SWIFT ENERGY CO
Form 424B2
June 09, 2004

This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(2)
Registration No. 333-112041

SUBJECT TO COMPLETION, DATED JUNE 9, 2004
PRELIMINARY PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED MAY 11, 2004

$150,000,000

% Senior Notes Due 2011

We will pay interest on the notes on each and . The first interest payment will be made on , . There is no sinking fund for the notes.

Prior to , 2007, we may redeem up to 35% of the notes using proceeds from public offerings of our equity. We may redeem all of the notes prior to , 2008 at a price equal to 100% of the principal amount plus the applicable premium set forth in this prospectus supplement. In addition, we may redeem some or all of the notes after , 2008 at the redemption prices listed on page S- .

Investing in the notes involves risks. See Risk Factors beginning on page S-11 of this prospectus supplement and on page 3 of the accompanying prospectus.

	Price to Public(1)	Underwriting Discounts and Commissions	Proceeds to Swift Energy Company(1)
Per Note	%	%	%
Total	$	$	$

(1) Plus accrued interest, if any, from , 2004.

Delivery of the notes, in book-entry form only, will be made on or about , 2004.

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

Credit Suisse First Boston

Goldman, Sachs & Co.

Jefferies & Company, Inc.

Banc One Capital Markets, Inc.

Deutsche Bank Securities

CIBC World Markets

BNP PARIBAS

The date of this prospectus supplement is , 2004

[Insider Front Cover]

PICTURE

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the notes. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the notes. In this prospectus supplement, Swift, we, us, and our refer to Swift Energy Company and its subsidiaries, unless otherwise indicated.

If the description of the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with additional or different information. If you receive any unauthorized information, you must not rely on it. We are offering to sell the notes only in states where sales are permitted. You should not assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.

We expect that delivery of the notes will be made against payment therefor on or about , 2004, which will be the tenth business day following the date of pricing of the notes (such settlement code being herein referred to as T+10). You should recognize that trading of the notes on the date of pricing and the next seven succeeding business days may be affected by the T+10 settlement. See Underwriting.

See the Glossary of Terms beginning on page S-99 for explanations of abbreviations and terms used in this prospectus supplement.

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INCORPORATION OF ADDITIONAL DOCUMENTS BY REFERENCE

In addition to the documents referred to under Where You Can Find More Information in the accompanying prospectus, this prospectus supplement incorporates by reference our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2004 filed by us with the Securities and Exchange Commission.

SUMMARY

This summary highlights selected information from this prospectus supplement and the accompanying prospectus, but may not contain all of the information that is important to you. This prospectus supplement and the accompanying prospectus include specifics of the offering of the notes and their terms and information about our business and financial data. Before making an investment decision, we encourage you to read this prospectus supplement and the accompanying prospectus, including the Risk Factors section in both, and the documents we incorporate by reference.

About Swift

We are engaged in developing, exploring, acquiring, and operating oil and gas properties, with a focus on oil and natural gas reserves onshore and in the inland waters of Louisiana and Texas and onshore New Zealand. We were founded in 1979 and are headquartered in Houston, Texas. At year-end 2003, we had estimated proved reserves of 820.4 Bcfe with a PV-10 Value of over $1.5 billion. As of December 31, 2003, we had interests in 998 wells and operated 870 of these wells representing 95% of our proved reserves. Based on our 2003 year-end proved reserves and 2003 production, we calculated our average reserve life as 15.4 years.

We currently focus primarily on development and exploration in four domestic core areas and two core areas in New Zealand. The following table sets forth information regarding our proved reserves and production in our core areas:

Area	Location	% of Year-End 2003 Proved Reserves	% of 2003 Production
AWP Olmos	South Texas	26%	16%
Brookeland	East Texas	5%	7%
Lake Washington	South Louisiana	32%	23%
Masters Creek	Central Louisiana	8%	11%
Rimu/ Kauri	New Zealand	15%	6%
TAWN	New Zealand	6%	30%
% of Total		92%	93%

We have a well-balanced portfolio of oil and gas properties and prospects. Our proved reserves at year-end 2003 were comprised of approximately 47% crude oil, 41% natural gas, and 12% NGLs, of which 59% were proved developed. Our proved reserves are concentrated 40% in Louisiana, 37% in Texas, and 21% in New Zealand. The AWP Olmos and Lake Washington areas and Rimu/ Kauri area in New Zealand are characterized by long-lived reserves that we expect to be steadily produced over a long period of time. The TAWN fields are a mix of both long-lived and shorter-lived reserves. The Masters Creek and Brookeland areas are characterized by shorter-lived reserves with high initial rates of production. We believe these shorter-lived reserves complement our long-lived reserves.

