – cash and non-cash	12,765	---
Other	(127)	(3,677)
Change in assets and liabilities-		
(Increase) decrease in accounts receivable	6,193	(14,548)
Increase in accounts payable and accrued liabilities	1,644	7,404
Increase (decrease) in income taxes payable	(884)	338
Increase (decrease) in accrued interest	(187)	1,828
Net Cash Provided by Operating Activities	340,319	310,683
Cash Flows from Investing Activities:		
Additions to property and equipment	(335,898)	(295,502)
Proceeds from the sale of property and equipment	219	20,336
Net cash received as operator of partnerships and joint ventures	485	855
Other	---	(31)
Net Cash Used in Investing Activities	(335,194)	(274,342)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	250,000	---
Payments of long-term debt	(200,000)	---
Net payments of bank borrowings	(31,400)	---
Net proceeds from issuances of common stock	2,521	4,289
Excess tax benefits from stock-based awards	---	1,483
Purchase of treasury shares	(1,766)	---
Payments of debt retirement costs	(9,376)	---
Payments of debt issuance costs	(4,451)	---
Net Cash Provided by Financing Activities	5,528	5,772
Net Increase in Cash and Cash Equivalents	\$ 10,653	\$ 42,113
Cash and Cash Equivalents at Beginning of Period	1,058	53,005
Cash and Cash Equivalents at End of Period	\$ 11,711	\$ 95,118
Supplemental Disclosures of Cash Flows Information:		
Cash paid during period for interest, net of amounts capitalized	\$ 19,008	\$ 14,721

Cash paid during period for income taxes	\$	1,007	\$	6,373
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See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SWIFT ENERGY COMPANY AND SUBSIDIARIES

(1) General Information

The condensed consolidated financial statements included herein have been prepared by Swift Energy Company (“Swift Energy” or the “Company”) and reflect necessary adjustments, all of which were of a recurring nature unless otherwise disclosed herein, 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 our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 as filed with the Securities and Exchange Commission.

(2) Summary of Significant Accounting Policies

Holding Company Structure

In December 2005, we implemented a holding company structure pursuant to Texas and federal law in a manner designed to be a non-taxable transaction. The new parent holding company assumed the Swift Energy Company name and continued to trade on the New York Stock Exchange. The purposes of this new holding company structure are to separate Swift Energy’s domestic and international operations to better reflect management practices, to improve our economics, and to provide greater administrative and organizational flexibility. Under the new organizational structure, four new subsidiaries were formed with the Texas parent holding company wholly owning three Delaware subsidiaries, which in turn wholly own Swift Energy's operating subsidiaries. Swift Energy Operating, LLC is the operator of record for Swift Energy's domestic properties. Swift Energy's name, charter, bylaws, officers, board of directors, authorized shares and shares outstanding remain substantially identical. Our international operations continue to be conducted through Swift Energy International, Inc. Swift Energy amended its bank credit agreement, debt indentures and various other plans and documents to accommodate the internal reorganization, but our day-to-day conduct of business was not impacted. Accordingly, there was no impact on our financial position or results of operations.

Property and Equipment

We follow the “full-cost” method of accounting for oil and gas 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, 2007 and 2006, such capitalized internal costs totaled \$23.0 million and \$20.7 million, respectively. Interest costs are also capitalized to unproved oil and gas properties. For the nine months ended September 30, 2007 and 2006, capitalized interest on unproved properties totaled \$7.2 million and \$6.6 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

We compute the provision for depreciation, depletion, and amortization 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, natural 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, held at cost, are depreciated by the straight-line method at rates based on the estimated useful lives of the property, which range between two 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 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, the political stability in the countries in which we have an investment, 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 natural 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”). We did not have any hedges in place at September 30, 2007. This calculation is performed on a country-by-country basis.

The calculation of the Ceiling Test and provision for depreciation, depletion, and amortization (“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.

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 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 onshore oil and natural gas reserves in New

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

Zealand. Our undivided interests in natural gas processing plants are accounted for using the proportionate consolidation method, whereby our proportionate share of 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. Beginning in 2007, processing costs for natural gas and natural gas liquids (NGLs) that are paid in-kind are recorded in "Lease operating costs" prior to that time these costs were deducted from revenues. Swift Energy uses the entitlement method of accounting in which we recognize our 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, 2007, we did not have any material natural gas imbalances.

