

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED
September 30, 2000 OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM
TO

Commission file No. 1-7259

SOUTHWEST AIRLINES CO.

(Exact name of registrant as specified in its charter)

TEXAS

74-1563240

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

P.O. Box 36611, Dallas, Texas

75235-1611

(Address of principal executive offices)

(Zip Code)

(214) 792-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all
reports required to be filed by Section 13 or 15(d) of the Securities
Exchange Act of 1934 during the preceding 12 months (or for such
shorter period that the registrant was required to file such
reports), and (2) has been subject to such filing requirements for
the past 90 days. Yes X No .

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

Number of shares of Common Stock outstanding as of the close of
business on October 26, 2000:

501,851,494

SOUTHWEST AIRLINES CO.

FORM 10-Q

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Southwest Airlines Co.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

<TABLE>

<CAPTION>

	September 30, 2000	December 31, 1999
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 580,608	\$ 418,819
Accounts receivable	121,049	73,448
Inventories of parts and supplies	82,053	65,152
Deferred income taxes	21,831	20,929
Prepaid expenses and other current assets	54,331	52,657
Total current assets	859,872	631,005
Property and equipment:		
Flight equipment	6,465,137	5,768,506
Ground property and equipment	768,989	742,230
Deposits on flight equipment purchase contracts	401,795	338,229
	7,635,921	6,848,965
Less allowance for depreciation	2,067,430	1,840,799
	5,568,491	5,008,166
Other assets	19,294	12,942
	\$ 6,447,657	\$ 5,652,113

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$	213,065	\$	156,755
Accrued liabilities		543,088		538,896
Air traffic liability		478,566		256,942
Income taxes payable		40,526		-
Current maturities of long-term debt		108,655		7,873
Total current liabilities		1,383,900		960,466
Long-term debt less current maturities		762,612		871,717
Deferred income taxes		802,213		692,342
Deferred gains from sale and leaseback of aircraft		211,317		222,700
Other deferred liabilities		77,095		69,100
Stockholders' equity:				
Common stock		507,897		505,005
Capital in excess of par value		42,103		35,436
Retained earnings		2,781,941		2,385,854
Treasury stock, at cost		(121,421)		(90,507)
Total stockholders' equity		3,210,520		2,835,788
	\$	6,447,657	\$	5,652,113

See accompanying notes.

Southwest Airlines Co.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

		Three months ended Sept. 30,		Nine months ended Sept. 30,				
		2000	1999	2000	1999			
<S>	<C>		<C>	<C>	<C>			
OPERATING REVENUES:								
Passenger	\$	1,429,838	\$	1,189,470	\$	4,045,681	\$	3,401,111
Freight		27,925		25,273		82,959		75,552
Other		21,071		20,423		53,516		54,506
Total operating revenues		1,478,834		1,235,166		4,182,156		3,531,169
OPERATING EXPENSES:								
Salaries, wages, and benefits		436,776		375,524		1,240,512		1,088,109
Fuel and oil		194,531		142,624		589,210		331,274
Maintenance materials and repairs		99,442		100,037		283,318		274,673
Agency commissions		41,525		39,222		120,051		118,504
Aircraft rentals		49,609		49,835		147,979		149,539
Landing fees and other rentals		69,421		62,547		199,422		181,238
Depreciation		71,511		63,808		206,732		180,136
Other operating expenses		215,910		195,106		624,857		580,285
Total operating expenses		1,178,725		1,028,703		3,412,081		2,903,758
OPERATING INCOME		300,109		206,463		770,075		627,411
OTHER EXPENSES (INCOME):								
Interest expense		17,464		13,254		52,129		39,936
Capitalized interest		(7,030)		(8,337)		(20,936)		(24,430)
Interest income		(11,609)		(6,465)		(28,769)		(18,838)
Other (gains) losses, net		211		62		(260)		10,094
Total other expenses (income)		(964)		(1,486)		2,164		6,762
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE								
		301,073		207,949		767,911		620,649
PROVISION FOR INCOME TAXES		116,775		80,971		297,348		240,067
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE								
		184,298		126,978		470,563		380,582
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (net of income taxes of \$14.0 million)								
		-		-		22,131		-
NET INCOME	\$	184,298	\$	126,978	\$	448,432	\$	380,582
NET INCOME PER SHARE, BASIC BEFORE CUMULATIVE								

EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	\$.37	\$.25	\$.94	\$.76
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	-	.04	-
NET INCOME PER SHARE, BASIC	\$.37	\$.25	\$.90	\$.76
NET INCOME PER SHARE, DILUTED BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	\$.35	\$.24	\$.89	\$.71
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	-	.04	-
NET INCOME PER SHARE, DILUTED	\$.35	\$.24	\$.85	\$.71
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	499,099	504,214	497,855	502,978
Diluted	531,032	535,772	528,705	536,929

See accompanying notes.

</TABLE>

Southwest Airlines Co.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

<TABLE>

<CAPTION>

	Nine months ended Sept. 30,	
	2000	1999
<S>	<C>	<C>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,043,134	\$ 782,468
INVESTING ACTIVITIES:		
Net purchases of property and equipment	(799,507)	(902,441)
FINANCING ACTIVITIES:		
Payments of long-term debt and capital lease obligations	(8,618)	(11,278)
Payments of cash dividends	(10,978)	(10,842)
Proceeds from Employee stock plans	46,431	30,695
Repurchases of common stock	(108,673)	(425)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(81,838)	8,150
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	161,789	(111,823)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	418,819	378,511
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 580,608	\$ 266,688
CASH PAYMENTS FOR:		
Interest, net of amount capitalized	\$ 32,414	\$ 22,735
Income taxes	\$ 113,782	\$ 103,627

See accompanying notes.

</TABLE>

SOUTHWEST AIRLINES CO.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of presentation - The accompanying unaudited condensed consolidated financial statements of Southwest Airlines Co. (Company) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The condensed consolidated financial statements for the interim periods ended September 30, 2000 and 1999 include all adjustments (which include only normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods. Operating results for the three and nine month periods ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ended December 31,

2000. For further information, refer to the consolidated financial statements and footnotes thereto included in the Southwest Airlines Co. Annual Report on Form 10-K for the year ended December 31, 1999.

2. Dividends - During the three month periods ended September 30, 2000, June 30, 2000, and March 31, 2000, dividends of \$.0055 per share were declared on the 499.6 million, 497.7 million, and 497.1 million shares of common stock then outstanding, respectively. During the three month periods ended September 30, 1999 and June 30, 1999, dividends of \$.0055 per share were declared on the 504.1 million and 503.6 million shares of common stock then outstanding, respectively. During the three month period ended March 31, 1999, dividends of \$.005 per share were declared on the 501.9 million shares of common stock then outstanding.

3. Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation. Most notably, this includes the reclassification of \$14.7 million and \$46.9 million for the three months and nine months ended September 30, 1999, respectively, of "Other revenue" to "Passenger revenue" as a result of the change in accounting principle effective January 1, 2000. See Note 5 for further information.

4. Net income per share - The following table sets forth the computation of basic and diluted net income per share (in thousands except per share amounts):

<TABLE>

<CAPTION>

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
NUMERATOR:				
Net income before cumulative effect of change in accounting principle	\$ 184,298	\$ 126,978	\$ 470,563	\$ 380,582
Cumulative effect of change in accounting principle	-	-	22,131	-
Net income available to common stockholders	\$ 184,298	\$ 126,978	\$ 448,432	\$ 380,582
DENOMINATOR:				
Weighted-average shares outstanding, basic	499,099	504,214	497,855	502,978
Dilutive effect of Employee stock options	31,933	31,558	30,850	33,951
Adjusted weighted-average shares outstanding, diluted	531,032	535,772	528,705	536,929
NET INCOME PER SHARE:				
Basic, before cumulative effect of change in accounting principle	\$.37	\$.25	\$.94	\$.76
Cumulative effect of change in accounting principle	-	-	.04	-
Basic	\$.37	\$.25	\$.90	\$.76
Diluted, before cumulative effect of change in accounting principle	\$.35	\$.24	\$.89	\$.71
Cumulative effect of change in accounting principle	-	-	.04	-
Diluted	\$.35	\$.24	\$.85	\$.71

</TABLE>

5. Accounting Change - Effective January 1, 2000, the Company adopted Staff Accounting Bulletin 101 (SAB 101) issued by the Securities and Exchange Commission in December 1999. As a result of adopting SAB 101, the Company changed the way it recognizes revenue from the sale of flight segment credits to companies participating in its Rapid Rewards frequent flyer program. Prior to the issuance of SAB 101, the Company recorded revenue to "Other revenue" when flight segment credits were sold, consistent with most other major airlines. Beginning January 1, 2000, the Company recognizes "Passenger revenue" when free travel awards are earned and flown. Due to this change, the Company recorded a cumulative adjustment in first quarter 2000 of \$22.1 million (net of income taxes of \$14.0 million) or \$.04 per share, basic and diluted. The third quarter 2000 impact of

adopting SAB 101 was to reduce net income by \$1.8 million. Excluding the impact of the change, basic and diluted net income per share for third quarter 2000 would have been \$.37 and \$.35, respectively. The Company also reclassified for comparison purposes the revenue reported in prior periods related to the sale of flight segment credits from "Other revenue" to "Passenger revenue."

6. Recently issued accounting standards - In 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities. In 1999, the FASB issued SFAS 137, which delayed the effective date of SFAS 133 by one year. In June 2000, the FASB issued SFAS 138, which further amended SFAS 133. SFAS 133 is required to be adopted in years beginning after June 15, 2000. The Company expects to adopt SFAS 133 effective January 1, 2001. SFAS 133 will require the Company to record all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is designated as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will be either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recorded in other comprehensive income until the hedged item is recorded in earnings. The ineffective portion of a derivative's change in fair value will be immediately recorded in earnings.

The Company currently believes it will have all appropriate documentation in place as required by SFAS 133 and will be ready to complete the transition to SFAS 133 on January 1, 2001. The Company currently intends to account for its fuel hedge derivative instruments as cash flow hedges, as defined. Although the fair value of the Company's derivative instruments fluctuates daily, as of September 30, 2000, the Company has estimated the fair value of its off-balance sheet fuel hedge derivative instruments for periods subsequent to January 1, 2001 to be approximately \$140 million. Under SFAS 133, this amount would have to be recorded as an asset on the Company's balance sheet. The Company believes the majority of the offset to this balance sheet adjustment would be an increase to other comprehensive income, a component of stockholders equity. Any difference between these amounts would be recorded as a cumulative effect of accounting adjustment on the Company's statement of income. The cumulative effect adjustment would represent any ineffectiveness from the Company's hedge positions, including items such as changes in time value that can be excluded in tests of effectiveness. The Company believes, upon the adoption of SFAS 133, more volatility may be incurred in its financial statements than in the past.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Comparative Consolidated Operating Statistics

Relevant operating statistics for the three and nine months ended September 30, 2000 and 1999 are as follows:

<TABLE>

<CAPTION>

<S>	Three months ended			Nine months ended		
	2000	Sept. 30,	Change	2000	Sept. 30,	Change
<C>	<C>	1999 *	<C>	<C>	1999 *	<C>
Revenue passengers carried	16,500,662	14,932,022	10.5%	47,391,379	42,682,403	11.0%
Revenue passenger miles (RPMs) (000s)	10,968,076	9,611,325	14.1%	31,376,044	27,128,823	15.7%
Available seat miles (ASMs) (000s)	15,310,348	13,620,008	12.4%	44,209,075	38,960,801	13.5%
Load factor	71.6%	70.6%	1.0pts.	71.0%	69.6%	1.4pts.
Average length of passenger haul (miles)	665	644	3.3%	662	636	4.1%
Trips flown	229,710	216,761	6.0%	671,968	629,336	6.8%
Average passenger fare	\$86.65	\$79.66	8.8%	\$85.37	\$79.68	7.1%
Passenger revenue yield per RPM (cents)	13.04	12.38	5.3%	12.89	12.54	2.8%
Operating revenue yield per ASM (cents)	9.66	9.07	6.5%	9.46	9.06	4.4%
Operating expenses per ASM (cents)	7.70	7.55	2.0%	7.72	7.45	3.6%

Operating expenses per ASM, excluding fuel (cents)	6.43	6.51	(1.2)%	6.39	6.60	(3.2)%
Fuel costs per gallon, excluding fuel taxes (cents)	74.12	58.36	27.0%	77.93	47.72	63.3%
Number of Employees at period-end	28,321	27,164	4.3%	28,321	27,164	4.3%
Size of fleet at period-end	334	306	9.2%	334	306	9.2%

* Average passenger fare and passenger revenue yield per RPM have been restated for comparison purposes to reflect the reclassifications related to the change in accounting principle.

Operating expenses per ASM for the three and nine months ended September 30, 2000 and 1999 are as follows (in cents except percent change):

	Three months ended Sept. 30,			Nine months ended Sept. 30,		
	2000 <C>	1999 <C>	Percent Change <C>	2000 <C>	1999 <C>	Percent Change <C>
Salaries, wages, and benefits	2.40	2.38	.8	2.40	2.40	-
Employee profit-sharing and savings plans	.45	.38	18.4	.41	.40	2.5
Fuel and oil	1.27	1.05	21.0	1.33	.85	56.5
Maintenance materials and repairs	.65	.73	(11.0)	.64	.70	(8.6)
Agency commissions	.27	.29	(6.9)	.27	.30	(10.0)
Aircraft rentals	.32	.37	(13.5)	.33	.38	(13.2)
Landing fees and other rentals	.45	.46	(2.2)	.45	.47	(4.3)
Depreciation	.47	.47	-	.47	.46	2.2
Other operating expenses	1.42	1.42	-	1.42	1.49	(4.7)
Total	7.70	7.55	2.0	7.72	7.45	3.6

Material Changes in Results of Operations

Comparison of Three Months Ended September 30, 2000 to Three Months Ended September 30, 1999

Consolidated net income for the third quarter ended September 30, 2000 was \$184.3 million, an increase of 45.1 percent compared to 1999. Diluted net income per share was \$.35 compared to \$.24 in 1999. Operating income for third quarter 2000 was \$300.1 million, an increase of 45.4 percent compared to 1999.

Third quarter 2000 consolidated operating revenues increased 19.7 percent primarily due to a 20.2 percent increase in passenger revenues. The increase in passenger revenues primarily resulted from the Company's increased capacity, strong demand for commercial air travel, and excellent revenue management. The Company also benefited due to operational difficulties experienced by several airline competitors. Although the Company cannot precisely quantify this benefit, we believe the basic demand for our low fare service remained strong for third quarter 2000. The Company experienced a 10.5 percent increase in revenue passengers carried, a 14.1 percent increase in RPMs, and a 5.3 percent increase in passenger revenue yield per RPM (passenger yield). The increase in passenger yield is primarily due to an 8.8 percent increase in average passenger fare, partially offset by a 3.3 percent increase in average length of passenger haul.

The increase in RPMs exceeded the 12.4 percent increase in ASMs resulting in a load factor of 71.6 percent, or 1.0 points above third quarter 1999. The increase in ASMs resulted primarily from the net addition of 28 aircraft since third quarter 1999, which represents a 9.2 percent increase in the Company's fleet size. Thus far, load factors in October have exceeded those experienced in October 1999. Bookings for November and December are also good and we presently anticipate positive year over year unit revenue comparisons again in fourth quarter 2000. (The immediately preceding two sentences are forward-looking statements, which involve uncertainties that could result in actual results differing materially from expected results. Some significant factors include, but may not be limited to, competitive pressure such as fare sales and capacity changes by other carriers, general economic conditions, and variations in advance booking trends.)