Competitive Strengths and Business Strategy

We believe that our competitive strengths, together with a balanced and comprehensive business strategy, provide us with the flexibility and capability to accomplish our goals. Our primary goals for the next five years are to increase our proved oil and natural gas reserves at an average rate of 5% to 10% per year and to increase our production at an average rate of 7% to 12% per year.

Demonstrated Ability to Grow Reserves and Production

We have grown our proved reserves from 436.1 Bcfe to 820.4 Bcfe over the five-year period ended December 31, 2003. Over the same period, our annual production has grown from 39.0 Bcfe to 53.2 Bcfe and our annual net cash provided by operations has increased from $54.2 million to $110.8 million. Our growth in reserves and production has resulted primarily from drilling activities in our six core areas combined with producing property acquisitions. We believe that we have the opportunities, experience, and knowledge to continue growing our reserves and production.

Balanced Approach to Growth

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. In general, we focus on drilling in our core property and emerging growth areas when oil and gas prices are strong. When prices weaken and the per unit cost of acquisitions becomes more attractive, we shift our focus toward acquisitions. We believe this balanced approach has resulted in our ability to grow in a strategically cost effective manner. Over the five-year period ended December 31, 2003, we replaced 266% of our production at an average cost of $1.25 per Mcfe. In 2004, we believe we are positioned to grow our proved reserves 5% to 8% and our production 11% to 17%.

Concentrated Focus on Core Areas with Operational Control

The concentration of our operations in six core areas allows us to realize economies of scale in drilling and production by enabling us to manage larger producing fields with less personnel while minimizing incremental costs of increased drilling and completions. Our average lease operating costs, excluding taxes, were $0.64, $0.60, and $0.56 per Mcfe in 2003, 2002, and 2001, respectively. The value of this concentration is enhanced by our operating 95% of our proved oil and natural gas reserve base as of December 31, 2003. Retaining operational control allows us to more effectively manage production, control operating costs, allocate capital, and time field development.

Develop Under-Exploited Properties

We are focused on applying modern technologies and recovery methods to areas with known hydrocarbon resources. For example, the Lake Washington field was discovered in the 1930s. We acquired our properties in this area for $30.5 million in 2001. Since that time, we have increased our average daily production from less than 700 BOE to over 9,300 BOE for the quarter ended March 31, 2004. We have also increased our proved reserves in the area from 7.7 million BOE, or 46.2 Bcfe, to approximately 43.5 million BOE, or 261.0 Bcfe, as of December 31, 2003. We intend to continue acquiring large acreage positions in under-explored and under-exploited areas, where we can apply modern technologies to grow production as we develop these fields.

Capitalize on the Near Term Depletion of New Zealand s Largest Gas Field

The Maui field in New Zealand currently supplies over 70% of the natural gas produced in New Zealand. The Maui field is expected to be depleted by 2007, which has caused significant upward pressure on prices for natural gas in the country. Our average natural gas price in New Zealand has increased 40% from the first quarter of 2003 to the first quarter of 2004. We expect the prices we receive for our natural gas in New Zealand to continue to increase in the foreseeable future. Our New Zealand activities provide us with long term growth opportunities and significant upside potential in a country with stable political and economic conditions, existing oil and gas infrastructure, and favorable tax and royalty regimes.

Maintain Financial Flexibility and a Conservative Capital Structure

We practice a disciplined approach to financial management and have historically maintained a strong capital structure to provide us with the ability to execute our business plan. As of March 31, 2004, our debt to capitalization was approximately 46% and our debt to proved reserves was $0.44 per Mcfe. We plan to maintain a conservative capital structure and financial flexibility through the prudent use of capital and an active hedging program. The combination of hedging with collars and floors and the sale of our New Zealand natural gas production under long term, fixed price contracts provides for a more stable cash flow.

The Offering

Issuer	Swift Energy Company
Securities Offered	$150.0 million aggregate principal amount of % senior notes due 2011.
Maturity Date	, 2011.
Interest Payment Dates	and of each year, commencing on .
Ranking	The notes: are senior unsecured obligations; will rank equally with all our existing and future senior unsecured 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.
Subsidiary Guaranty	If any of our domestic subsidiaries incurs debt, issues preferred stock, or guarantees any of our other debt, that subsidiary may be required to guarantee the notes. As of the date of this prospectus supplement, there are no subsidiary guarantors.
Optional Redemption	Prior to , 2007, we may redeem up to 35% of the principal amount of the notes originally issued with the proceeds from public offerings of our equity at a price equal to % of the principal amount, plus accrued interest to the redemption date, provided that at least 65% of the aggregate principal amount of the notes originally issued remains outstanding. Prior to , 2008, we may redeem all of the notes at a price equal to 100% of the principal amount, plus the applicable premium set forth in this prospectus supplement and accrued interest to the redemption date. On or after , 2008, we may redeem some or all of the notes at any time at the prices listed in this prospectus supplement, plus accrued interest to the redemption date.
Change of Control Offer	If we experience a change in control, we must offer to repurchase the notes at a purchase price of 101% of the principal amount, plus accrued interest to the date we repurchase the notes.
Certain 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; pay dividends or make other restricted payments;

- make investments;
- issue and sell capital stock of our restricted subsidiaries;
- 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 in Description of the Notes Certain Covenants.