Reclassification of Prior Period Balances

Certain reclassifications have been made to prior period amounts to conform to the current year presentation.

Accounts Receivable

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 both September 30, 2007 and December 31, 2006, we had an allowance for doubtful accounts of less than \$0.1 million. The allowance for doubtful accounts has been deducted from the total "Accounts receivable" balances on the accompanying balance sheets.

Inventories

We value inventories at the lower of cost or market. 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	Balance at
(in thousands)	September 30, 2007	December 31, 2006
Materials, Supplies and	\$ 11,876	\$ 10,611

Tubulars		
Crude Oil	738	474
Total	\$ 12,614	\$ 11,085

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:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

- 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,
- estimates of future costs to develop and produce reserves,
- accruals related to oil and gas revenues, capital expenditures and lease operating expenses, estimates of insurance recoveries related to property damage,
- estimates in the calculation of stock compensation expense,
- estimates of our ownership in properties prior to final division of interest determination,
- the estimated future cost and timing of asset retirement obligations,
- estimates made in our income tax calculations, and
- estimates in the calculation of the fair value of hedging assets.

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 new accounting pronouncements, 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 period during which the adjustment occurs.

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.

On January 1, 2007, we adopted the recognition and disclosure provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"). Under FIN 48, tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. As a result of adopting FIN 48, we reported a \$1.0 million decrease to our January 1, 2007 retained earnings balance and a corresponding increase to our deferred tax liability. This is also the total balance of our unrecognized tax benefits, which would fully impact our effective tax rate if recognized. We do not expect to recognize significant increases or decreases in unrecognized tax benefits during the year ended December 31, 2007.

Our policy is to record interest and penalties relating to income taxes in income tax expense. As of December 31, 2006 and September 30, 2007 no interest or penalties relating to income taxes have been recognized.

Our U.S. Federal and State of Louisiana income tax returns from 1998 forward remain subject to examination by tax authorities. Our Texas franchise tax returns for 2005 and prior years have been audited by the Texas State Comptroller. There are no unresolved items related to those audits. No other state returns are significant to our

financial position. Our New Zealand income tax returns from 2002 forward remain subject to examination by the local tax authority.

In the third quarter of 2007 we increased the valuation allowance for our capital loss carryforward assets by \$2.6 million to cover the full value of the carryforward. The increase in the valuation allowance is due to changes in the Company's property disposition plans and increased income tax expense by \$2.6 million in that period.

Accounts Payable and Accrued Liabilities

Included in "Accounts payable and accrued liabilities," on the accompanying balance sheets, at September 30, 2007 and December 31, 2006 are liabilities of approximately \$11.5 million and \$13.9 million, respectively, representing the amount by which checks issued, but not presented by vendors to Swift Energy's banks for collection, exceeded balances in the applicable disbursement bank accounts.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

Accumulated Other Comprehensive Income, 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 Swift Energy. At September 30, 2007, we did not record any derivative gains or losses in "Accumulated other comprehensive income, net of income tax" on the accompanying balance sheet. The components of accumulated other comprehensive income and related tax effects were as follows:

(in thousands)	Gross Value	Tax Effect	Net of Tax Value
Other comprehensive income at December 31, 2006	\$ 503	\$ (187)	\$ 316
Change in fair value of cash flow hedges	(184)	68	(116)
Effect of cash flow hedges settled during the period	(319)	119	(200)
Other comprehensive income at September 30, 2007	\$ ---	\$ ---	\$ ---

Total comprehensive income was \$42.1 million and \$52.2 million for the third quarter of 2007 and 2006, respectively. Total comprehensive income was \$101.1 and \$127.3 million for the first nine months of 2007 and 2006, respectively.

Price-Risk Management Activities

Swift Energy 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 2007 and 2006, we recognized a net gain of \$1.0 million and a net loss of \$0.4 million, respectively, relating to our derivative activities. During the first nine months of 2007 and 2006, we recognized a net gain of \$0.3 million and a net gain of \$1.6 million, respectively, relating to our derivative activities. This activity is recorded in "Price-risk management and other, net" on the accompanying statements of income. At September 30, 2007, we had not recorded any derivative gains or losses

in “Accumulated other comprehensive income, net of income tax” on the accompanying balance sheet as we did not have any hedges in place at that time. This line item on the balance sheet represents the change in fair value for the effective portion of our hedging transactions that are qualified as cash flow hedges. The amount of ineffectiveness reported in “Price-risk management and other, net” for the first nine months of 2007 and 2006 was not material.

