SWIFT ENERGY CO
Form 424B5
November 12, 2009

Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-159341

Prospectus supplement

To prospectus dated June 26, 2009

$225,000,000
8 7/8% Senior Notes Due 2020
Guaranteed by
Swift Energy Operating, LLC

We are offering $225,000,000 of our 87/8% Senior Notes due 2020. The notes will bear interest at 87/8% per year and will mature on January 15, 2020. Interest on the notes will be payable on January 15 and July 15 of each year, beginning January 15, 2010.

We may redeem the notes in whole or in part on and after January 15, 2015 at the redemption prices described herein. In addition, we may redeem up to 35% of the notes before January 15, 2013, with the proceeds of certain equity offerings. If we sell all or substantially all of our assets or experience specific kinds of changes in control, we must offer to repurchase the notes. There is no sinking fund for the notes.

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future senior debt and senior to any future subordinated debt that we may incur. The notes will be unconditionally guaranteed initially by our principal domestic operating subsidiary, Swift Energy Operating, LLC, on a senior unsecured basis. This guarantee of the notes will rank equally in right of payment with the guarantor s existing and future senior debt, including its indebtedness under our bank credit facility, and senior to any future subordinated debt that it may incur.

See Risk factors beginning on page S-11 for a discussion of certain risks that you should consider in connection with an investment in the notes.

	Public offering price[(1)]	**Underwriting discount**	**Proceeds, before expenses, to Swift Energy Company[(1)]**
Per note	98.389%	2.000%	96.389%
Total	$ 221,375,250	$ 4,500,000	$ 216,875,250

(1) Plus accrued interest, if any, from November 25, 2009.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

Delivery of the notes, in book-entry form, will be made on or about November 25, 2009 through The Depository Trust Company.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Joint book-running managers

J.P. Morgan

Goldman, Sachs & Co.

RBC Capital Markets

Wells Fargo Securities

Senior co-managers

BNP PARIBAS **CALYON** **SOCIETE GENERALE**

Co-managers

BBVA Securities **Comerica Securities** **Natixis Bleichroeder LLC**

November 10, 2009

We expect delivery of the notes will be made against payment therefor on or about November 25, 2009, which is the tenth business day following the date of pricing of the notes (such settlement being referred to as T+10). Under Rule 15(c)6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing of the notes or during the next succeeding six business days will be required, by virtue of the fact that the notes initially will settle in T+10, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement and should consult their own advisers.

This prospectus supplement relates to the offer and sale by us of the notes, and the accompanying prospectus gives more general information, some of which may not apply to the notes. You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell securities in any jurisdiction where the offer or sale is not permitted.

You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates on the front cover of these documents or earlier dates specified herein or therein and that the information incorporated herein by reference is accurate only as of its date. Our business, financial condition, results of operations and prospects may have changed since those dates. It is important that you read and consider all of the information in this prospectus supplement and the information contained in the accompanying prospectus and any document incorporated by reference in making your investment decision. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus or any document incorporated by reference, you should rely on the information in this prospectus supplement.

Table of contents

Table of Contents

Summary

This summary highlights information included or incorporated by reference elsewhere in this prospectus supplement. It does not contain all of the information that you should consider before making an investment decision. We urge you to read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully, including the historical financial statements and notes to those financial statements incorporated by reference. Please read Risk factors in this prospectus supplement, in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2008 and in Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 for more information about important risks that you should consider before making a decision to purchase any notes in this offering. Unless the context indicates otherwise, information presented in this prospectus supplement relates only to our continuing operations. As used in this prospectus supplement and the accompanying prospectus, unless the context otherwise requires or indicates, references to Swift, we, our, and us refer to Swift Energy Company and its subsidiaries, collectively.

Our company

We are engaged in developing, exploring, acquiring, and operating oil and natural gas properties, with a focus on oil and natural gas reserves onshore in Louisiana and Texas, and in the inland waters of Louisiana. As of December 31, 2008, we had estimated proved reserves from our continuing operations of 116.4 million barrels of oil equivalent, or MMBoe. Our total estimated proved reserves at year-end 2008 were comprised of approximately 43% crude oil, 42% natural gas, and 15% natural gas liquids, or NGLs; and 53% of our total estimated proved reserves were proved developed. Our estimated proved reserves are concentrated with 61% of the total in Louisiana, 38% in Texas, and 1% in other states.