The indenture allows suspension 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 or event of default has occurred and is continuing under the indenture. See Description of the Notes Covenant Suspension.

Use of Proceeds	We will receive net proceeds from this offering of approximately $146.0 million. We intend to use approximately $131.4 million of the net proceeds to repurchase our 10 1/4% senior subordinated notes due 2009 and the remainder to repay indebtedness under our bank credit facility and for general corporate purposes.

Risk Factors

Before making an investment decision, you should consider all of the information in this prospectus supplement and the accompanying prospectus, and should carefully evaluate the risks in the Risk Factors section beginning on page S-11 of this prospectus supplement and page 3 of the accompanying prospectus.

Summary Consolidated Financial Data

The summary consolidated financial data presented below as of and for each of the five years ended December 31, 2003 has been derived from our audited consolidated financial statements. The summary consolidated financial data as of and for each of the three months ended March 31, 2004 and 2003 has been derived from our unaudited consolidated financial statements. For a discussion of our significant financial results and conditions during 2003, 2002, and 2001 and during the three month periods ended March 31, 2004 and 2003, see Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement.

	Three Months Ended March 31,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
	(In thousands, except ratios)						
Income Statement Data:							
Revenues:							
Oil and gas sales	$ 65,954	$ 54,850	$211,033	$141,196	$181,185	$189,139	$108,899
Gain on asset disposition				7,333			
Price risk management and other, net	(598)	(1,350)	(2,132)	1,441	2,622	2,486	1,772
Total revenues	65,356	53,500	208,901	149,970	183,807	191,625	110,671
Costs and expenses:							
General and administrative, net of reimbursement	4,030	3,557	14,097	10,565	8,187	5,586	4,497
Depreciation, depletion, and amortization	18,296	14,912	63,072	56,224	59,502	47,771	42,349
Accretion of asset retirement obligation	170	215	857				
Lease operating costs	9,626	7,313	33,833	29,656	24,990	19,227	13,736
Severance and other taxes	6,247	4,594	19,034	11,841	11,730	9,993	5,910
Interest expense, net	6,901	6,685	27,269	23,275	12,627	15,968	14,443
Other expenses					2,102	984	
Write-down of oil and gas properties(1)					98,862		
Total costs and expenses	45,270	37,276	158,162	131,562	218,000	99,530	80,935
Income (loss) before income taxes and change in accounting principle	20,086	16,224	50,739	18,408	(34,193)	92,095	29,736
Provision (benefit) for income taxes	5,498	5,739	16,469	6,485	(12,238)	32,911	10,450
Income (loss) before change in accounting principle	14,588	10,485	34,271	11,923	(21,955)	59,184	19,286
Cumulative effect of change in accounting principle (net of taxes)(2)		4,377	4,377		393		
Net income (loss)	$ 14,588	$ 6,108	$ 29,894	$ 11,923	$ (22,348)	$ 59,184	$ 19,286
Other Financial Data:							
EBITDA(3)	$ 45,454	$ 38,036	$141,937	$ 90,575	$136,799	$155,835	$ 86,528
Net cash provided by operating activities	39,596	26,799	110,827	71,626	139,884	128,197	73,603

Capital expenditures	45,150	26,335	144,503	155,234	275,126	173,277	78,113
Ratio of earnings to fixed charges(4)	3.2x	2.7x	2.3x	1.4x		5.2x	2.4x
Ratio of EBITDA to cash interest(3)(5)	6.6x	5.7x	4.3x	3.5x	7.4x	7.5x	6.6x
Balance Sheet Data (at end of period):							
Working capital (deficit)	$ (15,370)	$ (5,247)	$ (35,099)	$ (17,116)	$ (36,492)	$ (22,452)	$ 16,535
Total assets	886,369	786,549	859,839	767,006	671,683	572,387	454,299
Long term debt:							
Bank borrowings	32,500	5,700	15,900		134,000	10,600	
6 1/4% convertible subordinated notes							115,000
10 1/4% senior subordinated notes	124,377	124,292	124,355	124,272	124,197	124,129	124,068
9 3/8% senior subordinated notes	200,000	200,000	200,000	200,000			
Stockholders equity	413,827	371,856	397,391	365,073	312,653	332,154	170,404

(1) Due primarily to a decline in prices for both oil and gas in the fourth quarter of 2001, a pre-tax domestic full cost ceiling write-down of oil and gas properties of $98.9 million, or $63.5 million after-tax, was necessary at December 31, 2001.