When we entered into the 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-Merton option pricing model and is periodically verified against quotes from brokers. 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, to the extent they do not exceed actual costs incurred, are recorded as a reduction to “General and administrative, net.” All of our domestic supervision fees are based on COPAS determined rates; the remainder (less than 2% for each period presented) is attributable to our New Zealand operations and is based on agreements that are similar to COPAS. The amount of supervision fees charged in 2006 and 2007 did not exceed our actual costs incurred. The total amount of supervision fees charged to the wells we operate were \$8.0 million and \$6.4 million in the first nine months of 2007 and 2006, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

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 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 related asset is expected to deplete. Over time, accretion of the liability is recognized each period, and the capitalized cost is depleted 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 which is included in the full cost pool. 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:

(in thousands)	2007	2006
Asset Retirement Obligation recorded as of January 1	\$ 34,460	\$ 19,356
Accretion expense for the nine months ended September 30	1,170	666
Liabilities incurred for new wells and facilities construction	321	553
Reductions due to sold, or plugged and abandoned wells	---	(203)
Increase (decrease) due to currency exchange rate fluctuations	65	(22)
Asset Retirement Obligation as of September 30	\$ 36,016	\$ 20,350

At September 30, 2007 and December 31, 2006, approximately \$0.9 million and \$0.8 million 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

Effective January 1, 2007, Swift Energy adopted FASB Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" ("FIN 48"). This interpretation provides guidance for recognizing and measuring uncertain tax positions, as defined in SFAS No. 109, "Accounting for Income Taxes." See additional discussion of FIN 48 in the Income Taxes section of the footnotes. As a result of adopting FIN 48, we reported a \$1.0 million decrease to our January 1, 2007 retained earnings balance and a corresponding increase to our deferred tax liability.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 addresses how companies should approach measuring fair value when required by GAAP; it does not create or modify any current GAAP requirements to apply fair value accounting. SFAS No. 157 provides a single definition for fair value that is to be applied consistently for all accounting applications, and also generally describes and prioritizes, according to

reliability, the methods and inputs used in valuations. SFAS No. 157 prescribes various disclosures about financial statement categories and amounts which are measured at fair value, if such disclosures are not already specified elsewhere in GAAP. The new measurement and disclosure requirements of SFAS No. 157 are effective for us in the first quarter 2008. We have not yet determined what impact, if any, this statement will have on our financial position or results of operations.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

(3) Share-Based Compensation

We have various types of share-based compensation plans. Refer to Note 6 of our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, for additional information related to these share-based compensation plans.

Effective January 1, 2006, Swift Energy adopted Statement of Financial Accounting Standards (SFAS) No. 123 (R), "Share-Based Payment" (SFAS No. 123R) utilizing the modified prospective approach. Prior to the adoption of SFAS No. 123R, we accounted for stock option grants in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" (the intrinsic value method), and accordingly, recognized no compensation expense for employee stock option grants.

Under the modified prospective approach, SFAS No. 123R applies to new awards and to awards that were outstanding on January 1, 2006 as well as those that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost recognized for both nine month periods ended September 30, 2007 and 2006 includes compensation cost for all share-based awards granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and compensation cost for all share-based awards granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. Prior periods were not restated to reflect the impact of adopting the new standard.

Upon adoption of SFAS 123R, we recorded an immaterial cumulative effect of a change in accounting principle as a result of our change in policy from recognizing forfeitures as they occur to one recognizing expense based on our expectation of the amount of awards that will vest over the requisite service period for our restricted stock awards. This amount was recorded in "General and administrative, net" in the accompanying condensed consolidated statements of operations.

We receive a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the price at which the stock is sold over the exercise price of the options. We receive an additional tax deduction when restricted stock vests at a higher value than the value used to recognize compensation expense at the date of grant. Prior to adoption of SFAS No. 123R, we reported all tax benefits resulting from the award of equity instruments as operating cash flows in our condensed consolidated statements of cash flows. In accordance with SFAS No. 123R, we are required to report excess tax benefits from the award of equity instruments as financing cash flows. These benefits were \$1.0 and \$1.5 million for the nine months ended September 30, 2007 and 2006, respectively. The benefit for 2007 has not been recognized in the financial statements as these benefits have not been realized since we are in a tax net operating loss position for the first nine months of 2007.