Our operations are primarily focused in four core areas identified as Southeast Louisiana, South Louisiana, Central Louisiana/East Texas, and South Texas. South Texas is the oldest of our core areas, with our operations first established in the AWP field in 1989, and subsequently expanded with the acquisition in 2007 of the Sun TSH, Briscoe Ranch, and Las Tiendas fields, and the 2008 acquisition of additional interests in the Briscoe Ranch field. Operations in our Central Louisiana/East Texas area began in mid-1998 when we acquired the Masters Creek field in Louisiana and the Brookeland field in Texas, to which we later added the South Bearhead Creek field in Louisiana in late 2005. The Southeast Louisiana and South Louisiana areas were established when we acquired majority interests in producing properties in the Lake Washington field in early 2001, in the Bay de Chene and Cote Blanche Island fields in December 2004, and in the Bayou Sale, Bayou Penchant, Horseshoe Bayou, and Jeanerette fields in 2006.

Our competitive strengths and business strategy

Our competitive strengths, together with a balanced and comprehensive business strategy, provide us with the flexibility and capability to achieve our goals. Our primary strengths and strategies are set forth below.

Concentrated focus on core areas with operational control

We are one of the largest crude oil producers in Louisiana and have been the most active driller in Southern Louisiana from 2005 through 2008. This concentration and regional scale allows us to leverage our drilling unit and workforce synergies while enabling us to minimize development and operating costs. Each of our core areas includes properties that we have targeted for future growth. The value of this concentration is enhanced by our operational control of 96% of our proved oil and natural gas reserves base as of December 31, 2008. Retaining operational control allows us to more effectively manage production, control operating costs, allocate capital, and time field development.

Balanced portfolio of development and exploration prospects

We have identified almost 1,000 development and exploration prospects within our four core areas spanning our Gulf Coast asset base. These projects range from lower-risk repeatable targets, such as recompletions and behind-pipe development, to higher-risk/higher-reward exploration targets. Within our core area of operations, we are diversified across geologic horizons and formations, including conventional sands, tight gas sands and shales. Our understanding of the underlying geology of our core areas, together with the depth and diversity of our projects in those areas, allows us to optimize the development of our prospect inventory.

Balanced approach to growth

We have grown our estimated proved reserves from 107.4 MMBoe to 116.4 MMBoe over the five-year period ended December 31, 2008, which equates to a 120% production replacement rate. Over the same period, our annual production has grown from 5.6 MMBoe to 10.0 MMBoe. Our growth in reserves and production over this five-year period has resulted primarily from drilling activities and acquisitions in our core areas. During 2008, our estimated proved reserves decreased by 13% and we did not replace 2008 production, due mainly to technical adjustments in two fields and lower prices used in the 2008 computation of reserves. Based on our long-term historical performance and our business strategy going forward, we believe that we have the opportunities, experience, and knowledge to continue growing both our reserves and production.

Our strategy is to increase our reserves and production through both drilling and acquisitions, shifting the balance between the two activities in response to market conditions and strategic opportunities. In general, we focus on drilling in each of our core areas when oil and natural gas prices are strong. When prices weaken and the per unit cost of acquisitions becomes more attractive, or a strategic opportunity exists, we also focus on acquisitions. We believe this balanced approach has resulted in our ability to grow in a strategically cost-effective manner.

Track record of developing under-exploited properties

We are focused on applying advanced technologies and recovery methods to areas with known hydrocarbon resources to optimize our exploration and exploitation of such properties, as illustrated in our core areas. For instance, we acquired our properties in the Lake Washington field, which originally was discovered in the 1930s, for $30.5 million in 2001. Since that time, we have increased our average daily net production in that field from less than 700 Boe to 10,002 Boe during the third quarter of 2009. We have also increased our estimated proved reserves in the Lake Washington field from 7.7 MMBoe to approximately 31.8 MMBoe as of December 31, 2008. We have acquired and successfully developed other fields since the Lake Washington acquisition, and we intend to continue acquiring significant acreage positions where we can grow production by applying advanced technologies and recovery methods using our experience and knowledge developed in our core areas.

Table of Contents

Financial flexibility and disciplined capital structure

We practice a disciplined approach to financial management and have historically maintained a disciplined capital structure to provide us with the ability to execute our business plan. As of December 31, 2008, our debt to capitalization ratio was approximately 49%, while our debt to estimated proved reserves ratio was $4.99 per Boe, and our debt to PV-10 ratio was 44%. We plan to maintain a capital structure that provides financial flexibility through the prudent use of capital, aligning our capital expenditures to our cash flows, and maintaining a strategic hedging program when appropriate.