(2) We adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, effective January 1, 2001 resulting in a one-time net of taxes charge of $0.4 million in the first quarter of 2001, which is recorded as a cumulative effect of change in accounting principle. We adopted SFAS No. 143, Accounting for Asset Retirement Obligations, effective January 1, 2003. Our adoption of SFAS No. 143 resulted in a one-time net of taxes charge of $4.4 million in the first quarter of 2003, which is recorded as a cumulative effect of change in accounting principle.

(3) EBITDA represents income before interest expense, income tax, depreciation, depletion, and amortization, write-down of oil and gas properties, accretion of asset retirement obligation, and gain on asset disposition. 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 and ability to incur and service debt. 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 GAAP and should not be considered an alternative to net income in measuring our performance or used as an exclusive measure of cash flow. 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 and debt servicing ability 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. The definition of EBITDA stated herein differs from the definition of EBITDA applicable to the covenants for the notes, in that the notes definition makes certain exclusions to net income, some of which would reduce EBITDA. See Description of the Notes Certain Definitions Consolidated Net Income and EBITDA.

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:

	Three Months Ended March 31,		**Year Ended December 31,**				
	2004	**2003**	**2003**	**2002**	**2001**	**2000**	**1999**
				(In thousands)			
Net income (loss)	$14,588	$ 6,108	$ 29,894	$11,923	$ (22,348)	$ 59,184	$19,286
Provision (benefit) for income taxes	5,498	5,739	16,469	6,485	(12,238)	32,911	10,450
Cumulative effect of change in accounting principle (net of taxes)		4,377	4,377		393		
Interest expense, net	6,901	6,685	27,269	23,275	12,627	15,968	14,443
Depreciation, depletion, and amortization, and accretion of asset retirement obligation	18,466	15,127	63,929	56,224	59,502	47,771	42,349
Gain on asset disposition				(7,333)			
Write-down of oil and gas properties					98,862		
EBITDA	$45,454	$38,036	$141,937	$90,575	$136,799	$155,835	$86,528

(4) For purposes of calculating the ratio of earnings to fixed charges, fixed charges include interest expense, capitalized interest, amortization of debt issuance costs and that portion of non-capitalized rental expense deemed to be the equivalent of interest. Earnings represents income before income taxes from continuing operations before fixed charges. Due to the $98.9 million charge incurred in 2001 resulting from a write-down in the carrying value of natural gas and oil properties, 2001 earnings were insufficient by $40.2 million to cover fixed charges in 2001. If this non-cash charge was excluded, the ratio of earnings to fixed charges would have been 4.1x for 2001.

(5) Cash interest is the total amount of interest paid on our obligations, including capitalized amounts.

Summary Reserves and Production Data

The following tables set forth certain summary information with respect to estimates of our proved oil and natural gas reserves, and additional production and operating data as of and for the periods presented. Our proved reserve estimates were audited by H.J. Gruy and Associates, Inc., independent petroleum consultants. Gruy s audit included examination, on a test basis, of the evidence supporting our reserves and was based upon review of production histories and other geological, economic, and engineering data provided by us. See Business and Properties Oil and Natural Gas Reserves and Risk Factors.

	As of and for the Year Ended December 31,				
	2003	2002	2001	2000	1999
Estimated proved oil and natural gas reserves:					
Natural gas reserves (MMcf):					
Proved developed	210,120	233,515	181,652	215,170	174,046
Proved undeveloped	125,685	93,217	143,260	203,444	155,914
Total	335,805	326,732	324,912	418,614	329,960
Oil reserves (MBbls):					
Proved developed	45,525	35,928	23,760	10,980	8,437
Proved undeveloped	35,235	34,511	29,723	24,154	12,369
Total	80,760	70,439	53,483	35,134	20,806
Total proved oil and natural gas reserves (MMcfe)	820,364	749,365	645,808	629,416	454,797
Estimated present value of proved reserves (in thousands):					
Proved developed	$ 940,883	$ 679,356	$344,479	$1,257,571	$301,200
Proved undeveloped	597,912	481,833	258,507	1,055,684	262,855
PV-10 Value	$1,538,795	$1,161,189	$602,986	$2,313,255	$564,055
Standardized measure of discounted estimated future net cash flows after income taxes	$1,134,857	$ 836,870	$454,558	$1,577,958	$438,944
Prices used in calculating end of year proved reserves(1)**:**					
Oil (per Bbl)	$ 30.16	$ 29.27	$ 18.45	$ 24.62	$ 23.69
Natural gas (per Mcf)	$ 4.56	$ 3.49	$ 2.51	$ 9.86	$ 2.58
Other reserves data:					
Three-year reserve replacement cost (per Mcfe)(2)	$ 1.51	$ 1.27	$ 1.42	$ 1.07	$ 1.17
Three-year reserve replacement rate(3)	229%	316%	263%	319%	287%
Natural gas as percent of total proved reserve quantities	41%	44%	50%	67%	73%
Proved developed reserves as percent of total proved reserves	59%	60%	50%	45%	49%