Consolidated freight revenues increased 10.5 percent primarily due to an increase in capacity. Other revenues, which consist primarily of charter revenues, increased 3.2 percent. This increase was less than the Company's increase in capacity primarily due to the Company's decision to use more of its aircraft to satisfy the strong demand for scheduled service and, therefore, make fewer aircraft available for charters.

Operating expenses per ASM increased 2.0 percent to \$.0770, compared to \$.0755 for third quarter 1999, primarily due to an increase in average jet fuel prices. The average fuel cost per gallon was 27.0 percent higher than third quarter 1999's average cost per gallon. Excluding fuel expense, operating expenses per ASM decreased 1.2 percent. As detailed below, the Company has hedges in place for all of its anticipated fuel consumption in fourth quarter 2000 at prices well below market prices as of October 25, 2000. Including estimated hedging gains and taking into account current market prices, we are forecasting our fourth quarter 2000 average fuel cost to be in the \$.80 range per gallon, which would exceed fourth quarter 1999's average cost of \$.67 per gallon. Excluding fuel, the Company expects slightly lower unit costs in fourth quarter 2000 versus 1999. (The immediately preceding two sentences are forward-looking statements which involve uncertainties that could result in actual results differing materially from expected results. Such uncertainties include, but may not be limited to, the largely unpredictable levels of jet fuel prices and the Company's ability to control its non-fuel costs.)

Salaries, wages, and benefits per ASM increased slightly as an increase in average wage rates was partially offset by an increase in productivity in several of the Company's operational areas. Profitsharing and Employee savings plan expenses per ASM increased 18.4 percent, primarily due to the increase in Company earnings available for profitsharing.

Fuel and oil expense per ASM increased 21.0 percent due to a 27.0 percent increase in the average jet fuel cost per gallon compared to 1999. The average price paid for jet fuel in third quarter 2000 was \$.7412 per gallon compared to \$.5836 in 1999, including the effects of hedging activities. The Company's third quarter 2000 and 1999 average jet fuel prices are net of approximately \$43.1 million and \$2.5 million in gains from hedging activities, respectively. As of October 25, 2000, the Company had crude oil and/or heating oil hedge positions in place for 2000 and 2001 as follows:

<TABLE>

<CAPTION>

Period <S>	Type of hedge instrument <C>	Average underlying price of crude oil hedge (per barrel) <C>	Approximate percentage of expected jet fuel requirements hedged <C>
Fourth Quarter 2000	swaps	\$22.47	70%
	options/other	\$23.25	30%
	Total		100%
First Quarter 2001	swaps	\$22.27	56%
	options/other	\$25.00	24%
	Total		80%
Second Quarter 2001	swaps	\$21.73	60%
	options/other	\$24.44	20%
	Total		80%
Third Quarter 2001	swaps	\$21.64	50%
	options/other	\$22.15	30%
	Total		80%
Fourth Quarter 2001	swaps	\$21.85	51%
	options/other	\$20.00	29%
	Total		80%

</TABLE>

As of October 25, 2000, the unrealized gains from these hedging activities were \$64.6 million for fourth quarter 2000 and approximately \$133.4 million for all of 2001. The majority of the Company's crude oil hedge positions in the above table have been converted to heating oil hedges. Heating oil prices have historically correlated more closely with jet fuel prices than has the price of crude oil. Despite these hedge positions, the Company is expecting higher average net jet fuel cost per gallon for fourth quarter 2000 compared to fourth quarter 1999. The Company's fuel hedging strategy could result in the Company not fully benefiting from lower jet fuel prices should crude oil and/or heating oil prices decline below prices implicit in the hedge instruments. (The immediately preceding two sentences are forward-looking statements, which involve uncertainties that could result in actual results differing materially from expected results. Such uncertainties include, but may not be limited to, the largely unpredictable

levels of jet fuel prices.)

Maintenance materials and repairs per ASM decreased 11.0 percent primarily due to a decrease in engine maintenance related to its 737-200 aircraft fleet, as 1999 was an unusually high period for engine maintenance on these aircraft. The engines on these aircraft are not covered by the Company's "power-by-the-hour" maintenance contract with General Electric Engine Services, Inc.; therefore, repairs are expensed on a time and materials basis. These engine repairs represented approximately 59 percent of the total decrease, while a decrease in airframe inspections and repairs per ASM represented approximately 16 percent of the total decrease. The Company also expects maintenance materials and repairs expense per ASM to be lower in fourth quarter 2000 than the comparable 1999 period due to a decrease in scheduled engine maintenance on 737-200 aircraft, although not as much of a decrease as third quarter 2000. (The immediately preceding sentence is a forward-looking statement that involves uncertainties that could result in actual results differing materially from expected results. Such uncertainties include, but may not be limited to any unanticipated required aircraft airframe or engine repairs.)

Agency commissions per ASM decreased 6.9 percent, primarily due to an increase in direct sales. In third quarter 2000, approximately 30 percent of the Company's revenues were attributable to direct bookings through the Company's Internet site compared to approximately 20 percent in the same prior year period. The increase in Internet revenues contributed to the Company's percentage of commissionable revenues decreasing from 33.0 percent in 1999 to 29.0 percent in 2000.

Aircraft rentals per ASM decreased 13.5 percent due to a lower percentage of the aircraft fleet being leased.

Landing fees and other rentals per ASM decreased 2.2 percent primarily as a result of a decrease in landing fees per ASM of 6.5 percent, partially offset by a slight increase in other rentals. Although landing fees declined on a per ASM basis, they were basically flat on a per trip basis. The growth in ASMs exceeded the trip growth primarily due to an increase in the average distance per aircraft trip flown.

Other expenses (income) include interest expense, capitalized interest, interest income, and other gains and losses. Interest expense increased approximately 31.8 percent due primarily to the Company's issuance of \$256 million of long-term debt in fourth quarter 1999. Capitalized interest decreased 15.7 percent primarily as a result of lower 2000 progress payment balances for scheduled future aircraft deliveries compared to 1999 and lower interest rates. Interest income increased 79.6 percent primarily due to higher invested cash balances.

Comparison of Nine Months Ended September 30, 2000 to Nine Months Ended September 30, 1999

Consolidated net income before the cumulative effect of change in accounting principle for the nine months ended September 30, 2000 was \$470.6 million (\$.89 per share, diluted), an increase of 23.6 percent compared to 1999. The cumulative effect of change in accounting principle for 2000 was \$22.1 million, net of taxes of \$14.0 million (see Note 5 to the unaudited Condensed Consolidated Financial Statements). Net income, after the cumulative change in accounting principle, for 2000 was \$448.4 million. Diluted net income per share, after consideration of the accounting change, was \$.85 compared to \$.71 in 1999. Operating income was \$770.1 million, an increase of 22.7 percent compared to 1999.

Consolidated operating revenues increased 18.4 percent primarily due to a 19.0 percent increase in passenger revenues. The increase in passenger revenues primarily resulted from the Company's increased capacity, strong demand for commercial air travel, and excellent revenue management. The Company experienced an 11.0 percent increase in revenue passengers carried, a 15.7 percent increase in RPMs, and a 2.8 percent increase in passenger revenue yield per RPM (passenger yield). The increase in passenger yield is primarily due to a 7.1 percent increase in average passenger fare, partially offset by a 4.1 percent increase in average length of passenger haul.

The increase in RPMs exceeded a 13.5 percent increase in ASMs resulting in a load factor of 71.0 percent, or 1.4 points above the same prior year period. The increase in ASMs resulted primarily from the net addition of 28 aircraft since third quarter 1999, which represents a 9.2 percent increase in the Company's fleet

size.

Consolidated freight revenues increased 9.8 percent primarily due to an increase in capacity. Other revenues decreased 1.8 percent primarily due to a decrease in commercial charter revenue. The Company had less aircraft devoted to its charter business compared to 1999 due to the strong demand for scheduled passenger service.

Operating expenses per ASM increased 3.6 percent to \$.0772, compared to \$.0745 for 1999, primarily due to a significant increase in average jet fuel prices. The average fuel cost per gallon was 63.3 percent higher than the same 1999 period. Excluding fuel expense, operating expenses per ASM decreased 3.2 percent.

Salaries, wages, and benefits per ASM were flat, as increases in productivity were offset by increases in average wage rates and in Employee benefit costs, primarily health care and workers' compensation expenses. Profitsharing and Employee savings plan expenses per ASM increased primarily due to the increase in Company earnings available for profitsharing.

Fuel and oil expense per ASM increased 56.5 percent due to a 63.3 percent increase in the average jet fuel cost per gallon compared to 1999. The average price paid for jet fuel in 2000 was \$.7793 per gallon compared to \$.4772 in 1999, including the effects of hedging activities. The Company's 2000 and 1999 average jet fuel prices are net of approximately \$49.4 million and \$10.2 million in gains from hedging activities, respectively. See comparison of third quarter 2000 to third quarter 1999 for a schedule of the Company's fuel hedging positions for the remainder of 2000 and for 2001.

Maintenance materials and repairs per ASM decreased 8.6 percent primarily because of a decrease in engine maintenance related to the Company's 737-200 aircraft fleet as 1999 was an unusually high period for engine maintenance on these aircraft. The engines on these aircraft are not covered by the Company's "power-by-the-hour" maintenance contract with General Electric Engine Services, Inc.; therefore, repairs are expensed on a time and materials basis. These engine repairs represented approximately 63 percent of the total decrease, while a decrease in airframe inspections and repairs per ASM represented approximately 34 percent of the total decrease.

Agency commissions per ASM decreased 10.0 percent, primarily due to an increase in direct sales. More than 29 percent of the Company's 2000 revenues were attributable to direct bookings through the Company's Internet site compared to approximately 17 percent in the same prior year period. The increase in Internet revenues contributed to the Company's percentage of commissionable revenues decreasing from 34.8 percent in 1999 to 29.7 percent in 2000.

Aircraft rentals per ASM decreased 13.2 percent due to a lower percentage of the aircraft fleet being leased.

Landing fees and other rentals per ASM decreased 4.3 percent primarily as a result of a decrease in landing fees per ASM of 6.7 percent, partially offset by a slight increase in other rentals. Although landing fees declined on a per ASM basis, they were basically flat on a per trip basis. The growth in ASMs exceeded the trip growth primarily due to an increase in the average distance per aircraft trip flown.

Depreciation expense per ASM increased 2.2 percent primarily due to a higher percentage of owned aircraft. Of the 35 aircraft added to the Company's fleet over the past twelve months, 34 have been purchased. This, combined with the retirement of 7 leased aircraft, has increased the Company's percentage of aircraft owned or on capital lease from 67 percent at September 30, 1999 to 72 percent at September 30, 2000.

Other operating expenses per ASM decreased 4.7 percent primarily due to Company-wide cost reduction efforts in areas such as supplies, advertising, optional training, communication costs, etc.

Other expenses (income) include interest expense, capitalized interest, interest income, and other gains and losses. Interest expense increased 30.5 percent due primarily to the Company's issuance of \$256 million of long-term debt in fourth quarter 1999. Capitalized interest decreased 14.3 percent primarily as a result of lower 2000 progress payment balances for scheduled future aircraft deliveries compared to 1999 and lower interest rates. Interest income increased 52.7 percent primarily due to higher invested cash balances. Other losses in 1999 resulted primarily from a write-down associated with the consolidation of certain software development projects.

Liquidity and Capital Resources

Net cash provided by operating activities was \$1,043.1 million for the nine months ended September 30, 2000 and \$1,262.4 million for the 12 months then ended. Also, during fourth quarter 1999, additional funds of \$256 million were generated through the issuance of floating rate long-term debt from two separate financing transactions. Cash generated for the 12 months ended September 30, 2000 was primarily used to finance aircraft-related capital expenditures, provide working capital, and to repurchase approximately \$199.2 million of the Company's outstanding common stock. The Company began this repurchase program during third quarter 1999. Through September 30, 2000, the program resulted in the repurchase of approximately 12.2 million shares at an average cost of \$16.28 per share.

During the 12 months ended September 30, 2000, net capital expenditures were \$1,064.9 million, which primarily related to the purchase of 31 new 737-700 aircraft, one used 737-700 aircraft, two used 737-300 aircraft, and progress payments for future aircraft deliveries.

The Company's contractual commitments consist primarily of scheduled aircraft acquisitions. As of September 30, 2000, 10 737-700s are scheduled for delivery in the remainder of 2000, 21 in 2001, 31 in 2002, 13 in 2003, 29 in 2004, and 52 during the period 2005 to 2007. In addition, the Company has options to purchase up to 87 737-700s during 2003-2008 and purchase rights for up to 217 additional aircraft during 2007-2012. The Company has the option, which must be exercised two years prior to the contractual delivery date, to substitute 737-600s or 737-800s for the 737-700s scheduled subsequent to 2001. Aggregate funding needed for fixed commitments at September 30, 2000 was approximately \$4,488 million due as follows: \$266 million in 2000; \$749 million in 2001; \$912 million in 2002; \$472 million in 2003; \$641 million in 2004; and \$1,448 million thereafter.

The Company has various options available to meet its capital and operating commitments, including cash on hand at September 30, 2000 of \$580.6 million, internally generated funds, and a revolving credit line with a group of banks of up to \$475 million (none of which had been drawn at September 30, 2000). In addition, the Company will also consider various borrowing or leasing options to maximize earnings and supplement cash requirements.

The Company currently has outstanding shelf registrations for the issuance of \$318.8 million in public debt securities which it may utilize for aircraft financing and general corporate purposes during 2000 and 2001.

The Company began new service to Buffalo, New York, on October 8, 2000, with daily nonstop service to Baltimore/Washington, Las Vegas, Phoenix, and Orlando.

The Company recently announced new service to West Palm Beach, Florida, beginning January 21, 2001, with daily nonstop service to Baltimore/Washington, Nashville, Tampa Bay, and Orlando.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Item 7A. Quantitative and Qualitative Disclosures About Market Risk in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company received a notice of deficiency from the Internal Revenue Service (IRS) in which it proposed to defer deductions claimed by the Company on its federal income tax returns for the taxable years 1989 through 1991 for the costs of certain aircraft inspection and maintenance procedures. In defense of the notice of deficiency, the Company filed a petition in the United States Tax Court on October 30, 1997, seeking a determination that the IRS erred in disallowing the deductions claimed by the Company and that there is no deficiency in the Company's tax liability for the taxable years in issue. The notice of deficiency received by the

Company stemmed from an industry-wide challenge by the IRS of the long standing practice of currently expensing aircraft inspection and maintenance costs, and similar adjustments have been proposed by the IRS to the tax returns of numerous other members of the airline industry. In response to this challenge, the Air Transport Association of America, the airline industry's trade association, since late 1996 has been in discussions with the Treasury Department and the national office of the IRS regarding the issuance of published guidance confirming the industry's practice of expensing the subject inspection and maintenance costs. Approximately one month ago, counsel for the Company and the IRS jointly advised the Tax Court that the IRS expects to publish guidance favorable to the airline industry by early November 2000. Following the publication of the guidance, counsel for the Company and the IRS will attempt to resolve the controversy without the necessity of further litigation. Management believes that the final resolution of this controversy will not have a materially adverse effect upon the financial position and results of operations of the Company.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

- (10.1) Supplemental Agreements No. 11, 12, 13 and
14 to Purchase Agreement No. 1810, dated
January 19, 1994 between the Boeing Company
and Southwest
- (27) Financial Data Schedule

b) Reports on Form 8-K

None

SIGNATURES

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

SOUTHWEST AIRLINES CO.