Net cash proceeds from the exercise of stock options were \$1.9 million and \$3.6 million for the nine months ended September 30, 2007 and 2006. The actual income tax benefit realized from stock option exercises was \$1.2 million and \$2.0 million for the same periods.

Stock compensation expense for both stock options and restricted stock issued to both employees and non-employees is recorded in "General and administrative, net" in the accompanying condensed consolidated statements of income, and was \$2.5 million and \$1.8 million for the quarters ended September 30, 2007 and 2006, respectively. Stock

compensation expense for the nine months ended September 30, 2007 and 2006 was \$7.4 million and \$5.1 million, respectively. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

Stock Options

We use the Black-Scholes-Merton option pricing model to estimate the fair value of stock option awards with the following weighted-average assumptions for the indicated periods:

	Three Months Ended		Nine months Ended	
	September 30, 2007	2006	September 30, 2007	2006
Dividend yield	0%	0%	0%	0%
Expected volatility	37.5%	39.1%	38.5%	39.5%
Risk-free interest rate	4.0%	4.8%	4.8%	4.9%
Expected life of options (in years)	4.3	2.6	6.2	5.6
Weighted-average grant-date fair value	\$ 14.83	\$ 12.20	\$ 20.05	\$ 19.31

The expected term has been calculated using the Securities and Exchange Commission Staff's shortcut approach from Staff Accounting Bulletin No. 107. We have analyzed historical volatility, and based on an analysis of all relevant factors; use a three-year period to estimate expected volatility of our stock option grants.

At September 30, 2007, there was \$3.8 million of unrecognized compensation cost related to stock options which is expected to be recognized over a weighted-average period of 1.3 years. The following table represents stock option activity for the nine months ended September 30, 2007:

	Shares	Wtd. Avg. Exer. Price
Options outstanding, beginning of period	1,549,140	\$ 24.59
Options granted	193,057	\$ 43.51
Options canceled	(15,591)	\$ 35.02
Options exercised	(172,409)	\$ 15.52
Options outstanding, end of period	1,554,197	\$ 27.84
Options exercisable, end of period	836,679	\$ 24.72

The aggregate intrinsic value and weighted average remaining contract life of options outstanding and exercisable at September 30, 2007 was \$22.2 million and 5.4 years and \$13.9 million and 4.0 years, respectively. Total intrinsic value of options exercised during the nine months ended September 30, 2007 was \$4.6 million.

Restricted Stock

The plans, as described in Note 6 of our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, allow for the issuance of restricted stock awards that may not be sold or

otherwise transferred until certain restrictions have lapsed. The unrecognized compensation cost related to these awards is expected to be expensed over the period the restrictions lapse (generally one to five years).

The compensation expense for these awards was determined based on the market price of our stock at the date of grant applied to the total number of shares that were anticipated to fully vest. As of September 30, 2007, we had unrecognized compensation expense of approximately \$18.9 million associated with these awards which are expected to be recognized over a weighted-average period of 1.8 years. The total fair value of shares vested during the first nine months ended September 30, 2007 was \$7.9 million.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

The following table represents restricted stock activity for the nine months ended September 30, 2007:

	Shares	Wtd. Avg. Grant Price
Restricted shares outstanding, beginning of period	503,184	\$ 40.04
Restricted shares granted	319,730	\$ 43.15
Restricted shares canceled	(33,584)	\$ 42.29
Restricted shares vested	(183,334)	\$ 40.03
Restricted shares outstanding, end of period	605,996	\$ 41.56

(4) 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 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 periods ended September 30, 2007 and 2006, 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 periods ended September 30, 2007 and 2006:

(in thousands, except per share data)

	Net Income	Three Months Ended September 30,				Per Share Amount
		2007 Shares	Per Share Amount	Net Income	2006 Shares	
Basic EPS:						
Net Income and Share Amounts	\$ 42,282	30,051	\$ 1.41	\$ 50,812	29,252	\$ 1.74
Dilutive Securities:						
Restricted Stock	---	158		---	131	
Stock Options	---	477		---	801	
Diluted EPS:						
Net Income and Assumed Share Conversions	\$ 42,282	30,686	\$ 1.38	\$ 50,812	30,184	\$ 1.68

(in thousands, except per share data)