	Three Months Ended March 31,	Year Ended December 31,

	2004	2003	2003	2002	2001	2000	1999
Net sales volume:							
Oil (MBbls)	1,402	863	4,193	3,770	3,055	2,472	2,565
Natural gas (MMcf)(4)	5,873	7,684	28,003	27,132	26,459	27,525	27,485
Total production (MMcfe)(4)(5)	14,286	12,862	53,158	49,752	44,791	42,357	42,874
Weighted average sales prices:							
Oil (per Bbl)	$ 31.80	$ 30.55	$ 27.47	$ 20.88	$ 22.64	$ 29.35	$ 16.75
Natural gas (per Mcf)	$ 3.64	$ 3.71	$ 3.42	$ 2.30	$ 4.23	$ 4.24	$ 2.40
Selected data (per Mcfe):							
Lease operating costs	$ 0.67	$ 0.57	$ 0.64	$ 0.60	$ 0.56	$ 0.45	$ 0.32
Severance and other taxes	$ 0.44	$ 0.36	$ 0.36	$ 0.24	$ 0.26	$ 0.24	$ 0.14
Depreciation, depletion, and amortization	$ 1.28	$ 1.16	$ 1.19	$ 1.13	$ 1.33	$ 1.13	$ 0.99
General and administrative, net of reimbursement	$ 0.28	$ 0.28	$ 0.27	$ 0.21	$ 0.18	$ 0.13	$ 0.10

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(1) Represents the total weighted average year-end prices for all our reserves, both domestically and in New Zealand.

(2) Calculated for a three-year period ending with the year presented by dividing total acquisition, exploration and development costs, excluding future development costs, during such period by net proved reserves added during the period.

(3) Calculated for a three-year period ending with the year presented by dividing the increase in net proved reserves by the production quantities for such period.

(4) Natural gas production for the years ended 2000 and 1999 includes 405 MMcf and 728 MMcf, respectively, delivered under a volumetric production payment agreement pursuant to which we were obligated to deliver certain monthly quantities of gas to a third party through October 2000. Remaining obligated volumes associated with the volumetric production payment were not included in our estimate of net reserves for the relevant years.

(5) We combine NGLs with oil for reporting purposes. Prior to 2002, we combined NGLs with natural gas for reporting purposes. Production of NGLs for the three months ended March 31, 2004 and 2003 was 278 Mbls and 173 Mbls at an average price of $22.30 and $21.90 per barrel, respectively. Production of NGLs for 2003 and 2002 was 823 Mbls and 1,174 Mbls, at an average price of $17.60 and $12.82 per barrel, respectively.

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RISK FACTORS

An investment in our notes involves significant risks. You should carefully consider the following risk factors before you decide to purchase the notes. You should also carefully read and consider all of the information we have included, or incorporated by reference, in this prospectus supplement and the accompanying prospectus before you decide to purchase the notes.

Risks Relating to our Business

Oil and natural gas prices are volatile. A substantial decrease in oil and natural gas prices would adversely affect our financial results.

Our future financial condition, results of operations, and the value of our oil and natural gas properties depend primarily upon market prices for oil and natural gas. Oil and natural gas prices historically have been volatile and will likely continue to be volatile in the future. The recent record high oil and natural gas prices may not continue and could drop precipitously in a short period of time. The prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, worldwide economic conditions, weather conditions, import prices, political conditions in major oil producing regions, especially the Middle East, and actions taken by OPEC. A significant decrease in price levels for an extended period would negatively affect us in several ways:

- our cash flow would be reduced, decreasing funds available for capital expenditures employed to replace reserves or increase production;
- certain reserves would no longer be economic to produce, leading to both lower proved reserves and cash flow;
- our lenders could reduce the borrowing base under our bank credit facility because of lower oil and natural gas reserve values, reducing our liquidity and possibly requiring mandatory loan repayments; and
- access to other sources of capital, such as equity or long term debt markets, could be severely limited or unavailable in a low price environment.

Consequently, our revenues and profitability would suffer.

Our level of debt could reduce our financial flexibility, and we currently have the ability to incur substantially more debt, including secured debt.

As of March 31, 2004, after giving effect to this offering and the application of the net proceeds thereof, our total debt would have comprised approximately 47% of our total capitalization. Although our bank credit facility and indentures will limit our ability and the ability of our restricted subsidiaries to incur additional indebtedness, we will be permitted to incur significant additional indebtedness, including secured indebtedness, in the future if specified conditions are satisfied. All borrowings under our bank credit facility will be effectively senior to the notes offered hereby to the extent of the value of the collateral securing those borrowings. Our current level of indebtedness:

- will require us to dedicate a substantial portion of our cash flow to the payment of interest;
- will subject us to a higher financial risk in an economic downturn due to substantial debt service costs;
- may limit our ability to obtain financing or raise equity capital in the future; and
- may place us at a competitive disadvantage to the extent that we are more highly leveraged than some of our peers.