November 2, 2000
Date

/s/ Gary C. Kelly
Gary C. Kelly
Vice President - Finance and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

Supplemental Agreement No. 11

to

Purchase Agreement No. 1810

between

The Boeing Company

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of January 24, 2000, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in Seattle, Washington, (Boeing) and SOUTHWEST AIRLINES CO., a Texas corporation with its principal offices in City of Dallas, State of Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1810 dated January 19, 1994, relating to Boeing Model 737-7H4 aircraft (the Agreement) and;

WHEREAS, the parties wish to update certain provisions of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. The Table of Contents of the Agreement is deleted in its entirety and a new Table of Contents is attached hereto and incorporated into the Agreement by this reference.

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

2. Letter Agreement No. 6-1162-RLL-932 entitled ***, is revised in the first paragraph to ***. Paragraph 2 entitled *** is revised to clarify ***. Such revised Letter Agreement No. 6-1162-RLL-932R1 is attached hereto and is incorporated into the Agreement by this reference.

3. All references in the Letter Agreements associated with Purchase Agreement No. 1810 shall be deemed to refer to the purchase by Buyer of one hundred forty-two (142) Model 737-7H4 Aircraft, sixty-two (62) Model 737-7H4 Option Aircraft and forty-six (46) Model 737-7H4 Rollover Option Aircraft, to the extent such reference is not specifically addressed herein.

The Agreement will be deemed to be supplemented to the extent herein provided and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first above written.

THE BOEING COMPANY

SOUTHWEST AIRLINES CO.

By: /s/ D. S. Foster

By: /s/ Laura Wright

Its: Attorney-In-Fact

Its: ___Treasurer___

P.A. No. 1810 SA-11-2

K/SWA

6-1162-RLL-932R1

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-RLL-932R1 to
Purchase Agreement No. 1810 - ***

This Letter Agreement amends Purchase Agreement No. 1810 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to Model 737-7H4 aircraft (the Aircraft) and to Letter Agreement No. 6-1162-RLL-933, as amended, entitled "Option Aircraft," relating to the sale by Boeing and purchase by Buyer of additional Model 737-7H4 aircraft (the Option Aircraft and the Rollover Option Aircraft) up to a total of two hundred fifty (250) Aircraft.

All terms used and not defined herein will have the same meaning as in the Agreement.

1. Planning Meeting.

Boeing will assist Buyer in the introduction of the Aircraft by providing to Buyer certain promotional support. Promptly after execution of the Agreement and before any funds are disbursed, Boeing Airline Promotion will meet with Buyer's designated representatives to discuss the extent, selection and scheduling of the promotional support to be provided.

2. ***

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

3. Additional Support.

Additional promotional support may be provided by Boeing subject to the parties reaching mutual agreement as to the type of services, timing and price.

Very truly yours,

THE BOEING COMPANY

By /s/ D. S. Foster

Its Attorney-in-Fact

ACCEPTED AND AGREED TO as of this

date: January 24, 2000

SOUTHWEST AIRLINES CO.

By /s/ Laura Wright

Its Treasurer

Southwest Airlines Co.
6-1162-RLL-932R1

P.A. No. 1810
K/SWA SA-11

TABLE OF CONTENTS

	Page Number	SA Number
ARTICLES		
1. Subject Matter of Sale	1-1	SA-9
2. Delivery, Title and Risk of Loss	2-1	SA-10
3. Price of Aircraft	3-1	SA-10
4. Taxes	4-1	
5. Payment	5-1	
6. Excusable Delay	6-1	
7. Changes to the Detail Specification	7-1	SA-1
8. Federal Aviation Requirements and Certificates and Export License	8-1	
9. Representatives, Inspection, Flights and Test Data	9-1	
10. Assignment, Resale or Lease	10-1	
11. Termination for Certain Events	11-1	
12. Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance	12-1	
13. Buyer Furnished Equipment and Spare Parts	13-1	
14. Contractual Notices and Requests	14-1	
15. Miscellaneous	15-1	

TABLE OF CONTENTS

	SA Number
EXHIBITS	
A Aircraft Configuration	SA-1
B Product Assurance Document	SA-1
C Customer Support Document	
D Price Adjustments Due to Economic Fluctuations - Aircraft	
E Buyer Furnished Equipment Provisions Document	
F Defined Terms Document	

LETTER AGREEMENTS

1810-1 Waiver of Aircraft Demonstration Flight

TABLE OF CONTENTS

SA
Number

RESTRICTED LETTER AGREEMENTS

6-1162-RLL-932R1	***	SA-11
6-1162-RLL-933R8	Option Aircraft	SA-9
6-1162-RLL-934R1	Disclosure of Confidential Information	SA-1
6-1162-RLL-935R1	***	SA-1
6-1162-RLL-936R4	Certain Contractual Matters	SA-4
6-1162-RLL-937	Alternate Advance Payment Schedule	
6-1162-RLL-938	***	
6-1162-RLL-939R1	Certification Flight Test Aircraft	SA-1
6-1162-RLL-940R1	Training Matters	SA-1
6-1162-RLL-941R1	Other Matters	SA-1
6-1162-RLL-942	Open Configuration Matters	
6-1162-RLL-943R1	Substitution Rights	SA-6
6-1162-RLL-944	Airframe Maintenance Material Cost Protection Program	
6-1162-RLL-945	Comparison of 737-7H4 and 737-3H4 Block Fuel Burn	
6-1162-RLL-1855R3	Additional Contractual Matters	SA-4
6-1162-RLL-1856	***	SA-1
6-1162-RLL-1857	Service Ready Validation Program Field Test	SA-1
6-1162-RLL-1858R1	Escalation Matters	SA-4

TABLE OF CONTENTS CON'T

SA
Number

RESTRICTED LETTER AGREEMENTS

6-1162-RLL-2036	Amortization of Costs for Customer Unique Changes	SA-1
6-1162-RLL-2037	Reconciliation of the Aircraft Basic Price	SA-1
6-1162-RLL-2073	Maintenance Training Matters	SA-1

P.A. NO. 1810

K/SWA SA-11

Supplemental Agreement No. 12

to

Purchase Agreement No. 1810

between

The Boeing Company

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of March 1, 2000, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in Seattle, Washington, (Boeing) and SOUTHWEST AIRLINES CO., a Texas corporation with its principal offices in City of Dallas, State of Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1810 dated January 19, 1994, relating to Boeing Model 737-7H4 aircraft (the Agreement) and;

WHEREAS, Buyer has agreed to accelerate one Block D Aircraft from September 2000 to August 2000 and to accelerate two Block L Aircraft from August 2000 to July 2000;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. The Table of Contents of the Agreement is deleted in its entirety and a new Table of Contents is attached hereto and incorporated into the Agreement by this reference.

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

2. Article 2, entitled "Delivery, Title and Risk of Loss," paragraph 2.1, entitled "Time of Delivery," is deleted in its entirety and replaced by a new paragraph 2.1 revised to add one (1) Block D Aircraft delivering in August 2000, to change the quantity of Block D Aircraft delivering in September 2000 from three (3) to two (2), to change the quantity of Block L Aircraft delivering in July 2000 from one (1) to three (3) and to delete the two (2) Block L Aircraft delivering in August 2000. Such new pages 2-1, 2-2 and 2-3 are attached hereto and incorporated into the Agreement by this reference.

3. Article 3, entitled "Price of Aircraft", paragraph 3.4 entitled "Advance Payment Base Price," subparagraph 3.4.1 entitled "Advance Payment Base Price" is revised by adding an Advance Payment Base Price for the Block D Aircraft delivering in August 2000. Such new pages 3-1, 3-2, 3-3 and 3-4 are attached hereto and incorporated into the Agreement by this reference.

4. All references in the Letter Agreements associated with Purchase Agreement No. 1810 shall be deemed to refer to the purchase by Buyer of one hundred forty-two (142) Model 737-7H4 Aircraft, sixty-two (62) Model 737-7H4 Option Aircraft and forty-six (46) Model 737-7H4 Rollover Option Aircraft, to the extent such reference is not specifically addressed herein.

5. Concurrent with execution of this Supplemental Agreement, Buyer will pay to Boeing ***. Such amount reflects the difference in advance payments due as a result of the acceleration of one (1) Block D Aircraft from

September 2000 to August 2000 and two (2) Block L Aircraft
from August 2000 to July 2000.

The Agreement will be deemed to be supplemented to the
extent herein provided and as so supplemented will continue
in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first above
written.

THE BOEING COMPANY

SOUTHWEST AIRLINES CO.

By: /s/ D. S. Foster

By: /s/ Laura Wright

Its: Attorney-In-Fact

Its: ____Treasurer ____

P.A. No. 1810 SA-12-2
K/SWA

PURCHASE AGREEMENT

between

THE BOEING COMPANY

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

Purchase Agreement Number 1810

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

TABLE OF CONTENTS

	Page Number	SA Number
ARTICLES		
1. Subject Matter of Sale	1-1	SA-9
2. Delivery, Title and Risk of Loss	2-1	SA-12
3. Price of Aircraft	3-1	SA-12
4. Taxes	4-1	
5. Payment	5-1	
6. Excusable Delay	6-1	
7. Changes to the Detail Specification	7-1	SA-1
8. Federal Aviation Requirements and Certificates and Export License	8-1	
9. Representatives, Inspection, Flights and Test Data	9-1	
10. Assignment, Resale or Lease	10-1	
11. Termination for Certain Events	11-1	
12. Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance	12-1	

13.	Buyer Furnished Equipment and Spare Parts	13-1
14.	Contractual Notices and Requests	14-1
15.	Miscellaneous	15-1

TABLE OF CONTENTS

	SA Number
EXHIBITS	
A Aircraft Configuration	SA-1
B Product Assurance Document	SA-1
C Customer Support Document	
D Price Adjustments Due to Economic Fluctuations - Aircraft	
E Buyer Furnished Equipment Provisions Document	
F Defined Terms Document	

LETTER AGREEMENTS

1810-1 Waiver of Aircraft Demonstration Flight

TABLE OF CONTENTS

	SA Number
RESTRICTED LETTER AGREEMENTS	
6-1162-RLL-932R1 ***	SA-11
6-1162-RLL-933R8 Option Aircraft	SA-9
6-1162-RLL-934R1 Disclosure of Confidential Information	SA-1
6-1162-RLL-935R1 ***	SA-1
6-1162-RLL-936R4 Certain Contractual Matters	SA-4
6-1162-RLL-937 Alternate Advance Payment Schedule	
6-1162-RLL-938 ***	
6-1162-RLL-939R1 Certification Flight Test Aircraft	SA-1
6-1162-RLL-940R1 Training Matters	SA-1
6-1162-RLL-941R1 Other Matters	SA-1
6-1162-RLL-942 Open Configuration Matters	
6-1162-RLL-943R1 Substitution Rights	SA-6
6-1162-RLL-944 Airframe Maintenance Material Cost Protection Program	
6-1162-RLL-945 Comparison of 737-7H4 and 737-3H4 Block Fuel Burn	
6-1162-RLL-1855R3 Additional Contractual Matters	SA-4
6-1162-RLL-1856 ***	SA-1
6-1162-RLL-1857 Service Ready Validation Program	SA-1

Field Test

6-1162-RLL-1858R1 Escalation Matters SA-4

TABLE OF CONTENTS CON'T

SA
Number

RESTRICTED LETTER AGREEMENTS

6-1162-RLL-2036	Amortization of Costs for Customer Unique Changes	SA-1
6-1162-RLL-2037	Reconciliation of the Aircraft Basic Price	SA-1
6-1162-RLL-2073	Maintenance Training Matters	SA-1

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, assembled and ready for flight and Buyer will accept delivery of the Aircraft, in accordance with the following schedule:

Month and Year of Delivery	Quantity of Aircraft
-------------------------------	----------------------

Block A Aircraft

October 1997	Two (2)
November 1997	Two (2)

Block B Aircraft

January 1998	Two (2)
February 1998	Three (3)
March 1998	Two (2)
April 1998	Two (2)
May 1998	Two (2)
June 1998	One (1)
July 1998	Two (2)
September 1998	Two (2)

Block C Aircraft

February 1999	Four (4)
May 1999	Four (4)
July 1999	Four (4)
August 1999	One (1)
September 1999	Three (3)

Block D Aircraft

November 1999	Two (2)
December 1999	One (1)
January 2000	One (1)
March 2000	Four (4)
July 2000	Four (4)
August 2000	One (1)
September 2000	Two (2)

Block E Aircraft

January 2001	Three (3)
March 2001	Three (3)
July 2001	Three (3)
September 2001	Three (3)

Block F Aircraft

October 1998	One (1)
November 1998	Two (2)
December 1998	Two (2)

Block G Aircraft

March 1999	Two (2)
------------	---------

Block H Aircraft

June 1999	Two (2)
-----------	---------

July 1999	One (1)
August 1999	One (1)
September 1999	Two (2)
October 1999	One (1)
March 2000	One (1)
April 2000	Two (2)
October 2000	Three (3)
April 2001	Three (3)
October 2001	Three (3)

Block I Aircraft

January 2002	Four (4)
March 2002	Four (4)
April 2002	Two (2)
July 2002	Four (4)
October 2002	Four (4)

Block J Aircraft

January 2003	Four (4)
March 2003	One (1)

Block K Aircraft

April 2004	Two (2)
July 2004	Three (3)

Block L Aircraft

October 1999	One (1)
November 1999	Two (2)
December 1999	One (1)
June 2000	Three (3)
July 2000	Three (3)
September 2000	One (1)
October 2000	One (1)
November 2000	Three (3)
December 2000	Two (2)
January 2001	One (1)
February 2001	One (1)
July 2001	One (1)
September 2001	One (1)
October 2001	One (1)
September 2002	Three (3)

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. If Boeing gives Buyer at least 7 days' notice of the delivery date of the Aircraft, and an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of the Aircraft and interest on payments due.

2.4 Place of Delivery. The Aircraft will be delivered at an airport facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Bill of Sale. Upon delivery of an Aircraft Boeing will deliver to Buyer a bill of sale conveying good title to such Aircraft, free of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title as Buyer may reasonably request.

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Special Features are the features incorporated in Exhibit A which have been selected by Buyer.

3.1.2 Base Aircraft Price is the Aircraft Basic Price excluding the price of Special Features.

3.1.3 Aircraft Basic Price is comprised of the Base Aircraft Price and the price of the Special Features.

3.1.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Aircraft and Special Features) as calculated pursuant to Exhibit D.

