

SWIFT ENERGY CO
Form 10-Q/A
November 17, 2014

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 June 30, 2014
Commission File Number 1-8754
SWIFT ENERGY COMPANY
(Exact Name of Registrant as Specified in Its Charter)
Texas
(State of Incorporation)

20-3940661
(I.R.S. Employer Identification No.)

16825 Northchase Drive, Suite 400
Houston, Texas 77060
(281) 874-2700
(Address and telephone number of principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 Smaller reporting company

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

43,846,281 Shares
(Outstanding at July 31, 2014)

Explanatory Note

We are filing this Amendment No. 1 on Form 10-Q/A (this “Form 10-Q/A”) to amend our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, originally filed with the Securities and Exchange Commission (the “SEC”) on August 1, 2014 (the “Original Filing”), to restate our unaudited condensed consolidated financial statements and related footnote disclosures for the three and six months ended June 30, 2014. This Form 10-Q/A also amends certain other Items in the Original Filing, as listed in “Items Amended in this Form 10-Q/A” below.

Restatement Background

On November 10, 2014, the Audit Committee of our Board of Directors (the “Audit Committee”), after discussion with management and Ernst & Young LLP (“EY”), our independent registered public accounting firm, determined that the following financial statements previously filed with the SEC should no longer be relied upon: (1) the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013; (2) the unaudited condensed consolidated financial statements included in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013, June 30, 2013, and September 30, 2013; and (3) the unaudited condensed consolidated financial statements included our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014.

In connection with the preparation of our financial statements for the quarter ended September 30, 2014, we determined that an error occurred in our model used for the ceiling test calculation we prepared at December 31, 2013, March 31, 2009 and December 31, 2008, to determine whether the net book value of the Company's oil and gas properties exceed the ceiling. Specifically, this error related to incorrectly including the deferred income tax effect of the Company's asset retirement obligations when computing the ceiling test limitation of its oil and natural gas properties under the full-cost method of accounting. The Company determined that the error caused a material overstatement of its full-cost ceiling test write-down of oil and gas properties in periods prior to 2014.

As a result of this error, we are restating our unaudited consolidated financial statements for the three and six months ended June 30, 2014 and 2013. As of June 30, 2014, the correction of this error principally increased the Company's net oil and gas property balances by approximately \$48 million, increased the net deferred tax liabilities by approximately \$18 million, and increased retained earnings by approximately \$30 million. The correction of the error also resulted in an increase in our depreciation, depletion and amortization expense for the three months ended June 30, 2014 and 2013 of approximately \$0.8 million and \$0.3 million, respectively, and decreased net income for the three months ended June 30, 2014 and 2013 by approximately \$0.5 million and \$0.2 million, respectively (net of a decrease to the income tax provision for the three months ended June 30, 2014 and 2013, of approximately \$0.3 million and \$0.1 million, respectively). Further, the correction of the error also resulted in an increase in our depreciation, depletion and amortization expense for the six months ended June 30, 2014 and 2013 of approximately \$1.4 million and \$0.7 million, respectively, and decreased net income for the six months ended June 30, 2014 and 2013 by approximately \$0.9 million and \$0.4 million, respectively (net of a decrease to the income tax provision for the six months ended June 30, 2014 and 2013, of approximately \$0.5 million and \$0.3 million, respectively). Please refer to Note 1A - “Restatement of Previously Issued Consolidated Financial Statements” of this Form 10-Q/A for more information regarding the impact of these adjustments.

Along with restating our financial statements to correct the error discussed above, we are making adjustments for certain previously identified immaterial accounting errors related to the periods covered by this form 10-Q/A. When these financial statements were originally issued, we assessed the impact of these errors and concluded that they were not material to our financial statements for the three and six months ended June 30, 2014 and 2013. However, in conjunction with our need to restate our financial statements as a result of the error noted above, we have determined that it would be appropriate within this form 10-Q/A to make adjustments for all such previously unrecorded adjustments. Please refer to Note 1A - “Restatement of Previously Issued Consolidated Financial Statements” of this

Form 10-Q/A for more information regarding the impact of these adjustments.