Higher levels of indebtedness would increase these risks.

Estimates of proved reserves are uncertain, and revenues from production may vary significantly from expectations.

The quantities and values of our proved reserves included in this prospectus supplement and in the documents that we have incorporated by reference are only estimates and subject to numerous uncertainties. Estimates by other engineers might differ materially. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation. These estimates depend on assumptions regarding quantities and production rates of recoverable oil and natural gas reserves, future prices for oil and natural gas, timing and amounts of development expenditures and operating expenses, all of which will vary from those assumed in our estimates. These variances may be significant.

Any significant variance from the assumptions used could result in the actual amounts of oil and natural gas ultimately recovered and future net cash flows being materially different from the estimates in our reserve reports. In addition, results of drilling, testing, production, and changes in prices after the date of the estimates of our reserves may result in substantial downward revisions. These estimates may not accurately predict the present value of net cash flows from our oil and natural gas reserves.

At December 31, 2003, approximately 41% of our estimated proved reserves were undeveloped. Recovery of undeveloped reserves generally requires significant capital expenditures and successful drilling operations. The reserve data assumes that we can and will make these expenditures and conduct these operations successfully, which may not occur.

If we cannot replace our reserves, our revenues and financial condition will suffer.

Unless we successfully replace our reserves, our production will decline, resulting in lower revenues and cash flow. When oil and natural gas prices decrease, our cash flow decreases, resulting in less available cash to drill and replace our reserves and an increased need to draw on our bank credit facility.

Drilling wells is speculative and capital intensive.

Developing and exploring properties for oil and natural gas requires significant capital expenditures and involves a high degree of financial risk. The budgeted costs of drilling, completing, and operating wells are often exceeded and can increase significantly when drilling costs rise. Drilling may be unsuccessful for many reasons, including title problems, weather, cost overruns, equipment shortages, and mechanical difficulties. Moreover, the successful drilling or completion of an oil or gas well does not ensure a profit on investment. Exploratory wells bear a much greater risk of loss than development wells. A variety of factors, both geological and market-related, can cause a well to become uneconomical or only marginally economical. In addition to their cost, unsuccessful wells can hurt our efforts to replace reserves.

We may incur substantial losses and be subject to substantial liability claims as a result of our oil and natural gas operations.

We are not insured against all risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition, or results of operations. Our oil and natural gas exploration and production activities are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of:

- environmental hazards, such as uncontrollable flows of oil, natural gas, brine, well fluids, toxic gas, or other pollution into the environment, including groundwater and shoreline contamination;
- abnormally pressured formations;
- mechanical difficulties, such as stuck oil field drilling and service tools and casing collapse;
- fires and explosions;

personal injuries and death; and

natural disasters.

Any of these risks could adversely affect our ability to conduct operations or result in substantial losses. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, it could adversely affect our financial condition.

We are exposed to the risk of fluctuations in foreign currencies, primarily the New Zealand dollar.

Fluctuations in rates between the New Zealand dollar and U.S. dollar may impact our financial results from our New Zealand subsidiaries since we have receivables, liabilities, and natural gas and NGL sales contracts denominated in New Zealand dollars. We do not hedge against the risks associated with fluctuations in exchange rates. Although we may use hedging techniques in the future, we may not be able to eliminate or reduce the effects of currency fluctuations. As a result, exchange rate fluctuations could have an adverse impact on our operating results.

We have incurred a write-down of the carrying values of our properties in the past and could incur additional write-downs in the future.

Under the full cost method of accounting, SEC accounting rules require that on a quarterly basis we review the carrying value of our oil and gas properties on a country by country basis for possible write-down or impairment. Under these rules, capitalized costs of proved reserves may not exceed a ceiling calculated at the present value of estimated future net revenues from those proved reserves, determined using a 10% per year discount and unescalated prices in effect as of the end of each fiscal quarter. Capital costs in excess of the ceiling must be permanently written down.

We recorded an after-tax, non-cash charge during the fourth quarter of 2001 of $63.5 million. This write-down resulted in a charge to earnings and a reduction of stockholders equity, but did not impact our cash flow from operating activities. If commodity prices decline or if we have downward reserve revisions, we could incur additional write-downs in the future.

Substantial acquisitions or other transactions could require significant external capital and could change our risk and property profile.