3.1.5 Aircraft Price is the total amount Buyer is to pay for the Aircraft at the time of delivery.

3.2 Aircraft Basic Price.

The Aircraft Basic Price, expressed in July 1992 dollars, is set forth below:

	Base Aircraft Price	Special Features	Aircraft Basic Price
Block A, B, C, D & E Aircraft	***	***	***
Block F & G Aircraft	***	***	***
Block H Aircraft	***	***	***
Block I Aircraft	***	***	***
Block J Aircraft	***	***	***
Block K Aircraft	***	***	***
Block L Aircraft	***	***	***

3.3 Aircraft Price. The Aircraft Price will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, which is *** for the Block A, B, C, D and E Aircraft, *** for the Block F and G Aircraft, *** for the Block H Aircraft, *** for the Block I Aircraft, *** for the Block J Aircraft, *** for the Block K Aircraft and *** for the Block L Aircraft; plus

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Aircraft); plus

3.3.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the following estimated delivery prices of the Aircraft (Advance Payment Base Price) have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth below:

Month and Year of Scheduled Delivery	Advance Payment Base Price per Aircraft
---	--

Block A Aircraft

October 1997	***
November 1997	***

Block B Aircraft

January 1998	***
February 1998	***
March 1998	***
April 1998	***
May 1998	***
June 1998	***
July 1998	***
September 1998	***

Block C Aircraft

February 1999	***
May 1999	***
July 1999	***
August 1999	***
September 1999	***

Block D Aircraft

November 1999	***
December 1999	***
January 2000	***
March 2000	***
July 2000	***
August 2000	***
September 2000	***

Block E Aircraft

January 2001	***
March 2001	***
July 2001	***
September 2001	***

Block F Aircraft

October 1998	***
November 1998	***
December 1998	***

Block G Aircraft

March 1999	***
------------	-----

Block H Aircraft

June 1999	***
July 1999	***
August 1999	***
September 1999	***
October 1999	***
March 2000	***
April 2000	***
October 2000	***
April 2001	***
October 2001	***

Block I Aircraft

January 2002	***
March 2002	***
April 2002	***
July 2002	***
October 2002	***

Block J Aircraft

January 2003	***
March 2003	***

Block K Aircraft

April 2004	***
July 2004	***

Block L Aircraft

October 1999	***
November 1999	***
December 1999	***
June 2000	***
July 2000	***
August 2000	***
September 2000	***
October 2000	***
November 2000	***
December 2000	***
January 2001	***
February 2001	***
July 2001	***
September 2001	***
October 2001	***
September 2002	***

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the effects of (i) any adjustments in the Aircraft Basic Price pursuant to this Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

P.A. No. 1810
K/SWA

Supplemental Agreement No. 13

to

Purchase Agreement No. 1810

between

The Boeing Company

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of June 22, 2000, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in Seattle, Washington, (Boeing) and SOUTHWEST AIRLINES CO., a Texas corporation with its principal offices in City of Dallas, State of Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1810 dated January 19, 1994, relating to Boeing Model 737-7H4 aircraft (the Agreement); and

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

WHEREAS, Buyer has agreed to purchase ninety-four (94) additional Model 737-7H4 Block "T" Aircraft, and has been granted options to purchase twenty-five (25) Model 737-7H4 Block "U" aircraft "Option Aircraft" and one hundred seventy one (171) Model 737-7H4 Block "V" aircraft "Rollover Option Aircraft". Such total of two hundred ninety (290) aircraft are referred herein as the "2000 Order Aircraft." Deliveries of the ninety-four (94) Model 737-7H4 Block "T" Aircraft are as follows:

February 2002	One (1)
May 2002	Two (2)
June 2002	Two (2)
July 2002	One (1)
August 2002	Two (2)
November 2002	Two (2)
February 2003	One (1)
May 2003	Two (2)
June 2003	Two (2)
August 2003	Three (3)
February 2004	Three (3)
March 2004	Three (3)
April 2004	One (1)
May 2004	Four (4)
June 2004	Three (3)
July 2004	Two (2)
August 2004	Two (2)
September 2004	Two (2)
October 2004	Two (2)
November 2004	Two (2)
February 2005	One (1)
May 2005	One (1)
June 2005	One (1)
August 2005	One (1)
September 2005	One (1)

February 2006	Three (3)
March 2006	One (1)
May 2006	Three (3)
June 2006	Four (4)
July 2006	One (1)
August 2006	Three (3)
September 2006	Three (3)
November 2006	Two (2)
December 2006	Two (2)
January 2007	Two (2)
February 2007	Three (3)
March 2007	Two (2)
April 2007	Two (2)
May 2007	Two (2)
June 2007	Two (2)
July 2007	Two (2)
August 2007	Two (2)
September 2007	Two (2)
October 2007	Two (2)
November 2007	Two (2)
December 2007	Two (2)

WHEREAS, Buyer has agreed to accelerate two Block D Aircraft from September 2000 to August 2000; and to accelerate three Block E Aircraft, two from January 2001 to December 2000 and one from March 2001 to February 2001; and to accelerate two Block H Aircraft from April 2001 to March 2001, and such total of seven (7) Aircraft are referred herein as the "Accelerated Aircraft".

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. The Table of Contents of the Agreement is deleted in its entirety and a new Table of Contents is attached hereto and incorporated into the Agreement by this reference.
2. Article 1, entitled "Subject Matter of Sale," is deleted in its entirety and replaced by a new Article 1. Such new page 1-1 is attached hereto and incorporated into the Agreement by this reference.
3. Article 2, entitled "Delivery, Title and Risk of Loss," is deleted in its entirety and replaced by a new Article 2. Such new pages 2-1, 2-2, 2-3 and 2-4 are attached hereto and incorporated into the Agreement by this reference.
4. Article 3, entitled "Price of Aircraft", is deleted in its entirety and replaced by a new Article 3. Such new pages 3-1, 3-2, 3-3, 3-4, 3-5 and 3-6 are attached hereto and incorporated into the Agreement by this reference.
5. Letter Agreement No. 6-1162-RLL-932R1 entitled *** is deleted in its entirety and replaced by a new Letter Agreement No. 6-1162-RLL-932R2 which is attached hereto and is incorporated into the Agreement by this reference.
6. Letter Agreement No. 6-1162-RLL-933R8 entitled "Option Aircraft," is deleted in its entirety and replaced by a new Letter Agreement No. 6-1162-RLL-933R9 which is attached hereto and is incorporated into the Agreement by this reference.
7. Letter Agreement No. 6-1162-RLL-934R1 entitled "Disclosure of Confidential Information," is deleted in its entirety and replaced by a new Letter Agreement No. 6-1162-RLL-934R2 which is attached hereto and is incorporated into the Agreement by this reference.
8. Letter Agreement No. 6-1162-RLL-941R1 entitled "Other Matters," is deleted in its entirety and replaced by a new Letter Agreement No. 6-1162-RLL-941R2 which is attached hereto and is incorporated into the Agreement by this reference.
9. Letter Agreement No. 6-1162-KJJ-054 entitled "Business Matters," is attached hereto and is hereby incorporated into the Agreement by this reference.
10. Letter Agreement No. 6-1162-KJJ-055 entitled ***, is attached hereto and is hereby incorporated into the Agreement by this reference.
11. Letter Agreement No. 6-1162-KJJ-056 entitled ***, is attached hereto and is hereby incorporated into the Agreement by this reference.

12. Letter Agreement No. 6-1162-KJJ-057 entitled ***, is attached hereto and is hereby incorporated into the Agreement by this reference.

13. Letter Agreement No. 6-1162-KJJ-058 entitled ***, is attached hereto and is hereby incorporated into the Agreement by this reference.

14. Exhibit D-1 entitled "Price Adjustments Due to Economic Fluctuations - Aircraft," is attached hereto and is hereby incorporated into the Agreement by this reference.

15. Exhibit A-1 entitled "Aircraft Configuration," is attached hereto and is hereby incorporated into the Agreement by this reference.

16. ***

The Agreement will be deemed to be supplemented to the extent herein provided and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first above written.

THE BOEING COMPANY

SOUTHWEST AIRLINES CO.

By: /s/ Alan Mulally

By: /s/ Herb Kelleher

Its: Attorney-In-Fact

Its: ____CEO _____

P.A. No. 1810 SA-13-5
K/SWA

PURCHASE AGREEMENT

between

THE BOEING COMPANY

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

Purchase Agreement Number 1810

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

TABLE OF CONTENTS

	Page Number	SA Number
ARTICLES		
1. Subject Matter of Sale	1-1	SA-13
2. Delivery, Title and Risk of Loss	2-1	SA-13
3. Price of Aircraft	3-1	SA-13
4. Taxes	4-1	
5. Payment	5-1	
6. Excusable Delay	6-1	
7. Changes to the Detail Specification	7-1	SA-1
8. Federal Aviation Requirements and Certificates and Export License	8-1	
9. Representatives, Inspection, Flights and Test Data	9-1	
10. Assignment, Resale or Lease	10-1	
11. Termination for Certain Events	11-1	
12. Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance	12-1	

13.	Buyer Furnished Equipment and Spare Parts	13-1
14.	Contractual Notices and Requests	14-1
15.	Miscellaneous	15-1

TABLE OF CONTENTS

	SA Number
EXHIBITS	
A Aircraft Configuration	SA-13
B Product Assurance Document	SA-1
C Customer Support Document	
D Price Adjustments Due to Economic Fluctuations - Aircraft	SA-13
E Buyer Furnished Equipment Provisions Document	
F Defined Terms Document	

LETTER AGREEMENTS

1810-1 Waiver of Aircraft Demonstration Flight	SA Number
--	--------------

RESTRICTED LETTER AGREEMENTS

6-1162-RLL-932R2	***	SA-13
6-1162-RLL-933R9	Option Aircraft	SA-13
6-1162-RLL-934R2	Disclosure of Confidential Information	SA-13
6-1162-RLL-935R1	***	SA-1
6-1162-RLL-936R4	Certain Contractual Matters	SA-4
6-1162-RLL-937	Alternate Advance Payment Schedule	
6-1162-RLL-938	***	
6-1162-RLL-939R1	Certification Flight Test Aircraft	SA-1
6-1162-RLL-940R1	Training Matters	SA-1

TABLE OF CONTENTS CON'T

		SA Number
RESTRICTED LETTER AGREEMENTS		
6-1162-RLL-941R2	Other Matters	SA-13
6-1162-RLL-942	Open Configuration Matters	
6-1162-RLL-943R1	Substitution Rights	SA-6
6-1162-RLL-944	Airframe Maintenance Material Cost Protection Program	
6-1162-RLL-945	Comparison of 737-7H4 and 737-3H4 Block Fuel Burn	
6-1162-RLL-1855R3	Additional Contractual Matters	SA-4
6-1162-RLL-1856	***	SA-1

6-1162-RLL-1857	Service Ready Validation Program Field Test	SA-1
6-1162-RLL-1858R1	Escalation Matters	SA-4
6-1162-RLL-2036	Amortization of Costs for Customer Unique Changes	SA-1
6-1162-RLL-2037	Reconciliation of the Aircraft Basic Price	SA-1
6-1162-RLL-2073	Maintenance Training Matters	SA-1
6-1162-KJJ-054	Business Matters	SA-13
6-1162-KJJ-055	***	SA-13
6-1162-KJJ-056	***	SA-13
6-1162-KJJ-057	***	SA-13
6-1162-KJJ-058	***	SA-13

PURCHASE AGREEMENT NO. 1810

Relating to

BOEING MODEL 737-7H4 AIRCRAFT

This Agreement is entered into as of January 19th 1994, by and between The Boeing Company, a Delaware corporation, with its principal office in Seattle, Washington (Boeing), and Southwest Airlines Co., a Texas corporation, with its principal office in the City of Dallas, State of Texas (Buyer).

Accordingly, Boeing and Buyer agree as follows:

ARTICLE 1. Subject Matter of Sale.

1.1 The Aircraft. Subject to the terms and conditions of this Agreement, Boeing will manufacture and deliver to Buyer and Buyer will purchase and accept delivery from Boeing of one hundred forty-two (142) Boeing Model 737-7H4 aircraft (the Aircraft) manufactured in accordance with Boeing Detail Specification D6-38808-1, dated October 30, 1996, as described in Exhibit A, and ninety-four (94) Boeing Model 737-7H4 (the Aircraft) manufactured in accordance with Boeing Detail Specification D6-38808-1, Revision A, dated February 24, 1998 as described in Exhibit A-1, as modified from time to time in accordance with this Agreement (Detail Specification).

1.2 Additional Goods and Services. In connection with the sale of the Aircraft, Boeing will also provide to Buyer certain other things under this Agreement, including data, documents, training and services, all as described in this Agreement.

1.3 Performance Guarantees. Any performance guarantees applicable to the Aircraft will be expressly included in this Agreement. Where performance guarantees are included in this Agreement other than within the Detail Specification, such guarantees will be treated as being incorporated in the Detail Specification by this reference.

1.4 Defined Terms. For ease of use, certain terms are treated as defined terms in this Agreement. Such terms are identified with a capital letter and set forth and/or defined in Exhibit F.

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, assembled and ready for flight and Buyer will accept delivery of the Aircraft, in accordance with the following schedule:

Month and Year

of Delivery Quantity of Aircraft

Block A Aircraft

October 1997	Two (2)
November 1997	Two (2)

Block B Aircraft

January 1998	Two (2)
February 1998	Three (3)
March 1998	Two (2)
April 1998	Two (2)
May 1998	Two (2)
June 1998	One (1)
July 1998	Two (2)
September 1998	Two (2)

Block C Aircraft

February 1999	Four (4)
May 1999	Four (4)
July 1999	Four (4)
August 1999	One (1)
September 1999	Three (3)

Block D Aircraft

November 1999	Two (2)
December 1999	One (1)
January 2000	One (1)
March 2000	Four (4)
July 2000	Four (4)
August 2000	Three (3)

Block E Aircraft

December 2000	Two (2)
January 2001	One (1)
February 2001	One (1)
March 2001	Two (2)
July 2001	Three (3)
September 2001	Three (3)

Block F Aircraft

October 1998	One (1)
November 1998	Two (2)
December 1998	Two (2)

Block G Aircraft

March 1999	Two (2)
------------	---------

Block H Aircraft

June 1999	Two (2)
July 1999	One (1)
August 1999	One (1)
September 1999	Two (2)
October 1999	One (1)
March 2000	One (1)
April 2000	Two (2)
October 2000	Three (3)
March 2001	Two (2)
April 2001	One (1)
October 2001	Three (3)

Block I Aircraft

January 2002	Four (4)
March 2002	Four (4)
April 2002	Two (2)
July 2002	Four (4)
October 2002	Four (4)

Block J Aircraft

January 2003	Four (4)
March 2003	One (1)

Block K Aircraft

April 2004	Two (2)
------------	---------

July 2004

Three (3)

Block L Aircraft

October 1999	One (1)
November 1999	Two (2)
December 1999	One (1)
June 2000	Three (3)
July 2000	Three (3)
September 2000	One (1)
October 2000	One (1)
November 2000	Three (3)
December 2000	Two (2)
January 2001	One (1)
February 2001	One (1)
July 2001	One (1)
September 2001	One (1)
October 2001	One (1)
September 2002	Three (3)

Block T Aircraft

February 2002	One (1)
May 2002	Two (2)
June 2002	Two (2)
July 2002	One (1)
August 2002	Two (2)
November 2002	Two (2)
February 2003	One (1)
May 2003	Two (2)
June 2003	Two (2)
August 2003	Three (3)
February 2004	Three (3)
March 2004	Three (3)
April 2004	One (1)
May 2004	Four (4)
June 2004	Three (3)
July 2004	Two (2)
August 2004	Two (2)
September 2004	Two (2)
October 2004	Two (2)
November 2004	Two (2)
February 2005	One (1)
May 2005	One (1)
June 2005	One (1)
August 2005	One (1)
September 2005	One (1)
February 2006	Three (3)
March 2006	One (1)
May 2006	Three (3)
June 2006	Four (4)
July 2006	One (1)
August 2006	Three (3)
September 2006	Three (3)
November 2006	Two (2)
December 2006	Two (2)
January 2007	Two (2)
February 2007	Three (3)
March 2007	Two (2)
April 2007	Two (2)
May 2007	Two (2)
June 2007	Two (2)
July 2007	Two (2)
August 2007	Two (2)
September 2007	Two (2)
October 2007	Two (2)
November 2007	Two (2)
December 2007	Two (2)

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. If Boeing gives Buyer at least 7 days' notice of the delivery date of the Aircraft, and an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of the Aircraft and interest on payments due.