Nine Months Ended September 30,			
2007	Per Share Amount	Net Income	2006

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	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS:						
Net Income and Share Amounts	\$ 101,380	29,937	\$ 3.39	\$ 126,295	29,161	\$ 4.33
Dilutive Securities:						
Restricted Stock	---	161		---	125	
Stock Options	---	484		---	777	
Diluted EPS:						
Net Income and Assumed Share Conversions	\$ 101,380	30,582	\$ 3.32	\$ 126,295	30,063	\$ 4.20

Options to purchase approximately 1.6 million shares at an average exercise price of \$27.84 were outstanding at September 30, 2007, while options to purchase 2.0 million shares at an average exercise price of \$23.25 were outstanding at September 30, 2006. Approximately 1.1 million and 1.2 million options to purchase shares were not included in the computation of Diluted EPS for the three months ended September 30, 2007 and 2006, respectively, and 1.1 million and 1.2 million options to purchase shares were not included in the computation of Diluted EPS for the nine months ended September 30, 2007 and 2006, respectively, because these options were anti-dilutive, in that the sum of the option price, unrecognized compensation expense and excess tax benefits recognized as proceeds in the treasury stock method was greater than the average closing market price for the common shares during those periods. Employee restricted stock grants of 448,366 shares and 359,695 shares were not included in the computation of Diluted EPS for the three months ended September 30, 2007 and 2006, respectively, and 444,906 shares and 366,072 shares were not included in the computation of Diluted EPS for the nine months ended September 30, 2007 and 2006, respectively, because these restricted stock grants were anti-dilutive in that the sum of the unrecognized compensation expense and excess tax benefits recognized as proceeds under the treasury stock method was greater than the average closing market price for the common shares during that period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

(5) Long-Term Debt

Our long-term debt, including the current portion, as of September 30, 2007 and December 31, 2006, was as follows:

(in thousands)	September 30, 2007	December 31, 2006
Bank Borrowings	\$ ---	\$ 31,400
7-5/8% senior notes due 2011	150,000	150,000
9-3/8% senior subordinated notes due 2012	---	200,000
7-1/8% senior notes due 2017	250,000	---
Long-Term Debt	\$ 400,000	\$ 381,400

At September 30, 2007, the aggregate maturities on our long-term debt are \$150.0 million for 2011 and \$250.0 million for 2017.

Bank Borrowings

At September 30, 2007, we had no borrowings under our \$500.0 million credit facility with a syndicate of ten banks that had a borrowing base of \$350.0 million and expires in October 2011. The interest rate is either (a) the lead bank's prime rate (7.75% at September 30, 2007) 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 October 2006, we increased, renewed, and extended this credit facility, increasing the facility to \$500.0 million from \$400.0 million, increasing the commitment amount under the borrowing base to \$250.0 million from \$150.0 million, and extending its expiration to October 3, 2011 from October 1, 2008. In April 2007 we increased the borrowing base to \$350.0 million; and effective November 2007, we further increased it to \$400.0 million. In September 2007, we increased the commitment amount under the borrowing base to \$350.0 million from \$250.0 million.

The terms of our credit facility include, among other restrictions, a limitation on the level of cash dividends (not to exceed \$15.0 million in any fiscal year), a remaining aggregate limitation on purchases of our stock of \$50.0 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. 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. Under the terms of the credit facility, 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. The borrowing base amount is re-determined at least every six months and the next scheduled borrowing base review is in May 2008.

Interest expense on the credit facility, including commitment fees and amortization of debt issuance costs, totaled \$0.4 million and \$0.2 million for the three months ended September 30, 2007 and 2006, respectively, and \$3.0 million and

\$0.6 million for the nine months ended September 30, 2007 and 2006, respectively. The amount of commitment fees included in interest expense, net was \$0.2 million and \$0.1 million for three month periods ended September 30, 2007 and 2006, respectively, and \$0.4 million for both the nine month periods ended September 30, 2007 and 2006, respectively.

Senior Notes Due 2017

These notes consist of \$250.0 million of 7-1/8% senior notes due 2017, which were issued on June 1, 2007 at 100% of the principal amount and will mature on June 1, 2017. 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 will rank senior to any future subordinated indebtedness of Swift Energy. Interest on these notes is payable semi-annually on June 1 and December 1, and commencing on December 1, 2007. On or after June 1, 2012, we may redeem some or all of these notes, with certain restrictions, at a redemption price, plus accrued and unpaid interest, of 103.563% of principal, declining in twelve-month intervals to 100% in 2015 and

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

thereafter. In addition, prior to June 1, 2010, we may redeem up to 35% of the principal amount of the notes with the net proceeds of qualified offerings of our equity at a redemption price of 107.125% of the principal amount of the notes, plus accrued and unpaid interest. We incurred approximately \$4.2 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 notes using the effective interest method. In the event of 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 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 7-1/8% senior notes due 2017, including amortization of debt issuance costs, totaled \$4.5 million and \$6.0 million for three and nine month periods ended September 30, 2007.