To finance acquisitions, we may need to substantially alter or increase our capitalization through the use of our bank credit facility, the issuance of debt or equity securities, the sale of production payments, or by other means. These changes in capitalization may significantly affect our risk profile. Additionally, significant acquisitions or other transactions can change the character of our operations and business. The character of the new properties may be substantially different in operating or geological characteristics or geographic location than our existing properties. Furthermore, we may not be able to obtain external funding for any such acquisitions or other transactions or to obtain external funding on terms acceptable to us.

Reserves on acquired properties may not meet our expectations, and we may be unable to identify liabilities associated with acquired properties or obtain protection from sellers against associated liabilities.

Property acquisition decisions are based on various assumptions and subjective judgments that are speculative. Although available geological and geophysical information can provide information about the potential of a property, it is impossible to predict accurately a property s production and profitability. In addition, we may have difficulty integrating future acquisitions into our operations, and they may not achieve our desired profitability objectives. Likewise, as is customary in the industry, we generally acquire oil and gas acreage without any warranty of title except through the transferor. In many instances, title

opinions are not obtained if, in our judgment, it would be uneconomical or impractical to do so. Losses may result from title defects or from defects in the assignment of leasehold rights. While our current operations are primarily in Louisiana, Texas, and New Zealand, we may pursue acquisitions of properties located in other geographic areas, which would decrease our geographical concentration, and could also be in areas in which we have no or limited experience.

In addition, our assessment of acquired properties may not reveal all existing or potential problems or liabilities, nor will it permit us to become familiar enough with the properties to assess fully their capabilities and deficiencies. In the course of our due diligence, we may not inspect every well, platform, or pipeline. Inspections may not reveal structural and environmental problems, such as pipeline corrosion or groundwater contamination. We may not be able to obtain contractual indemnities from the seller for liabilities that it created. We may be required to assume the risk of the physical condition of acquired properties in addition to the risk that the properties may not perform in accordance with our expectations.

Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities.

We describe some of our current prospects and our plans to explore those prospects in this prospectus supplement. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities, if at all, to recover drilling or completion costs or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present. We cannot assure you that the analogies we draw from available data from other wells, more fully explored prospects, or producing fields will be applicable to our drilling prospects.

Our use of oil and natural gas price hedging contracts involves credit risk and may limit future revenues from price increases and expose us to risk of financial loss.

We enter into hedging transactions for our oil and natural gas production to reduce exposure to fluctuations in the price of oil and natural gas, primarily to protect against declines in prices. Our hedges at year-end 2003 consisted of natural gas price floors with strike prices lower than the period end prices. Our hedging transactions have also consisted of financially settled crude oil and natural gas forward sales contracts with major financial institutions as well as crude oil price floors. We intend to continue to enter into these types of hedging transactions in the foreseeable future. Hedging transactions expose us to risk of financial loss in some circumstances, including if production is less than expected, the other party to the contract defaults on its obligations, or there is a change in the expected differential between the underlying price in the hedging agreement and actual prices received. Hedging transactions other than floors may limit the benefit we would have otherwise received from increases in the price for oil and natural gas. Additionally, hedging transactions other than floors may expose us to cash margin requirements.

We may have difficulty competing for oil and gas properties or supplies.

We operate in a highly competitive environment, competing with major integrated and independent energy companies for desirable oil and gas properties, as well as for the equipment, labor, and materials required to develop and operate such properties. Many of these competitors have financial and technological resources substantially greater than ours. The market for oil and gas properties is highly competitive and we may lack technological information or expertise available to other bidders. We may incur higher costs or be unable to acquire and develop desirable properties at costs we consider reasonable because of this competition.

Governmental laws and regulations are costly and stringent, especially those relating to environmental protection.

Our domestic exploration, production, and marketing operations are subject to complex and stringent federal, state, and local laws and regulations governing the discharge of substances into the environment or otherwise relating to environmental protection. These laws and regulations affect the costs, manner, and

feasibility of our operations and require us to make significant expenditures in our efforts to comply. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties, the imposition of investigatory and remedial obligations, and the issuance of injunctions that could limit or prohibit our operations. In addition, some of these laws and regulations may impose joint and several, strict liability for contamination resulting from spills, discharges, and releases of substances, including petroleum hydrocarbons and other wastes, without regard to fault or the legality of the original conduct. Under such laws and regulations, we could be required to remove or remediate previously disposed substances and property contamination, including wastes disposed or released by prior owners or operations. Changes in or additions to environmental laws and regulations occur frequently, and any changes or additions that result in more stringent and costly waste handling, storage, transport, disposal, or cleanup requirements could have a material adverse effect our operations and financial position.

Our operations outside of the United States could also be subject to similar foreign governmental controls and restrictions pertaining to protection of human health and the environment. These controls and restrictions may include the need to acquire permits, prohibitions on drilling in certain environmentally sensitive areas, performance of investigatory or remedial actions for any releases of petroleum hydrocarbons or other wastes caused by us or prior owners or operators, closure, and restoration of facility sites, and payment of penalties for violations of applicable laws and regulations.