2.4 Place of Delivery. The Aircraft will be

delivered at an airport facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Bill of Sale. Upon delivery of an Aircraft Boeing will deliver to Buyer a bill of sale conveying good title to such Aircraft, free of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title as Buyer may reasonably request.

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Special Features are the features incorporated in Exhibit A which have been selected by Buyer.

3.1.2 Base Aircraft Price is the Aircraft Basic Price excluding the price of Special Features.

3.1.3 Aircraft Basic Price is comprised of the Base Aircraft Price and the price of the Special Features.

3.1.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Aircraft and Special Features) as calculated pursuant to Exhibit D or Exhibit D-1 as applicable.

3.1.5 Aircraft Price is the total amount Buyer is to pay for the Aircraft at the time of delivery.

3.2 Aircraft Basic Price.

The Aircraft Basic Price for Block A through L Aircraft, is expressed in July 1992 dollars; the Aircraft Basic Price for Block T Aircraft, is expressed in July 1999 dollars; as set forth below:

	Base Aircraft Price	Special Features	Aircraft Basic Price
Block A, B, C, D & E Aircraft	***	***	***
Block F & G Aircraft	***	***	***
Block H Aircraft	***	***	***
Block I Aircraft	***	***	***
Block J Aircraft	***	***	***
Block K Aircraft	***	***	***
Block L Aircraft	***	***	***
Block T Aircraft	***	***	***

3.3 Aircraft Price. The Aircraft Price will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, which is *** for the Block A, B, C, D and E Aircraft, *** for the Block F and G Aircraft, *** for the Block H Aircraft, *** for the Block I Aircraft, *** for the Block J Aircraft, *** for the Block K Aircraft and *** for the Block L Aircraft; *** for the Block T Aircraft; plus

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Aircraft) for Aircraft Block A through L, and in Exhibit D-1 (Price Adjustments Due to Economic Fluctuations - Aircraft) for Aircraft Block T; plus

3.3.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the following estimated delivery prices of the Aircraft (Advance Payment Base Price) have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth below:

Month and Year of Scheduled Delivery	Advance Payment Base Price per Aircraft
---	--

Block A Aircraft

October 1997	***
November 1997	***

Block B Aircraft

January 1998	***
February 1998	***
March 1998	***
April 1998	***
May 1998	***
June 1998	***
July 1998	***
September 1998	***

Block C Aircraft

February 1999	***
May 1999	***
July 1999	***
August 1999	***
September 1999	***

Block D Aircraft

November 1999	***
December 1999	***
January 2000	***
March 2000	***
July 2000	***
August 2000	***

Block E Aircraft

December 2000	***
January 2001	***
February 2001	***
March 2001	***
July 2001	***
September 2001	***

Block F Aircraft

October 1998	***
November 1998	***
December 1998	***

Block G Aircraft

March 1999	***
------------	-----

Block H Aircraft

June 1999	***
July 1999	***
August 1999	***
September 1999	***
October 1999	***
March 2000	***
April 2000	***
October 2000	***
March 2001	***
April 2001	***
October 2001	***

Block I Aircraft

January 2002	***
March 2002	***
April 2002	***

July 2002	***
October 2002	***

Block J Aircraft

January 2003	***
March 2003	***

Block K Aircraft

April 2004	***
July 2004	***

Block L Aircraft

October 1999	***
November 1999	***
December 1999	***
June 2000	***
July 2000	***
September 2000	***
October 2000	***
November 2000	***
December 2000	***
January 2001	***
February 2001	***
July 2001	***
September 2001	***
October 2001	***
September 2002	***

Block T Aircraft

February 2002	***
May 2002	***
June 2002	***
July 2002	***
August 2002	***
November 2002	***
February 2003	***
May 2003	***
June 2003	***
August 2003	***
February 2004	***
March 2004	***
April 2004	***
May 2004	***
June 2004	***
July 2004	***
August 2004	***
September 2004	***
October 2004	***
November 2004	***
February 2005	***
May 2005	***
June 2005	***
August 2005	***
September 2005	***
February 2006	***
March 2006	***
May 2006	***
June 2006	***
July 2006	***
August 2006	***
September 2006	***
November 2006	***
December 2006	***
January 2007	***
February 2007	***
March 2007	***
April 2007	***
May 2007	***
June 2007	***
July 2007	***
August 2007	***
September 2007	***
October 2007	***
November 2007	***
December 2007	***

the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the effects of (i) any adjustments in the Aircraft Basic Price pursuant to this Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

P.A. No. 1810

K/SWA

SA-13

6-1162-RLL-932R2

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-RLL-932R2 to
Purchase Agreement No. 1810 - ***

This Letter Agreement amends Purchase Agreement No. 1810 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to Model 737-7H4 aircraft (the Aircraft) and to Letter Agreement No. 6-1162-RLL-933, as amended, entitled "Option Aircraft," relating to the sale by Boeing and purchase by Buyer of additional Model 737-7H4 aircraft (the Option Aircraft and the Rollover Option Aircraft) up to a total of five hundred forty (540) Aircraft.

All terms used and not defined herein will have the same meaning as in the Agreement.

1. Planning Meeting.

Boeing will assist Buyer in the introduction of the Aircraft by providing to Buyer ***. Promptly after execution of the Agreement ***, Boeing Airline Promotion will meet with Buyer's designated representatives to discuss the extent, selection and scheduling ***.

2. ***

3. Additional Support.

Additional promotional support may be provided by Boeing subject to the parties reaching mutual agreement as to the type of services, timing and price.

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

Very truly yours,

THE BOEING COMPANY

By /s/ Alan Mulally

Its Attorney-in-Fact
President
Commercial Airplanes Group

ACCEPTED AND AGREED TO as of this

date: June 22, 2000

SOUTHWEST AIRLINES CO.

By /s/ Herb Kelleher

Its CEO

Southwest Airlines Co.
6-1162-RLL-932R2
P.A. No. 1810
K/SWA

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-RLL-933R9 to
Purchase Agreement No. 1810 - Option Aircraft

This Letter Agreement amends Purchase Agreement
No. 1810 dated as of January 19, 1994 (the Agreement)
between The Boeing Company (Boeing) and Southwest
Airlines Co. (Buyer) relating to Model 737-7H4 aircraft
(Aircraft).

All terms used and not defined herein will have the
same meaning as in the Agreement.

In consideration of the purchase by Buyer of the
Aircraft, Boeing hereby agrees to manufacture and sell
to Buyer and Buyer shall have the option to purchase
(Option or Options) eighty-seven (87) additional
Model 737-7H4 aircraft as described in paragraph 1 of
Attachment A hereto (Option Aircraft) and two hundred
seventeen (217) Model 737-7H4 Rollover Option Aircraft
(Rollover Option Aircraft), subject to the terms and
conditions set forth below.

*** Pursuant to 17 CFR, 240.24b-2, confidential
information has been omitted and has been filed
separately with the Securities and Exchange
Commission pursuant to a Confidential Treatment
Application filed with the Commission.

1. Delivery of Option Aircraft.

The Option Aircraft will be delivered to Buyer
during or before the months set forth in the following
schedule:

Month and Year of Delivery	Number of Option Aircraft	Option Aircraft Block
March 2003	Three (3)	M
April 2003	Two (2)	M
July 2003	Four (4)	M
October 2003	Four (4)	M
January 2004	Four (4)	N
March 2004	One (1)	N
April 2004	One (1)	N
August 2004	Two (2)	N
September 2004	Three (3)	N
October 2004	Two (2)	N
Month and Year of Delivery	Number of Option Aircraft	Option Aircraft Block
January 2005	Four (4)	O
March 2005	Four (4)	O
April 2005	Two (2)	O
July 2005	Four (4)	O
October 2005	Four (4)	O
January 2006	Four (4)	P
March 2006	Four (4)	P
April 2006	Two (2)	P
July 2006	Four (4)	P
October 2006	Four (4)	P

January 2008	Two (2)	U
February 2008	Three(3)	U
March 2008	Two (2)	U
April 2008	Two (2)	U
May 2008	Two (2)	U
June 2008	Two (2)	U
July 2008	Two (2)	U
August 2008	Two (2)	U
September 2008	Two (2)	U
October 2008	Two (2)	U
November 2008	Two (2)	U
December 2008	Two (2)	U

2. Delivery of Rollover Option Aircraft.

2.1 The Rollover Option Aircraft will be delivered to Buyer during or before the years set forth in the following schedule:

Year of Delivery	Number of Option Aircraft	Option Aircraft Block
2007	Twenty (20)	Q
2008	Twenty (20)	R
2009	Six (6)	S
2009-2012	One hundred seventy one (171)	V

2.2 The two hundred seventeen (217) Rollover Option Aircraft may be converted into Option Aircraft or firm Aircraft, from time to time, in any of the following ways:

2.2.1 Buyer can exercise any Option for an Option Aircraft described in Article 1 above, and will be offered the right to convert one Rollover Option Aircraft into an Option Aircraft for each Option exercised.

2.2.2 If Buyer elects not to exercise an Option, Buyer may convert one Rollover Option Aircraft to an Option Aircraft; otherwise, one Rollover Option Aircraft will be deleted for each Option not exercised by Buyer.

2.2.3 Buyer may convert Rollover Option Aircraft directly to firm Aircraft. When Buyer converts one or more Rollover Option Aircraft to firm Aircraft, Buyer will be offered the right to convert one Rollover Option Aircraft into an Option Aircraft for each converted Rollover Option Aircraft.

2.3 Buyer may not convert Rollover Option Aircraft to Option Aircraft except in accordance with Article 2.2 above.

2.4 Base Price Adjustments for Rollover Option Aircraft which are converted to Option Aircraft or firm Aircraft shall be in accordance with Article 2.2.5 of Attachment A to this Letter Agreement.

2.5 The delivery month offered by Boeing to Buyer for any Option or firm Aircraft resulting from a conversion of a Rollover Option Aircraft will be at least 24 months from the corresponding Option exercise date or firm order.

2.6 Upon conversion of a Rollover Option Aircraft into an Option Aircraft, Buyer shall wire transfer the Deposit of *** to Boeing and Boeing and Buyer shall agree on a delivery position for that aircraft. Section 1 of this Letter Agreement will be amended accordingly. In the event Buyer thereafter exercises its right to purchase such Option Aircraft, application of the Deposit will be in accordance with Article 4.1 herein. If the conversion is a Rollover Option Aircraft to a firm Aircraft, Buyer shall wire transfer any advance payments due under the Agreement.

2.7 Buyer and Boeing will consult on a frequent basis to keep each other informed as to Buyer's fleet plans and Boeing's production plans in

order to accommodate to the greatest extent reasonably possible each party's needs in managing the delivery schedule for the Rollover Option Aircraft. Boeing acknowledges Buyer's need for delivery positions in the 2007-2012 time frame, as well as the possibility of a need for delivery positions in earlier years and will use its best reasonable efforts to meet Buyer's needs.

3. Price.

3.1 The advance payment base prices of the Option Aircraft set forth below and in paragraph 2.1 of Attachment A represent the estimated delivery prices of the Option Aircraft. The Option Aircraft pricing elements and associated pricing terms and conditions are given in Attachment A.

3.2 Price and escalation provisions for Model 737-7H4 aircraft delivering after 2004 are not currently available. The estimated Advance Payment Base Prices shown in paragraph 3.3 below and in paragraph 2.1 of Attachment A are based on currently available price and escalation provisions. As price and escalation provisions become available for Model 737-7H4 aircraft delivering after 2004, such price and escalation provisions will be appropriately applied to the applicable Option Aircraft.

For additional information relating to price and escalation provisions applicable to Option Aircraft delivering after 2004 refer to paragraphs 2.2 and 3.2 of Attachment A.

3.3 The Advance Payment Base Prices of the Option Aircraft indicated below do include an amount for special features in addition to those specifically described in Attachment A but do not include any amount for items of Buyer Furnished Equipment (BFE). An estimate for typical special features is *** per Aircraft (expressed in 1992 STE dollars) and for BFE is *** per Aircraft (expressed in delivery year dollars).

Month and Year of Delivery	Advance Payment Base Price per Option Aircraft
-------------------------------	---

* Block M Aircraft

March 2003	***
April 2003	***
July 2003	***
October 2003	***

Block N Aircraft

January 2004	***
March 2004	***
April 2004	***
August 2004	***
September 2004	***
October 2004	***

Block O Aircraft

January 2005	***
March 2005	***
April 2005	***
July 2005	***
October 2005	***

Block P Aircraft

January 2006	***
March 2006	***
April 2006	***
July 2006	***
October 2006	***

Block U Aircraft

January 2008	***
February 2008	***
March 2008	***
April 2008	***
May 2008	***

June 2008	***
July 2008	***
August 2008	***
September 2008	***
October 2008	***
November 2008	***
December 2008	***

3.4 The Option Aircraft purchase price will be the applicable basic price thereof at the time of Option Aircraft delivery adjusted in accordance with Boeing's Aircraft escalation provisions contained in the definitive agreement to purchase the Option Aircraft. The purchase price will include the price for Seller Purchased Equipment (SPE) if Buyer has elected to change Buyer Furnished Equipment (BFE) to SPE.

4. Option Aircraft Payment.

4.1 In consideration of the granting of the Options as set forth herein, on or before the date Boeing and Buyer enter into a definitive agreement to purchase the Aircraft, Buyer will pay a deposit to Boeing of *** for each Option Aircraft (Deposit). In the event Buyer exercises its Options herein, the amount of the Deposit will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in paragraph 3 of Attachment A. The Deposits for the Option Aircraft will be refunded to Buyer, without interest, if the parties do not enter into a definitive Agreement for the Aircraft.

In the event that, after the parties enter into a definitive agreement to purchase the Aircraft, Buyer does not exercise its Options to purchase the Option Aircraft pursuant to the terms and conditions set forth herein, Boeing will be entitled to retain the Deposits for the Option Aircraft except as provided in paragraph 6 herein.

4.2 Advance payments in the amount of 30% of the advance payment base price will be payable on the Option Aircraft in accordance with paragraph 3 of Attachment A. The remainder of the Option Aircraft purchase price is due at the time of delivery of the Option Aircraft.

5. Option Exercise.

5.1 To exercise its Option, Buyer will give written or telegraphic notice thereof to Boeing on or before *** months prior to the first day of the delivery month of each Option Aircraft.

In such notice Buyer will select the Option Model type, and the applicable delivery positions.

5.2 It is understood and agreed that Boeing may accelerate the Option exercise dates specified above if Boeing must make production decisions which are dependent on Buyer's decision to buy the Option Aircraft. If Boeing elects to accelerate the Option exercise dates, Boeing will do so by giving written or telegraphic notice thereof to Buyer. Such notice will specify the revised Option exercise dates, which will not be earlier than 30 days after the date of transmittal of such notice, and the Option Aircraft delivery positions affected by such revision. If Buyer fails to exercise its Option for any Option Aircraft affected by such revised dates, the Deposit applicable to such Option Aircraft will be promptly refunded, ***

6. Contract Terms.

It is understood that Boeing and Buyer will use their best efforts to enter into a definitive agreement for the Option Aircraft within thirty (30) days after Buyer exercises an Option to purchase Option Aircraft pursuant to paragraph 5 covering the detailed terms and conditions for the sale of such Option Aircraft.