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 could have redeemed 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 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 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 each of the three month periods ended September 30, 2007 and 2006, and \$9.0 million and \$8.9 million for the nine month periods ended September 30, 2007 and 2006, respectively.

Senior Subordinated Notes Due 2012

These notes consisted of \$200.0 million of 9-3/8% senior subordinated notes due May 2012, which were issued on April 16, 2002 and were scheduled to mature on May 1, 2012. Interest on these notes was payable semiannually on May 1 and November 1. As of June 18, 2007, we redeemed all \$200.0 million of these notes. In the second quarter of 2007, we recorded a charge of \$12.8 million related to the redemption of these notes, which is recorded in "Debt

retirement costs” on the accompanying condensed consolidated statement of income. The costs were comprised of approximately \$9.4 million of premium paid to redeem the notes, and \$3.4 million to write-off unamortized debt issuance costs.

Interest expense on the 9-3/8% senior subordinated notes due 2012, including amortization of debt issuance costs totaled \$4.8 million for the three month period ended September 30, 2006, and \$8.9 million and \$14.4 million for the nine month periods ended September 30, 2007 and 2006, respectively.

We have capitalized interest on our unproved properties in the amount of \$2.2 million for each of the three month periods ended September 30, 2007 and 2006, and \$7.2 million and \$6.6 million for the nine month periods ended September 30, 2007 and 2006, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

(6) Foreign Activities

As of September 30, 2007, our gross capitalized oil and gas property costs in New Zealand totaled approximately \$354.3 million. Approximately \$339.0 million has been included in the "Proved properties" portion of our oil and gas properties, while \$15.3 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 \$255.3 million at September 30, 2007.

(7) Acquisitions and Dispositions

In October 2006, we acquired interests in five South Louisiana fields. The property interests are located in: Bayou Sale, Horseshoe Bayou and Jeanerette fields (all located in St. Mary Parish), High Island field in Cameron Parish and Bayou Penchant field in Terrebonne Parish. We paid approximately \$167.9 million in cash for these interests. After taking into account internal acquisition costs of \$4.0 million, our total cost was \$171.9 million. We allocated \$154.6 million of the acquisition price to "Proved Properties," \$28.8 million to "Unproved Properties," and recorded a liability for \$11.5 million to "Asset retirement obligation" on our accompanying consolidated balance sheet. These acquisitions were accounted for by the purchase method of accounting. We made these acquisitions to increase our exploration and development opportunities in South Louisiana. The revenues and expenses from these properties have been included in our accompanying consolidated statements of income from the date of acquisition forward.

In December 2006, we acquired additional interests in our Lake Washington field. We paid approximately \$20.0 million in cash for these interests. After taking into account internal acquisition costs of \$0.4 million, our total cost was \$20.4 million. We allocated \$18.7 million of the acquisition price to "Proved Properties," \$2.5 million to "Unproved Properties," and recorded a liability for \$0.8 million to "Asset Retirement Obligation" on our accompanying consolidated balance sheet. This acquisition was accounted for 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 this acquisition have been included in our accompanying consolidated statements of income from the date of acquisition forward.

(8) Subsequent Events

In October 2007, we acquired interests in three South Texas fields in the Maverick Basin from Escondido Resources, LP. The total price for these interests was approximately \$249.5 million. The property interests are located in the Sun TSH field in La Salle County, the Briscoe Ranch field primarily in Dimmit County, and the Las Tiendas field in Webb County. We have recorded \$24.5 million in "Other current assets" at September 30, 2007 related to the deposit for this acquisition.