Risks Relating to the Notes

The notes are not secured by our assets and are effectively subordinated to all of our secured indebtedness to the extent of the value of assets securing such indebtedness.

The notes will be our general unsecured obligations and will be effectively subordinated in right of payment to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness. If we become insolvent or are liquidated, our assets that serve as collateral under our secured indebtedness would be made available to satisfy our obligations under any secured debt before any payments are made on the notes. Our obligations under our bank credit facility are secured by substantially all of our domestic assets and a majority of the capital stock of our New Zealand operating subsidiaries. As of March 31, 2004, after giving effect to this offering and the application of the net proceeds thereof, we would have $17.9 million of indebtedness outstanding under our bank credit facility with the ability to borrow up to $231.3 million of additional indebtedness under the facility. See Description of Existing Indebtedness Bank Credit Facility, and Description of the Notes Certain Covenants Limitation on Indebtedness.

Your right to receive payments on these notes is effectively subordinated to the rights of existing and future creditors of any subsidiaries that are not guarantors on the notes.

Initially none of our subsidiaries are required to guarantee the notes offered by this prospectus supplement. In addition, we may be able to designate one or more subsidiaries in the future as unrestricted subsidiaries, which would not be required to guarantee the notes. As a result, holders of the notes will be effectively subordinated to the indebtedness and other liabilities of these subsidiaries, including trade creditors. Therefore, in the event of the insolvency or liquidation of a foreign or an unrestricted subsidiary, following payment by that subsidiary of its liabilities, such subsidiary may not have sufficient remaining assets to make payments to us as a shareholder or otherwise. In the event of a default by any such subsidiary under any credit arrangement or other indebtedness, its creditors could accelerate such debt, prior to such subsidiary distributing amounts to us that we could have used to make payments on the notes.

If we experience a change of control, we may be unable to repurchase the notes as required under the indenture.

In the event of a change of control, you will have the right to require us, subject to various conditions, to repurchase the notes. We may not have sufficient financial resources to pay the repurchase price for the notes, or may be prohibited from doing so under our bank credit facility or other debt agreements.

If a change of control occurs and we are prohibited from repurchasing the notes, our failure to do so would constitute a default under the indenture, which in turn is likely to be a default under our bank credit facility and our outstanding senior subordinated notes.

The notes have no existing market, and a market may not develop.

There is no existing market for the notes, and we are not applying to list the notes on any securities exchange. Therefore, no liquid market may exist for the notes at any time, which may depress the prices at which you will be able to sell your notes.

Fraudulent conveyance considerations could avoid guarantees for the notes.

Our domestic subsidiaries in the future may be required to guarantee our obligations under the notes if they incur indebtedness or issue preferred stock. The guarantees would be senior unsecured obligations of such subsidiaries. Under fraudulent conveyance laws, a court might subordinate or avoid any guarantees of the notes by our subsidiaries in favor of a subsidiary s other debts or liabilities. To the extent a subsidiary s guarantee of the notes is avoided as a result of fraudulent conveyance laws or held unenforceable for any other reason, you would receive no payments under that subsidiary s guarantee and would be creditors solely of us and any subsidiaries whose guarantees were not avoided.

USE OF PROCEEDS

We will receive net proceeds from this offering of approximately $146.0 million, after deducting estimated expenses and the underwriters discounts. We intend to use approximately $131.4 million of the net proceeds to repurchase our outstanding 10 1/4% senior subordinated notes due 2009, either through a tender offer or redemption or combination thereof. We intend to use the remainder to repay indebtedness under our bank credit facility and for general corporate purposes. Prior to the repurchase of our 10 1/4% senior subordinated notes due 2009, we intend to use a portion of the net proceeds to repay all outstanding indebtedness under our bank credit facility.

At May 31, 2004, the outstanding balance under our bank credit facility was approximately $31.9 million, excluding letters of credit, with an average interest rate of 2.45%, and we had approximately $217.3 million of borrowing capacity available. During the last year, funds were drawn on our bank credit facility to accelerate our drilling program and for general corporate purposes.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as of March 31, 2004 on a historical basis and as adjusted to give effect to this offering and the application of the estimated net proceeds as described above under Use of Proceeds. You should read this table in conjunction with Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations, Description of Existing Indebtedness, and the consolidated financial statements and the notes thereto appearing elsewhere in this prospectus supplement.

	As of March 31, 2004	
	Historical	**As Adjusted(1)**
	(In thousands)	
Cash and cash equivalents	$ 4,399	$ 4,399
Debt:		
Bank borrowings	32,500	17,906
10 1/4% senior subordinated notes due 2009	124,377	
9 3/8% senior subordinated notes due 2012	200,000	