Because these revisions are treated as corrections of errors to our prior period financial results, the revisions are considered to be a “restatement” under U.S. generally accepted accounting principles. Accordingly, the revised financial information included in this Quarterly Report on Form 10-Q/A has been identified as “restated”.

Internal Control Consideration

Our management has determined that there was a deficiency in our internal control over financial reporting that constitutes a material weakness, as defined by SEC regulations, at June 30, 2014. For a discussion of management’s

consideration of our disclosure controls and procedures and the material weakness identified, see Part I, Item 4 included in this Form 10-Q/A.

Items Amended in this Form 10-Q/A

This Form 10-Q/A sets forth the Original Filing, in its entirety, as modified and superseded as necessary to reflect the restatement. The following items in the Original Filing have been amended as a result of, and to reflect, the restatement:

A. Part I, Item 1. Financial Statements

B. Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

C. Part I, Item 4. Controls and Procedures

D. Part II, Item 1A. Risk Factors

E. Part II, Item 6.
Exhibits

This report on Form 10-Q/A is presented as of the filing date of the Original Filing and does not reflect events occurring after that date, or modify or update the information contained therein in any way other than as required to correct the error and record the adjustments described above.

In accordance with applicable SEC rules, this Form 10-Q/A includes new certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as amended, from our Chief Executive Officer and Chief Financial Officer dated as of the filing date of this Form 10-Q/A.

SWIFT ENERGY COMPANY

FORM 10-Q/A

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

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Condensed Consolidated Balance Sheets (As Restated)

Swift Energy Company and Subsidiaries (in thousands, except share amounts)

	June 30, 2014 (As Restated) (Unaudited)	December 31, 2013 (As Restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 564	\$ 3,277
Accounts receivable	69,387	70,897
Deferred tax asset	9,795	10,715
Other current assets	21,032	7,600
Total Current Assets	100,778	92,489
Property and Equipment:		
Property and Equipment, including \$63,662 and \$71,452 of unproved property costs not being amortized, respectively	5,923,457	5,714,099
Less – Accumulated depreciation, depletion, and amortization	(3,261,672)	(3,125,282)
Property and Equipment, Net	2,661,785	2,588,817
Other Long-Term Assets	15,030	17,199
Total Assets	\$ 2,777,593	\$ 2,698,505
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 104,523	\$ 82,318
Accrued capital costs	49,870	61,164
Accrued interest	21,505	21,561
Undistributed oil and gas revenues	11,109	10,990
Total Current Liabilities	187,007	176,033
Long-Term Debt	1,178,301	1,142,368
Deferred Tax Liabilities	251,482	241,205
Asset Retirement Obligation	65,963	63,225
Other Long-Term Liabilities	9,695	10,324
Commitments and Contingencies	—	—
Stockholders' Equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized, none outstanding	—	—
Common stock, \$.01 par value, 150,000,000 shares authorized, 44,278,732 and 43,915,346 shares issued, and 43,845,333 and 43,401,920 443 shares outstanding, respectively		439
Additional paid-in capital	766,875	762,242
Treasury stock held, at cost, 433,399, and 513,426 shares, respectively	(9,686)	(12,575)
Retained earnings	327,513	315,244
Total Stockholders' Equity	1,085,145	1,065,350
Total Liabilities and Stockholders' Equity	\$ 2,777,593	\$ 2,698,505

See accompanying Notes to Condensed Consolidated Financial Statements.

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Condensed Consolidated Statements of Operations (Unaudited) (As Restated)

Swift Energy Company and Subsidiaries (in thousands, except per-share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(As Restated)	(As Restated)	(As Restated)	(As Restated)
Revenues:				
Oil and gas sales	\$ 158,487	\$ 142,503	\$ 307,544	\$ 289,034
Price-risk management and other, net	(2,493) 1,574	(7,370) 1,334
Total Revenues	155,994	144,077	300,174	290,368