Such definitive agreement will include the terms and

conditions contained herein together with the terms and conditions, not inconsistent herewith, contained in Boeing's then-current standard form of purchase agreement for the sale of Model 737-700 aircraft in effect as of the date of Option exercise and such additional terms and conditions as may be mutually agreed upon. In the event the parties have not entered into such an agreement within the time period contemplated herein, either party may, exercisable by written or telegraphic notice given to the other within thirty (30) days after such period, terminate the purchase of such Option Aircraft.

7. Termination of Option to Purchase.

Either Boeing or Buyer may terminate the Options to purchase an Option Aircraft if any of the following events are not accomplished by the respective dates contemplated in this letter agreement, or in the Agreement, as the case may be:

(i) termination of the purchase of the Aircraft under the Agreement for any reason;

(ii) payment by Buyer of the Deposit with respect to an Option Aircraft pursuant to paragraph 4.1 herein;

(iii) exercise of an Option to purchase an Option Aircraft pursuant to the terms hereof.

Any termination of an Option to purchase by Boeing which is based on the termination of the purchase of Aircraft under the Agreement will be on a one-for-one basis, for each Aircraft so terminated.

Any cancellation of an Option to purchase which is based on failure to make the required Deposit or to exercise the Option to purchase shall only apply to the Option Aircraft so canceled.

Termination of an Option to purchase provided by this letter agreement will be caused by either party giving written notice to the other within 10 days after the applicable date. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the Option to purchase has been terminate will thereupon terminate.

If termination is result of a revision of an Option exercise date by Boeing pursuant to paragraph 5.2, Boeing will promptly refund to Buyer, with interest, any payments received from Buyer, including the Deposit, with respect to the Option Aircraft for which the Option is terminated. If termination is for any other reason, Boeing will promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft, except the Deposit, which Buyer may apply to any model Boeing aircraft purchased by Buyer from Boeing at a future date.

8. Confidential Treatment. Buyer understands that certain commercial and financial information contained in this Letter Agreement including any attachments hereto is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the

information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity except as provided in Letter Agreement No. 6-1162-RLL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ Alan Mulally

Its Attorney-in-Fact
President

Commercial Airplanes Group

ACCEPTED AND AGREED TO as of this

date: June 22, 2000

SOUTHWEST AIRLINES CO.

By /s/ Herb Kelleher

Its CEO

Attachments

Model 737-7H4 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft is described by Boeing Detail Specification D6-38808-1, Dated October 30, 1996 and for Block "U" Option Aircraft by Boeing Detail Specification D6-38808-1, Rev. A, Dated February 24, 1998.

1.2 Changes. The Detail Specification will be revised to include:

(1) Changes applicable to the basic Model 737-700 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of a definitive agreement to purchase the Option Aircraft.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

(4) To provide sufficient Option Aircraft manufacturing and procurement lead time it is necessary for Boeing and Buyer to reach final agreement on the Option Aircraft configuration, including BFE/SPE vendor selection fifteen (15) months prior to delivery of each Option Aircraft. If such items are not resolved by the indicated dates, Boeing reserves the right to amend this letter agreement:

(i) to adjust the scheduled delivery of the Option Aircraft to a later time period and,

(ii) to make such other changes as are appropriate and consistent with the revised Option Aircraft deliveries.

1.3 Effect of Changes. Changes to the Detail Specification incorporated pursuant to the provisions of the clauses above will include the effects of such changes upon Option Aircraft weight, balance, design and performance. Performance guarantees for the Option Aircraft which are mutually acceptable to the parties will be included in the definitive agreement for the Option Aircraft.

2. Price Description

2.1 Price Elements Per Aircraft

	1	2	3	
AIRCRAFT	AIRCRAFT &			ADV. PMT.
DELIVERY	ESTIMATED SPECIAL		ESTIMATED	BASE PRICE
MO. & YR.	FEATURES PRICE	ESTIMATED	ESCALATION	(ELEMENTS)
	(JULY 1992\$)	ESCALATION	SHARING	1 + 2 + 3

BLOCK M

March 2003	***	***	***	***
April 2003	***	***	***	***
July 2003	***	***	***	***
October 2003	***	***	***	***

BLOCK N

January 2004	***	***	***	***
March 2004	***	***	***	***
April 2004	***	***	***	***
August 2004	***	***	***	***
September 2004	***	***	***	***
October 2004	***	***	***	***

BLOCK O

January 2005	***	***	***	***
March 2005	***	***	***	***
April 2005	***	***	***	***
July 2005	***	***	***	***
October 2005	***	***	***	***

BLOCK P

January 2006	***	***	***	***
March 2006	***	***	***	***
April 2006	***	***	***	***
July 2006	***	***	***	***
October 2006	***	***	***	***

BLOCK U

January 2008	***	***	***	***
February 2008	***	***	***	***
March 2008	***	***	***	***
April 2008	***	***	***	***
May 2008	***	***	***	***
June 2008	***	***	***	***
July 2008	***	***	***	***
August 2008	***	***	***	***
September 2008	***	***	***	***
October 2008	***	***	***	***
November 2008	***	***	***	***
December 2008	***	***	***	***

2. Price Description. (Continued)

2.2 Price Adjustments For Option Aircraft Delivering From January 2005 through December 2012.

2.2.1 Special Features. The price for Special Features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. For escalation provisions applicable to Option Aircraft delivering after 2004, see paragraph 2.2.6 below.

2.2.3 Base Price Adjustments for FAA Changes. The Aircraft Basic Price of the Option Aircraft will be adjusted for any FAA mandated changes incorporated into the Aircraft.

2.2.4 Price Adjustments for Changes. Boeing may adjust the Aircraft Basic Price and the Advance Payment Base Price for any changes mutually agreed upon subsequent to the date that Buyer and Boeing enter into a definitive agreement for the Option Aircraft.

2.2.5 Base Price Adjustments. The Aircraft Basic Price of the Option Aircraft will be adjusted to Boeing's then-current prices as of the date of execution of the definitive agreement for the Option Aircraft in accordance with the agreement reached below. The Aircraft Basic Price starting point for Options delivering in 2003 is *** (July 1992 STE), for Options delivering in 2004 is *** (July 1992 STE), for Options delivering in 2005 through 2009 is *** (July 1992 STE) and for Block "U" Option Aircraft is *** (July 1999 STE). Such Aircraft Basic Price may increase in accordance with paragraphs 2.2.1, 2.2.2, 2.2.3 and 2.2.4. For any other changes to the Aircraft Basic Price, Boeing may increase the Aircraft Basic Price by a maximum of *** (July 1992 STE) for Aircraft delivering in 2005; by a maximum of *** (July 1992 STE) per year or portion thereof starting in January 2006 through 2009. For Block "U" Option Aircraft Boeing may increase the Aircraft Basic Price by a maximum of *** (July 1999 STE) per year or portion thereof starting in January 2008.

2.2.6 Prices for Long Lead Time Aircraft.
Boeing has not established escalation provisions for Model 737-700 aircraft for delivery 2005 and after. Such escalation provisions (i) will be incorporated into the Option Aircraft definitive agreement when such information is available and (ii) will be the then-current escalation provisions applicable to the same model aircraft and engines delivering in the same time period as the Option Aircraft. The resulting revisions to the definitive agreement will include but not be limited to, adjustment of the Aircraft Basic Price of the Option Aircraft, the Advance Payment Base Price, the Aircraft escalation provisions and the advance payment amounts due on the Option Aircraft.

2.2.7 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Configuration Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus 10% of such price. If all BFE except developmental avionics is converted to SPE, Boeing will waive the 10% fee.

3. Advance Payment Schedules, Prices and Adjustments.

3.1 Buyer will pay to Boeing advance payments for the Option Aircraft on the dates and in the amounts determined below.

Due Date of Payment	Amount Due per Aircraft (Percentage times Advance Payment Base Price)	
Deposit	*** (if applicable)	
18 months prior to the first day of the scheduled delivery month of the Aircraft	15% (less the Deposit if any)	
12 months prior to the first day of the scheduled delivery month of the Aircraft	5%	
9 months prior to the first day of the scheduled delivery month of the Aircraft	5%	
6 months prior to the first day of the scheduled delivery month of the Aircraft	5%	
Total	30%	

Any advance payments that would be past due as of the date of signing the definitive purchase agreement for the Option Aircraft in accordance with the above schedule are due and payable on such date.

3.2 Option Aircraft advance payment base prices will be increased or decreased, as appropriate, at the time of signing of the definitive purchase agreement for the Option Aircraft, using the then-current forecasted aircraft escalation factors used by Boeing, to determine the amount of the advance payments to be made by Buyer on the Option Aircraft.

Southwest Airlines Co.
6-1162-RLL-933R9
P.A. No. 1810
K/SWA

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-RLL-934R1 to
Purchase Agreement No. 1810 -
Disclosure of Confidential Information

This Letter Agreement amends Purchase Agreement
No. 1810 dated January 19, 1994 (the Agreement) between
The Boeing Company (Boeing) and Southwest Airlines Co.
(Buyer) relating to Model 737-7H4 aircraft (the
Aircraft).

All terms used herein and in the Agreement, and not
defined herein, will have the same meaning as in the
Agreement.

1. Buyer understands that certain commercial and
financial information contained in the documents listed
below (Confidential Documents) is considered by Boeing
as confidential.

2. Buyer agrees that it will treat the Confidential
Documents and the information contained therein as
confidential and will not, without the prior written
consent of Boeing, disclose such Confidential Documents
or any information contained therein to any other
person or entity except as may be required by (i)
applicable law or governmental regulations, or (ii) for
financing the Aircraft in accordance with the
provisions of Article 10 of the Agreement.

*** Pursuant to 17 CFR, 240.24b-2, confidential
information has been omitted and has been filed
separately with the Securities and Exchange
Commission pursuant to a Confidential Treatment
Application filed with the Commission.

3. In connection with any such disclosure or filing
of the Confidential Documents, or the information
contained therein, pursuant to any such applicable law
or governmental regulation, Buyer will request and use
its best reasonable efforts to obtain confidential
treatment of such Confidential Documents and the
information contained therein. Boeing agrees to
cooperate with Buyer in making and supporting its
request for confidential treatment.

Schedule of Confidential Documents

1. Letter Agreement No. 6-1162-RLL-932
2. Letter Agreement No. 6-1162-RLL-933
3. Letter Agreement No. 6-1162-RLL-934
4. Letter Agreement No. 6-1162-RLL-935
5. Letter Agreement No. 6-1162-RLL-936
6. Letter Agreement No. 6-1162-RLL-937
7. Letter Agreement No. 6-1162-RLL-938
8. Letter Agreement No. 6-1162-RLL-939
9. Letter Agreement No. 6-1162-RLL-940
10. Letter Agreement No. 6-1162-RLL-941
11. Letter Agreement No. 6-1162-RLL-942
12. Letter Agreement No. 6-1162-RLL-943
13. Letter Agreement No. 6-1162-RLL-944
14. Letter Agreement No. 6-1162-RLL-945
15. Letter Agreement No. 6-1162-RLL-1855
16. Letter Agreement No. 6-1162-RLL-1856
17. Letter Agreement No. 6-1162-RLL-1857
18. Letter Agreement No. 6-1162-RLL-1858
19. Letter Agreement No. 6-1162-RLL-2036
20. Letter Agreement No. 6-1162-RLL-2037
21. Letter Agreement No. 6-1162-RLL-2073
22. Letter Agreement No. 6-1162-KJJ-054
23. Letter Agreement No. 6-1162-KJJ-055

- 24. Letter Agreement No. 6-1162-KJJ-056
- 25. Letter Agreement No. 6-1162-KJJ-057
- 26. Letter Agreement No. 6-1162-KJJ-058

4. Confidential Treatment.

Buyer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement.

Very truly yours,

THE BOEING COMPANY

By /s/ Alan Mulally

Its Attorney-in-Fact
President
Commercial Airplanes Group

ACCEPTED AND AGREED TO as of this

date: June 22, 2000

SOUTHWEST AIRLINES CO.

By /s/ Herb Kelleher

Its CEO

Southwest Airlines Co.
6-1162-RLL-934R2

P.A. No. 1810
K/SWA SA-13

6-1162-RLL-941R2

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-RLL-941R1 to
Purchase Agreement No. 1810 -
Other Matters

This Letter Agreement amends Purchase Agreement No. 1810 dated as of even date herewith (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to Model 737-7H4 aircraft (the Aircraft) and to Letter Agreement No. 6-1162-RLL-933, as amended, entitled "Option Aircraft," relating to the sale by Boeing and purchase by Buyer of additional Model 737-7H4 aircraft (the Option Aircraft and the Rollover Option Aircraft) up to a total of five hundred forty (540) aircraft.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

1. Delivery Delay.

2. Purchase Price - Excusable Delay/Destroyed Aircraft.

2.1. If the Article 2.1 delivery month for any Aircraft is delayed because of an excusable delay under Article 6.1, Boeing agrees that the Aircraft Price shall be determined as if the delayed Aircraft had been delivered during the original Article 2.1 delivery month.

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

2.2. In the event any Aircraft is destroyed and Boeing offers Buyer a replacement Aircraft under Article 6.3, Boeing agrees that the Aircraft Price shall be determined as if the replacement aircraft had been delivered during the original Article 2.1 delivery month of the destroyed Aircraft.

3. Advance Payment - Repayment.

If Boeing terminates this Agreement with respect to any Aircraft under Article 6, Boeing hereby agrees in addition to repaying the advance payments and deposits (if applicable) in accordance with Article 6.6.1, to pay to Buyer ***

4. Confidential Treatment.

Buyer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity, except as provided in Letter Agreement 6-1162-RLL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ Alan Mulally

Its Attorney-in-Fact
President
Commercial Airplanes Group

ACCEPTED AND AGREED TO as of this

date: June 22, 2000

SOUTHWEST AIRLINES CO.

By /s/ Herb Kelleher

Its CEO

Southwest Airlines Co.
6-1162-RLL-941R2

P.A. No. 1810
K/SWA SA-13

6-1162-KJJ-054

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-KJJ-054 to
Purchase Agreement No. 1810 - Business
Matters

This Letter Agreement amends Purchase Agreement No. 1810 dated January 19, 1994 (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to the sale by Boeing and the purchase by Buyer of ninety-four (94) additional Model 737-7H4 Block "T" Aircraft, and Letter Agreement 6-1162-RLL-933R9, dated even date herewith, entitled "Option Aircraft", to the extent it relates to the sale by Boeing and the purchase by Buyer of twenty-five (25) Block "U" additional Model 737-7H4 aircraft (the Option Aircraft) and one hundred seventy-one (171) Block "V" Rollover Option Aircraft (the Rollover Option Aircraft). Such total of two hundred ninety (290) aircraft are referred herein as the "2000 Order Aircraft."

For the purposes of clarification, the terms of the following Letter Agreements do not apply to the 2000 Order Aircraft described above:

6-1161-RLL-936, as amended, "Certain Contractual Matters"
6-1162-RLL-1855, as amended, "Additional Contractual Matters"

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

1. ***
2. ***
3. ***
4. ***
5. ***
6. ***
7. ***
8. ***
9. ***
10. ***
11. ***

12. Confidential Treatment.

Buyer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without prior written consent of Boeing disclose this Letter Agreement, except as provided in Letter

Agreement 6-1162-RLL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ Alan Mulally

Its Attorney-in-Fact
President
Commercial Airplanes Group

ACCEPTED AND AGREED TO as of this

date: June 22, 2000

SOUTHWEST AIRLINES CO.