Experienced technical team and technology utilization

We employ 65 oil and gas professionals, including geophysicists, petrophysicists, geologists, petroleum engineers, and production and reservoir engineers, who have an average of approximately 23 years of experience in their technical fields. In addition, we engage experienced and qualified consultants to perform various comprehensive seismic acquisitions, processing, reprocessing, interpretation, and other related services. We continually apply our extensive in-house experience and current technologies to benefit our drilling and production operations.

We increasingly use advanced technology to enhance the results of our drilling and production efforts, including two and three-dimensional seismic acquisitions, pre-stack time and depth image enhancement reprocessing, amplitude versus offset datasets, coherency cubes, and detailed field reservoir depletion planning. In 2004, we performed a 3-D seismic survey covering our Lake Washington field, and in 2006 we carried out a second 3-D survey in and around our Cote Blanche Island field. We now have seismic data covering over 4,000 square miles in South Louisiana that have been merged into two data sets, inclusive of data covering five fields we acquired in 2006. In late 2007, we began to extend this methodology to South Texas and licensed approximately 400 square miles of 3-D seismic data. In 2008, we purchased data from a 3-D seismic survey in the AWP field. As these data are processed, merged with other available seismic data, and integrated with geologic data, we develop proprietary geo-science databases that we use to guide our exploration and development programs.

We use various recovery techniques, including gas lift, water flooding, pressure maintenance, and acid treatments to enhance crude oil and natural gas production. We also fracture reservoir rock through the injection of high-pressure fluid, install gravel packs, and insert coiled-tubing velocity strings to enhance and maintain production. We believe that the application of fracturing and coiled-tubing technology has resulted in significant increases in production and decreases in completion and operating costs, particularly in our AWP field.

In South Louisiana we also employ measurement-while-drilling techniques extensively that allow us to guide the drill bit during the drilling process. This technology allows the well bore path to be steered parallel to the salt face and to intersect multiple targeted sands in a single well bore.

Recent equity offering

On August 4, 2009, we sold 6.21 million shares of our common stock at a price of $18.50 per share to the public, the largest equity issuance in Swift s 30 year history. We received $108.8 million of net proceeds which were used to pay down borrowings under our revolving credit facility.

Table of Contents

Recent developments

South Texas Olmos and Eagle Ford plays

We currently own and operate significant leasehold positions in two emerging resource plays in South Texas: Olmos tight gas sands and Eagle Ford Shale. Utilizing our nearly 20 years of history and extensive experience in the AWP field in South Texas, we drilled what we believe to be the first horizontal well in the low-permeability, tight-sand Olmos formation in the fourth quarter of 2008 by employing the multi-stage fracture technology being used in various domestic shale plays. The first two wells of our follow-on 2009 horizontal drilling and completion program targeting the Olmos formation have been drilled, completed, and are currently producing. We are currently drilling the third well in that program. During the fourth quarter of 2009, we intend to keep one rig actively drilling horizontally in the AWP field.

Additionally, in excess of 150 wells in the AWP field have been identified as candidates for additional fracture stimulation. Since the beginning of September 2009, 11 of these wells have been re-fractured. We plan to perform two re-fracture operations per week for the remainder of 2009 and into 2010. While the potential increased production rates from a single re-fracture will not be meaningful, we believe that these operations will help support our base production profile in the AWP field over the next several years.

In November 2009 we entered into a joint venture agreement with Petrohawk Energy Corporation to jointly develop and operate an approximate 26,000 acre prospect area located in our AWP field, covering leasehold interests beneath the Olmos formation (including the Eagle Ford Shale formation) and extending to the base of the Pearsall formation. Petrohawk will serve as operator during the drilling and completion phase of the joint development, and we will operate the wells once they have entered the production phase, subject to the terms of the agreement. The appraisal drilling program covered by the joint venture agreement will begin in the fourth quarter of 2009. We received approximately $26 million in cash consideration upon closing of the Petrohawk joint venture agreement, which requires that Petrohawk also fund approximately $13 million of capital expenditures on our behalf within the first twelve months of the joint venture. We will receive any portion of this amount not expended during the first twelve months as cash consideration.

Burr Ferry joint venture

In the Central Louisiana/East Texas core area, we recently entered into a joint venture agreement with Anadarko E&P Company, LP for development and exploitation in and around the Burr Ferry field in Vernon Parish, Louisiana. As the fee mineral owner, we leased a 50% working interest in approximately 33,623 gross acres to Anadarko. We retain a 50% working interest in the joint venture acreage as well as our fee mineral royalty rights.