(9) Condensed Consolidating Financial Information

In December 2005, we amended the indenture for our 9-3/8% Senior Subordinated Notes due 2012 and our 7-5/8% Senior Notes due 2011 to reflect our new holding company organizational structure (as discussed in Note 2). Pursuant to the amendment, both Swift Energy Company and Swift Energy Operating, LLC (a wholly owned indirect subsidiary of Swift Energy Company) became co-obligors of these senior notes and senior subordinated debt. Prior to amendment, Swift Energy Company was the sole obligor. Due to the redemption of the 9-3/8% senior subordinated notes in June 2007, Swift Energy Company and Swift Energy Operating, LLC remain co-obligors only under the

indenture for our 7-1/8% senior notes as of June 1, 2007. The co-obligations are full and unconditional and are joint and several. The following is condensed consolidating financial information for Swift Energy Company, Swift Energy Operating, LLC, and significant subsidiaries:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

Condensed Consolidating Balance Sheets

(in thousands)

September 30, 2007

	Swift Energy Co. (Parent and Co-obligor)	Swift Energy Operating, LLC (Co-obligor)	Other Subsidiaries	Eliminations	Swift Energy Co. Consolidated
ASSETS					
Current assets	\$ ---	\$ 96,039	\$ 22,857	\$ ---	\$ 118,896
Property and equipment	---	1,405,457	232,291	---	1,637,748
Investment in subsidiaries (equity method)	911,136	---	702,442	(1,613,578)	---
Other assets	---	39,642	758	(30,475)	9,925
Total assets	\$ 911,136	\$ 1,541,138	\$ 958,348	\$ (1,644,053)	\$ 1,766,569

**LIABILITIES AND
STOCKHOLDERS' EQUITY**

Current liabilities	\$ ---	\$ 132,538	\$ 6,247	\$ ---	\$ 138,785
Long-term liabilities	---	706,158	40,965	(30,475)	716,648
Stockholders' equity	911,136	702,442	911,136	(1,613,578)	911,136
Total liabilities and stockholders' equity	\$ 911,136	\$ 1,541,138	\$ 958,348	\$ (1,644,053)	\$ 1,766,569

(in thousands)

December 31, 2006

	Swift Energy Co. (Parent and Co-obligor)	Swift Energy Operating, LLC (Co-obligor)	Other Subsidiaries	Eliminations	Swift Energy Co. Consolidated
ASSETS					
Current assets	\$ ---	\$ 75,270	\$ 17,303	\$ ---	\$ 92,573
Property and equipment	---	1,239,722	243,590	---	1,483,312
Investment in subsidiaries (equity method)	797,917	---	590,720	(1,388,637)	---
Other assets	---	42,519	705	(33,427)	9,797

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Total assets	\$ 797,917	\$ 1,357,511	\$ 852,318	\$ (1,422,064)	\$ 1,585,682
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities	\$ ---	\$ 137,016	\$ 8,959	\$ ---	\$ 145,975
Long-term liabilities	---	629,775	45,442	(33,427)	641,789
Stockholders' equity	797,917	590,720	797,917	(1,388,637)	797,917
Total liabilities and stockholders' equity	\$ 797,917	\$ 1,357,511	\$ 852,318	\$ (1,422,064)	\$ 1,585,682

Condensed Consolidating Statements of Income

(in thousands)

Three Months Ended September 30, 2007

	Swift Energy Co. (Parent and Co-obligor)	Swift Energy Operating, LLC (Co-obligor)	Other Subsidiaries	Eliminations	Swift Energy Co. Consolidated
Revenues	\$ ---	\$ 171,273	\$ 9,947	\$ ---	\$ 181,220
Expenses	---	100,195	11,408	---	111,603
Income (loss) before the following:	---	71,078	(1,461)	---	69,617
Equity in net earnings of subsidiaries	42,282	---	42,915	(85,197)	---
Income before income taxes	42,282	71,078	41,454	(85,197)	69,617
Income tax provision (benefit)	---	28,163	(828)	---	27,335
Net income	\$ 42,282	\$ 42,915	\$ 42,282	\$ (85,197)	\$ 42,282

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

(in thousands)	Nine Months Ended September 30, 2007				
	Swift Energy Co. (Parent and Co-obligor)	Swift Energy Operating, LLC (Co-obligor)	Other Subsidiaries	Eliminations	Swift Energy Co. Consolidated
Revenues	\$ ---	\$ 457,658	\$ 32,824	\$ ---	\$ 490,482
Expenses	---	296,105	33,186	---	329,291
Income (loss) before the following:	---	161,553	(362)	---	161,191
Equity in net earnings of subsidiaries	101,380	---	99,883	(201,263)	---
Income before income taxes	101,380	161,553	99,521	(201,263)	161,191
Income tax provision (benefit)	---	61,670	(1,859)	---	59,811