By /s/ Herb Kelleher

Its CEO

Southwest Airlines Co.
6-1162-KJJ-054

P.A. No. 1810

SA-13

6-1162-KJJ-055

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-KJJ-055 to
Purchase Agreement No. 1810 - ***

Reference: Purchase Agreement No. 1099
Purchase Agreement No. 1405
Purchase Agreement No. 1510

This letter Agreement amends Purchase Agreement No. 1810 dated January 19, 1994 (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to Model 737-7H4 aircraft (the Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

1. ***

1.1 ***

1.2 ***

1.3 ***

1.4 ***

2. ***

2.1 ***

2.2 ***

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

2.3 ***

2.4 ***

3. ***

3.1 ***

4. Confidential Treatment.

Buyer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without prior written consent of Boeing disclose this Letter Agreement, except as provided in Letter Agreement 6-1162-RLL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ Alan Mulally

Its Attorney-in-Fact
President
Commercial Airplanes Group

ACCEPTED AND AGREED TO as of this

date: June 22, 2000

SOUTHWEST AIRLINES CO.

By /s/ Herb Kelleher

Its CEO

Southwest Airlines Co.
6-1162-KJJ-055

6-1162-KJJ-056

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-KJJ-056 to
Purchase Agreement No. 1810 - ***

Reference: Purchase Agreement No. 1099
Purchase Agreement No. 1405
Purchase Agreement No. 1510
Purchase Agreement No. 1810

This Letter Agreement amends Purchase Agreement No.
1810 dated January 19, 1994 (the Agreement) between The
Boeing Company (Boeing) and Southwest Airlines Co.
(Buyer) relating to Model 737-7H4 aircraft (the
Aircraft).

All terms used herein and in the Agreement, and not
defined herein, will have the same meaning as in the
Agreement.

1. ***
2. ***
3. ***
4. ***

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been
omitted and has been filed separately with the Securities and
Exchange Commission pursuant to a Confidential Treatment
Application filed with the Commission.

5. Confidential Treatment.

Buyer understands that certain commercial and financial
information contained in this Letter Agreement is
considered by Boeing as confidential. Buyer agrees
that it will treat this Letter Agreement and the
information contained herein as confidential and will
not, without prior written consent of Boeing disclose
this Letter Agreement, except as provided in Letter
Agreement 6-1162-RLL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ Alan Mulally

Its Attorney-in-Fact
President
Commercial Airplanes Group

ACCEPTED AND AGREED TO as of this

date: June 22, 2000

SOUTHWEST AIRLINES CO.

By /s/ Herb Kelleher

Its CEO

Southwest Airlines Co.
6-1162-KJJ-056
P.A. No. 1810 SA-13

6-1162-KJJ-057

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-KJJ-057 to
Purchase Agreement No. 1810 - ***

This Letter Agreement amends Purchase Agreement No.
1810 dated January 19, 1994 (the Agreement) between The
Boeing Company (Boeing) and Southwest Airlines Co.
(Buyer) relating to Model 737-7H4 aircraft (the
Aircraft).

All terms used herein and in the Agreement, and not
defined herein, will have the same meaning as in the
Agreement.

1. ***

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been
omitted and has been filed separately with the Securities and
Exchange Commission pursuant to a Confidential Treatment
Application filed with the Commission.

2. Confidential Treatment.

Buyer understands that certain commercial and financial
information contained in this Letter Agreement is
considered by Boeing as confidential. Buyer agrees
that it will treat this Letter Agreement and the
information contained herein as confidential and will
not, without prior written consent of Boeing disclose
this Letter Agreement, except as provided in Letter
Agreement 6-1162-RLL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ Alan Mulally

Its Attorney-in-Fact
President
Commercial Airplanes Group

ACCEPTED AND AGREED TO as of this

date: June 22, 2000

SOUTHWEST AIRLINES CO.

By /s/ Herb Kelleher

Its CEO

Southwest Airlines Co.
6-1162-KJJ-057
P.A. No. 1810 SA-13

6-1162-KJJ-058

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-KJJ-058 to
Purchase Agreement No. 1810 - ***

This Letter Agreement amends Purchase Agreement No. 1810 dated January 19, 1994 (the Agreement) between The Boeing Company (Boeing) and Southwest Airlines Co. (Buyer) relating to the sale by Boeing and the purchase by Buyer of ninety-four (94) Block "T" Model 737-7H4 aircraft (the Aircraft) and to Letter Agreement No. 6-1162-RL-933R9 dated even date herewith, entitled "Option Aircraft," to the extent it relates to the sale by Boeing and purchase by Buyer of twenty-five (25) Block "U" additional Model 737-7H4 aircraft (the Option Aircraft) and one hundred seventy one (171) Block "V" Rollover Option Aircraft (the Rollover Option Aircraft).

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

1. ***

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

1.1 ***

1.2 ***

1.3 ***

1.4 ***

2. ***

3. ***

4. Confidential Treatment.

Buyer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity, except as provided in Letter Agreement 6-1162-RL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ Alan Mulally

Its Attorney-in-Fact
President
Commercial Airplanes Group

ACCEPTED AND AGREED TO as of this
date: June 22, 2000

SOUTHWEST AIRLINES CO.

By /s/ Herb Kelleher

Its CEO

Southwest Airlines Co.
6-1162-RLL-058
P.A. NO. 1810 SA-13
K/SWA

PRICE ADJUSTMENT DUE TO
ECONOMIC FLUCTUATIONS
AIRCRAFT PRICE ADJUSTMENT
(July 1999 Base Price)

1. Formula.

Base Aircraft Price and Optional Features price adjustments (Aircraft Basic Price Adjustment); are used to allow prices to be stated in current year dollars at the signing of the applicable purchase agreement and to adjust the amount to be paid by Customer at delivery for the effects of economic fluctuation. The Aircraft Basic Price Adjustment will be determined at the time of aircraft delivery in accordance with the following formula:

$$Pa = (P+B) (L + M) - P$$

Where:

Pa = Aircraft Basic Price Adjustment. (For Model 717-200, 737-600, 737-700, 737-800 and 737-900, the Aircraft Basic Price includes the Engine Price at its basic thrust level.)

$$L = .65 \times ECI / ECIB$$

where ECIB is the base year index (as set forth in Table 1 of the applicable purchase agreement)

$$M = .35 \times ICI / ICIB$$

where ICIB is the base year index (as set forth in Table 1 of the applicable purchase agreement)

P = Base Aircraft Price plus Optional Features Price (as set forth in the applicable purchase agreement).

$$B = 0.005 \times (N/12) \times (P)$$

where N is the calendar month and year of scheduled Aircraft delivery minus the calendar month and year of the Base Price Year, both as shown in Table 1 of the applicable purchase agreement.

ECI is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics "Employment Cost Index for workers in aerospace manufacturing - Wages and Salaries" (ECI code 3721W), calculated by establishing a three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) using the values for the fifth, sixth and seventh months prior to the month of scheduled delivery of the applicable aircraft. As the Employment Cost Index values are only released on a quarterly basis, the value released for the month of March will be used for the months of January and February; the value for June used for April and May; the value for September used for July and August; and the value for December used for October and November.

ICI is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics "Producer Prices and Price Index - Industrial Commodities Index ", calculated as a 3-month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 5th, 6th and 7th months prior to the month of scheduled delivery of the applicable aircraft.

As an example, for an aircraft scheduled to be delivered in the month of January, the months June, July and August of the preceding year will be utilized in determining the value of ECI and ICI.

Note: i. In determining the values of L and M, all calculations and resulting values will be expressed as a decimal rounded to the nearest ten-thousandth.

ii. .65 is the numeric ratio attributed to labor in the Aircraft Basic Price Adjustment formula.

iii. .35 is the numeric ratio attributed to materials in the Aircraft Basic Price Adjustment formula.

iv. The denominators (base year indices) are the actual average values reported by the U.S. Department of Labor, Bureau of Labor Statistics (base year June 1989 = 100). The applicable base year and corresponding denominator will be provided by Boeing in the applicable purchase agreement.

v. If the calculated sum of L + M is less than 1.0000, then the value of the sum is adjusted to 1.0000.

2. Values to be Utilized in the Event of Unavailability.

2.1 If the Bureau of Labor Statistics substantially revises the methodology used for the determination of the values to be used to determine the ECI and ICI values (in contrast to benchmark adjustments or other corrections of previously released values), or for any reason has not released values needed to determine the applicable Aircraft Basic Price Adjustment, the parties will, prior to the delivery of any such aircraft, select a substitute from other Bureau of Labor Statistics data or similar data reported by non-governmental organizations. Such substitute will result in the same adjustment, insofar as possible, as would have been calculated utilizing the original values adjusted for fluctuation during the applicable time period. However, if within 24 months after delivery of the aircraft, the Bureau of Labor Statistics should resume releasing values for the months needed to determine the Aircraft Basic adjustment, such values will be used to determine any increase or decrease in the Aircraft Basic Price Adjustment for the aircraft from that determined at the time of delivery of the aircraft.

2.2 Notwithstanding Article 2.1 above, if prior to the scheduled delivery month of an aircraft the Bureau of Labor Statistics changes the base year for determination of the ECI and ICI values as defined above, such re-based values will be incorporated in the Aircraft Basic Price Adjustment calculation.

2.3 In the event escalation provisions are made non-enforceable or otherwise rendered void by any agency of the United States Government, the parties agree, to the extent they may lawfully do so, to equitably adjust the Purchase Price of any affected aircraft to reflect an allowance for increases or decreases in labor compensation and material costs occurring since February of the price base year shown in the applicable purchase agreement which is consistent with the applicable provisions of paragraph 1 of this Supplemental Exhibit D-1.

2.4 If within 12 months of Aircraft delivery, the published Index values are revised due to an acknowledged error by the Bureau of Labor Statistics, the Aircraft Basic Price Adjustment will be re-calculated using the revised Index values (this does not include those values noted as preliminary by the Bureau of Labor Statistics). A Credit Memo or Supplemental Invoice will be issued for the Aircraft Basic Price Adjustment difference. Interest charges will not apply for the period of original invoice to issuance of Credit Memo or Supplemental Invoice.

Note: i. The values released by the Bureau of Labor Statistics and available to Boeing 30 days prior to the scheduled delivery month of an aircraft will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Aircraft Basic Price Adjustment for the aircraft invoice at the time of delivery. The values will be considered final and no Aircraft Price Adjustments will be made after Aircraft delivery for any subsequent changes in published Index values, subject always to paragraph 2.4 above.

ii. The maximum number of digits to the right of the decimal after rounding utilized in any part of the Aircraft Basic Price Adjustment equation will be 4, where rounding of the fourth digit will be increased to the next highest digit when the 5th digit is equal to 5 or greater.

Supplemental Agreement No. 14

to

Purchase Agreement No. 1810

between

The Boeing Company

and

SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of October 14, 2000, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in Seattle, Washington, (Boeing) and SOUTHWEST AIRLINES CO., a Texas corporation with its principal offices in City of Dallas, State of Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1810 dated January 19, 1994, relating to Boeing Model 737-7H4 aircraft (the Agreement) and;

WHEREAS, Buyer has agreed to accelerate one Block L Aircraft from December 2000 to November 2000 and to accelerate one Block H Aircraft from October 2000 to September 2000;

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. The Table of Contents of the Agreement is deleted in its entirety and a new Table of Contents is attached hereto and incorporated into the Agreement by this reference.

2. Article 2, entitled "Delivery, Title and Risk of Loss," paragraph 2.1, entitled "Time of Delivery," is deleted in its entirety and replaced by a new paragraph 2.1 revised to change the quantity of Block L Aircraft delivering in December 2000 from two (2) to one (1), to change the quantity of Block L Aircraft delivering in November 2000 from three (3) to four (4) and to add one (1) Block H Aircraft delivering in September 2000, and change the quantity of Block H Aircraft delivering in October 2000 from three (3) to two (2). Such new pages 2-1, 2-2 and 2-3 are attached hereto and incorporated into the Agreement by this reference.

3. Article 3, entitled "Price of Aircraft", paragraph 3.4 entitled "Advance Payment Base Price," subparagraph 3.4.1 entitled "Advance Payment Base Price" is revised by adding an Advance Payment Base Price for the Block H Aircraft delivering in September 2000. Such new pages 3-1, 3-2, 3-3 and 3-4 are attached hereto and incorporated into the Agreement by this reference.

4. Letter Agreement No. 6-1162-KJJ-150 entitled "Flight Control Computer & Mode Control Panel Spares Matter" is attached hereto and is hereby incorporated into the

Agreement by this reference.

5. Letter Agreement No. 6-1162-RLL-934R2 entitled "Disclosure of Confidential Information," is deleted in its entirety and replaced by a new Letter Agreement No. 6-1162-RLL-934R3 which is attached hereto and is incorporated into the Agreement by this reference

6. All references in the Letter Agreements associated with Purchase Agreement No. 1810 shall be deemed to refer to the purchase by Buyer of two hundred thirty six Model 737-7H4 Aircraft, eighty seven (87) Model 737-7H4 Option Aircraft and two hundred seventeen (217) Model 737-7H4 Rollover Option Aircraft, to the extent such reference is not specifically addressed herein.

7. As a result of this Supplemental Agreement, Boeing will refund Buyer ***. Such amount reflects the difference in advance payments due as a result of the acceleration of one (1) Block H Aircraft from October 2000 to September 2000 and one (1) Block L Aircraft from December 2000 to November 2000.

The Agreement will be deemed to be supplemented to the extent herein provided and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first above written.

THE BOEING COMPANY

SOUTHWEST AIRLINES CO.

By: /s/ K. J. Johnston

By: /s/ Laura Wright

Its: Attorney-In-Fact

Its: __Treasurer _____

P.A. NO. 1810 SA-14-1
K/SWA

PURCHASE AGREEMENT
between
THE BOEING COMPANY
and
SOUTHWEST AIRLINES CO.