Corporate information

We were incorporated in Texas in 1979. Our principal executive offices are located at 16825 Northchase Drive, Suite 400, Houston, Texas 77060, and our main telephone number is (281) 874-2700. Our internet address is www.swiftenergy.com. We have not incorporated by reference into this prospectus supplement or the accompanying prospectus the information included on, or linked from, our website, and you should not consider it to be part of this prospectus supplement or the accompanying prospectus.

The offering

Issuer

Swift Energy Company

Notes offered

$225 million aggregate principal amount of 87/8% senior notes.

Maturity

January 15, 2020

Interest

87/8% per annum, payable January 15 and July 15 of each year, commencing January 15, 2010.

Optional redemption

On or after January 15, 2015, we may redeem some or all of the notes at any time at the prices listed under the heading Description of the notes Optional redemption.

Before January 15, 2013, we may redeem up to 35% of the aggregate principal amount of the notes originally issued with the proceeds from certain equity offerings. In addition, we may redeem some or all of the notes prior to January 15, 2015 at a price equal to 100% of the principal amount plus the applicable premium set for under the heading Description of the notes Optional redemption.

Change of control

If a change of control of Swift occurs, we must offer to repurchase the notes at a purchase price of 101% of their face amount, plus accrued interest to the date we repurchase the notes.

Subsidiary guaranty

Initially, Swift Energy Operating, LLC, our principal domestic operating subsidiary, will guarantee the notes. In the future, if any of our other domestic subsidiaries incurs debt, issues preferred stock or guarantees any of our debt, that subsidiary may be required to guarantee the notes.

Ranking

The notes:

- are senior unsecured obligations;
- will rank equally in right of payment with all our existing and future senior indebtedness;
- will be effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, including indebtedness under our bank credit facility, and to all liabilities of our subsidiaries that are not subsidiary guarantors; and
- will rank senior to all of our existing and future subordinated indebtedness.

The guarantee of Swift Energy Operating, LLC will rank equally in right of payment with all of its existing and future senior indebtedness, including its indebtedness under our bank credit facility.

Covenants

We will issue the notes under an indenture containing covenants for your benefit. These covenants restrict our ability and the ability of our subsidiaries to:

incur additional debt or issue preferred stock;

create liens;

Table of Contents

- pay dividends or make other restricted payments;
- make investments;
- transfer or sell assets;
- enter into transactions with affiliates;
- incur dividend or other payment restrictions affecting subsidiaries; or
- consolidate, merge or transfer all or substantially all of our assets.

These covenants are subject to important exceptions and qualifications, which are described under the captions Description of the notes Certain covenants and Merger, consolidation and sale of substantially all assets.

The indenture allows termination of many of the covenants discussed above if in the future the notes are rated investment grade by both Moody s and S&P and no default has occurred and is continuing under the indenture. See Description of the notes Covenant termination.

Use of proceeds

We expect to receive net proceeds of approximately $216.4 million from this offering after deducting the underwriting discount and estimated offering expenses. We intend to use the net proceeds to redeem all of our $150.0 million 75/8% senior notes due 2011, to pay down borrowings under our revolving credit facility and to use the funds then made available under our revolving credit facility for general corporate purposes. General corporate purposes may include development and exploration expenditures, additions to working capital and the financing of acquisitions of oil and gas properties and related assets. The net proceeds may be invested temporarily until they are used for their stated purpose. Affiliates of certain of the underwriters are lenders under our revolving credit facility and therefore will receive proceeds from the offering to the extent that proceeds are used to repay borrowings under the revolving credit facility. Please read Use of proceeds in this prospectus supplement.

Risk factors

An investment in the notes involves risk. Please read Risk factors in this prospectus supplement, in our Annual Report on Form 10-K for the year ended December 31, 2008 and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009. Realization of any of those risks or adverse results from the listed matters could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Table of Contents

Summary consolidated financial data

The summary historical consolidated financial data set forth below as of and for each of the three years ended December 31, 2006, 2007 and 2008 have been derived from our audited consolidated financial statements. The summary consolidated financial data as of and for each of the nine months ended September 30, 2008 and 2009 has been derived from our unaudited consolidated financial statements. The summary consolidated financial data are qualified in their entirety by and should be read in conjunction with our consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2008, and our quarterly report on Form 10-Q for the quarter ended September 30, 2009, both of which are incorporated by reference into this prospectus supplement.

(in thousands, except ratios)	Year ended December 31, 2006	2007	2008	Nine months ended September 30, 2008	2009
Operating data					
Revenues:					
Oil and gas sales	$ 537,513	$ 652,856	$ 793,859	$ 677,270	$ 257,153
Price-risk management and other, net	13,323	1,265	26,956	(1,862)	(1,610)
	550,836	654,121	820,815	675,408	255,543
Costs and expenses:					
General and administrative, net	27,634	34,182	38,673	30,323	24,830
Depreciation, depletion, and amortization	139,245	188,393	222,288	161,991	125,310
Accretion of asset retirement obligation	884	1,437	1,958	1,432	2,151
Lease operating cost	49,948	70,893	104,874	79,975	57,139
Severance and other taxes	61,235	73,813	80,403	69,138	30,291
Interest expense, net	23,582	28,082	31,079	23,856	22,616
Debt retirement cost		12,765			
Write-down of oil and gas properties			754,298		79,312
	302,528	409,565	1,233,573	366,715	341,649
Income (loss) before income taxes	248,308	244,556	(412,758)	308,693	(86,106)
Provision (benefit) for income taxes	97,234	91,968	(155,628)	113,342	(32,451)
Income (loss) from continuing operations	151,074	152,588	(257,130)	195,351	(53,655)
	10,491	(131,301)	(3,360)	(3,148)	(215)

Income (loss) from discontinued operations, net of taxes					
Net income (loss)	$ 161,565	$ 21,287	$ (260,490)	$ 192,203	$ (53,870)
Continuing operations					
Fully diluted earnings per share	$ 5.00	$ 4.91	$ (8.39)	$ 6.18	$ (1.66)
Total diluted weighted average shares outstanding	29,847	30,422	30,661	30,936	32,310

	Year ended December 31,			Nine months ended September 30,	
(in thousands, except ratios)	**2006**	**2007**	**2008**	**2008**	**2009**
Other financial data					
EBITDA[1]	$ 412,019	$ 462,468	$ 596,865	$ 495,972	$ 143,283
Net cash provided by operating activities	424,921	467,902	588,066	505,140	145,810
Capital expenditures including acquisitions	448,226	650,594	674,797	519,758	164,504
Ratio of earnings to fixed charges[2]	8.21x	7.17x		11.02x	
Ratio of EBITDA to cash interest[1][3]	12.9x	12.3x	15.6x	17.8x	5.8x
Balance sheet data (at end of period)					
Working capital (deficit)	$ (61,688)	$ (10,211)	$ (75,413)	$ (100,584)	$ (21,509)
Total assets	1,585,682	1,969,051	1,517,288	2,200,810	1,396,445
Total debt	381,400	587,000	580,700	516,600	480,800
Stockholders equity	797,917	836,054	600,877	1,054,372	661,386

(1) EBITDA represents income before interest expense (net), income tax, depreciation, depletion, amortization and accretion of asset retirement obligation. We have reported EBITDA because we believe EBITDA is a measure commonly reported and widely used by investors as an indicator of a company s operating performance. We believe EBITDA assists such investors in comparing a company s performance on a consistent basis without regard to depreciation, depletion and amortization, which can vary significantly depending upon accounting methods or nonoperating factors such as historical cost. EBITDA is not a calculation based on generally accepted accounting principles (GAAP) and should not be considered an alternative to net income in measuring our performance or used as an exclusive measure of cash flow because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash which are disclosed in our Consolidated Statements of Cash Flows. Investors should carefully consider the specific items included in our computation of EBITDA. While EBITDA has been disclosed herein to permit a more complete comparative analysis of our operating performance relative to other companies, investors should be cautioned that EBITDA as reported by us may not be comparable in all instances to EBITDA as reported by other companies. EBITDA amounts may not be fully available for management s discretionary use, due to certain requirements to conserve funds for capital expenditures, debt service and other commitments.

EBITDA is not intended to represent net income as defined by GAAP and such information should not be considered as an alternative to net income, cash flow from operations or any other measure of performance prescribed by GAAP in the United States. The following table reconciles net income to EBITDA for the periods presented:

	Year ended December 31,	Nine months ended September 30,

(in thousands)	**2006**	**2007**	**2008**	**2008**	**2009**
Income (Loss) from continuing operations	$ 151,074	$ 152,588	$ (257,130)	$ 195,351	$ (53,655)
Depreciation, depletion and amortization	139,245	188,393			