Relating to Boeing Model 737-7H4 Aircraft
Purchase Agreement Number 1810

*** Pursuant to 17 CFR, 240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.

TABLE OF CONTENTS

	Page Number	SA Number
ARTICLES		
1. Subject Matter of Sale	1-1	SA-13
2. Delivery, Title and Risk of Loss	2-1	SA-14
3. Price of Aircraft	3-1	SA-14
4. Taxes	4-1	
5. Payment	5-1	
6. Excusable Delay	6-1	
7. Changes to the Detail Specification	7-1	SA-1
8. Federal Aviation Requirements and Certificates and Export License	8-1	
9. Representatives, Inspection, Flights and Test Data	9-1	
10. Assignment, Resale or Lease	10-1	
11. Termination for Certain Events	11-1	
12. Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification and Insurance	12-1	
13. Buyer Furnished Equipment and Spare Parts	13-1	

14.	Contractual Notices and Requests	14-1
15.	Miscellaneous	15-1

TABLE OF CONTENTS

	SA Number
EXHIBITS	
A Aircraft Configuration	SA-13
B Product Assurance Document	SA-1
C Customer Support Document	
D Price Adjustments Due to Economic Fluctuations - Aircraft	SA-13
E Buyer Furnished Equipment Provisions Document	
F Defined Terms Document	

LETTER AGREEMENTS

1810-1 Waiver of Aircraft Demonstration Flight

TABLE OF CONTENTS

	SA Number
RESTRICTED LETTER AGREEMENTS	
6-1162-RLL-932R2 ***	SA-13
6-1162-RLL-933R9 Option Aircraft	SA-13
6-1162-RLL-934R3 Disclosure of Confidential Information	SA-14
6-1162-RLL-935R1 ***	SA-1
6-1162-RLL-936R4 Certain Contractual Matters	SA-4
6-1162-RLL-937 Alternate Advance Payment Schedule	
6-1162-RLL-938 ***	
6-1162-RLL-939R1 Certification Flight Test Aircraft	SA-1
6-1162-RLL-940R1 Training Matters	SA-1
6-1162-RLL-941R2 Other Matters	SA-13
6-1162-RLL-942 Open Configuration Matters	
6-1162-RLL-943R1 Substitution Rights	SA-6
6-1162-RLL-944 Airframe Maintenance Material Cost Protection Program	
6-1162-RLL-945 Comparison of 737-7H4 and 737-3H4 Block Fuel Burn	
6-1162-RLL-1855R3 Additional Contractual Matters	SA-4
6-1162-RLL-1856 ***	SA-1
6-1162-RLL-1857 Service Ready Validation Program	SA-1

Field Test

6-1162-RLL-1858R1

Escalation Matters

SA-4

TABLE OF CONTENTS CON'T

SA
Number

RESTRICTED LETTER AGREEMENTS

6-1162-RLL-2036	Amortization of Costs for Customer Unique Changes	SA-1
6-1162-RLL-2037	Reconciliation of the Aircraft Basic Price	SA-1
6-1162-RLL-2073	Maintenance Training Matters	SA-1
6-1162-KJJ-054	Business Matters	SA-13
6-1162-KJJ-055	***	SA-13
6-1162-KJJ-056	***	SA-13
6-1162-KJJ-057	***	SA-13
6-1162-KJJ-058	***	SA-13
6-1162-KJJ-150	***	SA-14

PURCHASE AGREEMENT NO. 1810

Relating to

BOEING MODEL 737-7H4 AIRCRAFT

This Agreement is entered into as of January 19th 1994, by and between The Boeing Company, a Delaware corporation, with its principal office in Seattle, Washington (Boeing), and Southwest Airlines Co., a Texas corporation, with its principal office in the City of Dallas, State of Texas (Buyer).

Accordingly, Boeing and Buyer agree as follows:

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, assembled and ready for flight and Buyer will accept delivery of the Aircraft, in accordance with the following schedule:

Month and Year of Delivery	Quantity of Aircraft
-------------------------------	----------------------

Block A Aircraft

October 1997	Two (2)
November 1997	Two (2)

Block B Aircraft

January 1998	Two (2)
February 1998	Three (3)
March 1998	Two (2)
April 1998	Two (2)
May 1998	Two (2)
June 1998	One (1)
July 1998	Two (2)
September 1998	Two (2)

Block C Aircraft

February 1999	Four (4)
May 1999	Four (4)
July 1999	Four (4)

August 1999	One (1)
September 1999	Three (3)

Block D Aircraft

November 1999	Two (2)
December 1999	One (1)
January 2000	One (1)
March 2000	Four (4)
July 2000	Four (4)
August 2000	Three (3)

Block E Aircraft

December 2000	Two (2)
January 2001	One (1)
February 2001	One (1)
March 2001	Two (2)
July 2001	Three (3)
September 2001	Three (3)

Block F Aircraft

October 1998	One (1)
November 1998	Two (2)
December 1998	Two (2)

Block G Aircraft

March 1999	Two (2)
------------	---------

Block H Aircraft

June 1999	Two (2)
July 1999	One (1)
August 1999	One (1)
September 1999	Two (2)
October 1999	One (1)
March 2000	One (1)
April 2000	Two (2)
September 2000	One (1)
October 2000	Two (2)
March 2001	Two (2)
April 2001	One (1)
October 2001	Three (3)

Block I Aircraft

January 2002	Four (4)
March 2002	Four (4)
April 2002	Two (2)
July 2002	Four (4)
October 2002	Four (4)

Block J Aircraft

January 2003	Four (4)
March 2003	One (1)

Block K Aircraft

April 2004	Two (2)
July 2004	Three (3)

Block L Aircraft

October 1999	One (1)
November 1999	Two (2)
December 1999	One (1)
June 2000	Three (3)
July 2000	Three (3)
September 2000	One (1)
October 2000	One (1)
November 2000	Four (4)
December 2000	One (1)
January 2001	One (1)
February 2001	One (1)
July 2001	One (1)
September 2001	One (1)
October 2001	One (1)
September 2002	Three (3)

Block T Aircraft

February 2002	One (1)
---------------	---------

May 2002	Two (2)
June 2002	Two (2)
July 2002	One (1)
August 2002	Two (2)
November 2002	Two (2)
February 2003	One (1)
May 2003	Two (2)
June 2003	Two (2)
August 2003	Three (3)
February 2004	Three (3)
March 2004	Three (3)
April 2004	One (1)
May 2004	Four (4)
June 2004	Three (3)
July 2004	Two (2)
August 2004	Two (2)
September 2004	Two (2)
October 2004	Two (2)
November 2004	Two (2)
February 2005	One (1)
May 2005	One (1)
June 2005	One (1)
August 2005	One (1)
September 2005	One (1)
February 2006	Three (3)
March 2006	One (1)
May 2006	Three (3)
June 2006	Four (4)
July 2006	One (1)
August 2006	Three (3)
September 2006	Three (3)
November 2006	Two (2)
December 2006	Two (2)
January 2007	Two (2)
February 2007	Three (3)
March 2007	Two (2)
April 2007	Two (2)
May 2007	Two (2)
June 2007	Two (2)
July 2007	Two (2)
August 2007	Two (2)
September 2007	Two (2)
October 2007	Two (2)
November 2007	Two (2)
December 2007	Two (2)

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. If Boeing gives Buyer at least 7 days' notice of the delivery date of the Aircraft, and an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of the Aircraft and interest on payments due.

2.4 Place of Delivery. The Aircraft will be delivered at an airport facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Bill of Sale. Upon delivery of an Aircraft Boeing will deliver to Buyer a bill of sale conveying good title to such Aircraft, free of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title as Buyer may reasonably request.

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Special Features are the features incorporated in Exhibit A which have been selected by Buyer.

3.1.2 Base Aircraft Price is the Aircraft

Basic Price excluding the price of Special Features.

3.1.3 Aircraft Basic Price is comprised of the Base Aircraft Price and the price of the Special Features.

3.1.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Aircraft and Special Features) as calculated pursuant to Exhibit D or Exhibit D-1 as applicable.

3.1.5 Aircraft Price is the total amount Buyer is to pay for the Aircraft at the time of delivery.

3.2 Aircraft Basic Price.

The Aircraft Basic Price for Block A through L Aircraft, is expressed in July 1992 dollars; the Aircraft Basic Price for Block T Aircraft, is expressed in July 1999 dollars; as set forth below:

	Base Aircraft Price	Special Features	Aircraft Basic Price
Block A, B, C, D & E Aircraft	***	***	***
Block F & G Aircraft	***	***	***
Block H Aircraft	***	***	***
Block I Aircraft	***	***	***
Block J Aircraft	***	***	***
Block K Aircraft	***	***	***
Block L Aircraft	***	***	***
Block T Aircraft	***	***	***

3.3 Aircraft Price. The Aircraft Price will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, which is *** for the Block A, B, C, D and E Aircraft, *** for the Block F and G Aircraft, *** for the Block H Aircraft, *** for the Block I Aircraft, *** for the Block J Aircraft, *** for the Block K Aircraft and *** for the Block L Aircraft; *** for the Block T Aircraft; plus

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Aircraft) for Aircraft Block A through L, and in Exhibit D-1 (Price Adjustments Due to Economic Fluctuations - Aircraft) for Aircraft Block T; plus

3.3.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the following estimated delivery prices of the Aircraft (Advance Payment Base Price) have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth below:

Month and Year of Scheduled Delivery	Advance Payment Base Price per Aircraft
---	--

Block A Aircraft

October 1997	***
November 1997	***

Block B Aircraft

January 1998	***
February 1998	***
March 1998	***
April 1998	***
May 1998	***
June 1998	***
July 1998	***
September 1998	***

Block C Aircraft

February 1999	***
May 1999	***
July 1999	***
August 1999	***
September 1999	***

Block D Aircraft

November 1999	***
December 1999	***
January 2000	***
March 2000	***
July 2000	***
August 2000	***

Block E Aircraft

December 2000	***
January 2001	***
February 2001	***
March 2001	***
July 2001	***
September 2001	***

Block F Aircraft

October 1998	***
November 1998	***
December 1998	***

Block G Aircraft

March 1999	***
------------	-----

Block H Aircraft

June 1999	***
July 1999	***
August 1999	***
September 1999	***
October 1999	***
March 2000	***
April 2000	***
September 2000	***
October 2000	***
March 2001	***
April 2001	***
October 2001	***

Block I Aircraft

January 2002	***
March 2002	***
April 2002	***
July 2002	***
October 2002	***

Block J Aircraft

January 2003	***
March 2003	***

Block K Aircraft

April 2004	***
July 2004	***

Block L Aircraft

October 1999	***
November 1999	***
December 1999	***
June 2000	***
July 2000	***
September 2000	***
October 2000	***
November 2000	***
December 2000	***
January 2001	***
February 2001	***
July 2001	***
September 2001	***
October 2001	***
September 2002	***

Block T Aircraft

February 2002	***
May 2002	***
June 2002	***
July 2002	***
August 2002	***
November 2002	***
February 2003	***
May 2003	***
June 2003	***
August 2003	***
February 2004	***
March 2004	***
April 2004	***
May 2004	***
June 2004	***
July 2004	***
August 2004	***
September 2004	***
October 2004	***
November 2004	***
February 2005	***
May 2005	***
June 2005	***
August 2005	***
September 2005	***
February 2006	***
March 2006	***
May 2006	***
June 2006	***
July 2006	***
August 2006	***
September 2006	***
November 2006	***
December 2006	***
January 2007	***
February 2007	***
March 2007	***
April 2007	***
May 2007	***
June 2007	***
July 2007	***
August 2007	***
September 2007	***
October 2007	***
November 2007	***
December 2007	***

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the effects of (i) any adjustments in the Aircraft Basic Price pursuant to this Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such

adjusted Advance Payment Base Prices.

P.A. No. 1810

K/SWA

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-RLL-934R2 to
Purchase Agreement No. 1810 -
Disclosure of Confidential Information

This Letter Agreement amends Purchase Agreement
No. 1810 dated January 19, 1994 (the Agreement) between
The Boeing Company (Boeing) and Southwest Airlines Co.
(Buyer) relating to Model 737-7H4 aircraft (the
Aircraft).

All terms used herein and in the Agreement, and not
defined herein, will have the same meaning as in the
Agreement.

1. Buyer understands that certain commercial and
financial information contained in the documents listed
below (Confidential Documents) is considered by Boeing
as confidential.
2. Buyer agrees that it will treat the Confidential
Documents and the information contained therein as
confidential and will not, without the prior written
consent of Boeing, disclose such Confidential Documents
or any information contained therein to any other
person or entity except as may be required by (i)
applicable law or governmental regulations, or (ii) for
financing the Aircraft in accordance with the
provisions of Article 10 of the Agreement.

*** Pursuant to 17 CFR, 240.24b-2, confidential
information has been omitted and has been filed
separately with the Securities and Exchange
Commission pursuant to a Confidential Treatment
Application filed with the Commission.

3. In connection with any such disclosure or filing
of the Confidential Documents, or the information
contained therein, pursuant to any such applicable law
or governmental regulation, Buyer will request and use
its best reasonable efforts to obtain confidential
treatment of such Confidential Documents and the
information contained therein. Boeing agrees to
cooperate with Buyer in making and supporting its
request for confidential treatment.

Schedule of Confidential Documents

1. Letter Agreement No. 6-1162-RLL-932
2. Letter Agreement No. 6-1162-RLL-933
3. Letter Agreement No. 6-1162-RLL-934
4. Letter Agreement No. 6-1162-RLL-935
5. Letter Agreement No. 6-1162-RLL-936
6. Letter Agreement No. 6-1162-RLL-937
7. Letter Agreement No. 6-1162-RLL-938
8. Letter Agreement No. 6-1162-RLL-939
9. Letter Agreement No. 6-1162-RLL-940
10. Letter Agreement No. 6-1162-RLL-941
11. Letter Agreement No. 6-1162-RLL-942
12. Letter Agreement No. 6-1162-RLL-943
13. Letter Agreement No. 6-1162-RLL-944
14. Letter Agreement No. 6-1162-RLL-945
15. Letter Agreement No. 6-1162-RLL-1855
16. Letter Agreement No. 6-1162-RLL-1856
17. Letter Agreement No. 6-1162-RLL-1857
18. Letter Agreement No. 6-1162-RLL-1858
19. Letter Agreement No. 6-1162-RLL-2036
20. Letter Agreement No. 6-1162-RLL-2037

- 21. Letter Agreement No. 6-1162-RLL-2073
- 22. Letter Agreement No. 6-1162-KJJ-054
- 23. Letter Agreement No. 6-1162-KJJ-055
- 24. Letter Agreement No. 6-1162-KJJ-056
- 25. Letter Agreement No. 6-1162-KJJ-057
- 26. Letter Agreement No. 6-1162-KJJ-058
- 27. Letter Agreement No. 6-1162-KJJ-150

4. Confidential Treatment.

Buyer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Buyer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement.

Very truly yours,

THE BOEING COMPANY

By /s/ K. J. Johnson

Its Attorney-in-fact

ACCEPTED AND AGREED TO as of this

date:October 14, 2000

SOUTHWEST AIRLINES CO.

By /s/ Laura Wright

Its Treasurer

Southwest Airlines Co.
6-1162-RLL-934R3

P.A. No. 1810

K/SWA SA-14

6-1162-KJJ-150

Southwest Airlines Co.
P.O. Box 36611 - Love Field
Dallas, Texas 75235

Subject: Letter Agreement No. 6-1162-KJJ-150
Purchase Agreement No. 1810 - ***

Reference: Letter dated March 27, 2000, John
Hayhurst to Jim Wimberly

This letter Agreement amends Purchase Agreement No.
1810 dated January 19, 1994 (the Agreement) between The
Boeing Company (Boeing) and Southwest Airlines Co.
(Buyer) relating to Model 737-7H4 aircraft (the
Aircraft).

All terms used herein and in the Agreement, and not
defined herein, will have the same meaning as in the
Agreement.

1. ***

1.1 ***

1.2 ***

*** Pursuant to 17 CFR, 240.24b-2, confidential
information has been omitted and has been filed
separately with the Securities and Exchange
Commission pursuant to a Confidential Treatment
Application filed with the Commission.

2. Confidential Treatment.

Buyer understands that certain commercial and financial
information contained in this Letter Agreement is
considered by Boeing as confidential. Buyer agrees
that it will treat this Letter Agreement and the
information contained herein as confidential and will
not, without prior written consent of Boeing disclose
this Letter Agreement, except as provided in Letter
Agreement 6-1162-RLL-934, as amended.

Very truly yours,

THE BOEING COMPANY

By /s/ R. H. Hayhurst

Its Attorney-in-Fact

ACCEPTED AND AGREED TO as of this
Date: October 14, 2000

SOUTHWEST AIRLINES CO.

By /s/ Laura Wright

Its Treasurer

6-1162-KJJ-150

P.A. No. 1810 SA-14