

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
March 31, 1999 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 (I.R.S. Employer
incorporation or organization) 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 May 7, 1999:

335,571,191

SOUTHWEST AIRLINES CO.

FORM 10-Q

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Southwest Airlines Co.
CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands)
(unaudited)

<TABLE>

<CAPTION>

	March 31, 1999	December 31, 1998
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$405,574	\$378,511
Accounts receivable	116,124	88,799
Inventories of parts and supplies	52,108	50,035
Deferred income taxes	20,971	20,734
Prepaid expenses and other current assets	24,639	36,076
Total current assets	619,416	574,155
Property and equipment:		
Flight equipment	4,924,175	4,709,059
Ground property and equipment	715,294	720,604
Deposits on flight equipment purchase contracts	355,029	309,356
	5,994,498	5,739,019
Less allowance for depreciation	1,649,481	1,601,409
	4,345,017	4,137,610
Other assets	4,438	4,231
	\$4,968,871	\$4,715,996

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$160,987	\$157,415
Accrued liabilities	499,162	477,448
Air traffic liability	294,710	200,078
Income taxes payable	32,289	-
Current maturities of long-term debt	8,922	11,996
Other current liabilities	2,988	3,716
Total current liabilities	999,058	850,653
Long-term debt less current maturities	619,068	623,309
Deferred income taxes	560,691	549,207
Deferred gains from sale and leaseback of aircraft	234,084	238,412
Other deferred liabilities	45,972	56,497
Stockholders' equity:		
Common stock	335,937	335,904
Capital in excess of par value	89,878	89,820
Retained earnings	2,099,876	2,044,975
Treasury stock at cost	(15,693)	(72,781)
Total stockholders' equity	2,509,998	2,397,918
	\$4,968,871	\$4,715,996

</TABLE>

See accompanying notes.

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

<TABLE>
<CAPTION>

	Three months ended March 31,	
	1999	1998
<S>	<C>	<C>
OPERATING REVENUES:		
Passenger	\$1,019,296	\$894,789
Freight	25,093	25,142
Other	31,182	22,722
Total operating revenues	1,075,571	942,653
OPERATING EXPENSES:		
Salaries, wages, and benefits	344,012	298,232
Fuel and oil	85,668	101,476
Maintenance materials and repairs	89,491	71,489
Agency commissions	39,081	38,448
Aircraft rentals	49,806	50,417
Landing fees and other rentals	57,983	50,554
Depreciation	56,786	51,980
Other operating expenses	186,127	168,364
Total operating expenses	908,954	830,960
OPERATING INCOME	166,617	111,693
OTHER EXPENSES (INCOME):		
Interest expense	13,387	15,711
Capitalized interest	(6,984)	(6,236)
Interest income	(5,535)	(7,815)
Other (gains) losses, net	9,647	(4,024)
Total other expenses (income)	10,515	(2,364)
INCOME BEFORE INCOME TAXES	156,102	114,057
PROVISION FOR INCOME TAXES	60,255	44,049
NET INCOME	\$95,847	\$70,008
NET INCOME PER SHARE:		
Basic	\$.29	\$.21
Diluted	\$.27	\$.20
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	334,103	333,375
Diluted	357,282	352,934

</TABLE>
See accompanying notes.

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

<TABLE>
<CAPTION>

	Three months ended March 31,	
	1999	1998
<S>	<C>	<C>
Net cash provided by operating activities	\$310,652	\$215,269
Investing activities:		
Net purchases of property and equipment	(289,096)	(235,972)
Financing activities:		
Payment of long-term debt and capital lease obligations	(7,413)	(110,089)
Payment of cash dividends	(5,001)	(4,437)
Proceeds from Employee stock plans	17,921	18,834
Net cash provided by (used in) financing activities	5,507	(95,692)
Net increase (decrease) in cash and cash equivalents	27,063	(116,395)
Cash and cash equivalents at beginning of period	378,511	623,343
Cash and cash equivalents at end of period	\$405,574	\$506,948
Cash payments for:		
Interest, net of amount capitalized	\$14,611	\$20,821
Income taxes	\$1,009	\$635

</TABLE>
See accompanying notes.

SOUTHWEST AIRLINES CO.
Notes to Condensed Consolidated Financial Statements

1. Basis of presentation - The accompanying unaudited condensed consolidated financial statements of Southwest Airlines Co. (Company) have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. The condensed consolidated financial statements for the interim periods ended March 31, 1999 and 1998 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 months ended March 31, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999. 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, 1998.

2. Dividends - During the three month period ended March 31, 1999, dividends of \$.0075 per share were declared on the 334,633,126 shares of common stock then outstanding. During the three month period ended March 31, 1998, dividends of \$.0067 per share were declared on the 334,021,185 shares of common stock then outstanding.

3. Common stock - On July 22, 1998, the Company's Board of Directors declared a three-for-two stock split, distributing 111,894,315 shares on August 20, 1998. All per share data presented in the accompanying consolidated financial statements and notes thereto have been restated for the stock split.

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

[CAPTION]

<TABLE>

	Three months ended March 31,	
	1999	1998
<S>	<C>	<C>
NUMERATOR:		
Net income, available to common stockholders - numerator for basic and diluted earnings per share	\$95,847	\$70,008
DENOMINATOR:		
Weighted-average shares outstanding, basic	334,103	333,375
Dilutive effect of Employee stock options	23,179	19,559
Adjusted weighted-average shares outstanding, diluted	357,282	352,934
NET INCOME PER SHARE:		
Basic	\$0.29	\$0.21
Diluted	\$0.27	\$0.20

</TABLE>

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

Comparative Consolidated Operating Statistics

Relevant operating statistics for the three month periods ended March 31, 1999 and 1998 are as follows:

[CAPTION]

<TABLE>

	Three months ended March 31,		
	1999	1998	Change
<S>	<S>	<S>	<S>
Revenue passengers carried	12,933,578	11,848,686	9.2%
Revenue passenger miles (RPMs) (000s)	8,046,484	6,898,847	16.6%
Available seat miles (ASMs) (000s)	12,392,978	11,270,174	10.0%
Load factor	64.9%	61.2%	3.7 pts
Average length of passenger haul	622	582	6.9%
Trips flown	202,546	195,177	3.8%
Average passenger fare	\$78.81	\$75.52	4.4%
Passenger revenue yield per RPM	12.67	12.97	(2.3)%
Operating revenue yield per ASM	8.68	8.36	3.8%
Operating expenses per ASM	7.33	7.37	(0.5)%
Fuel costs per gallon, excluding fuel tax	39.32	50.22	(21.7)%
Number of Employees at period-end	26,961	24,151	11.6%
Size of fleet at period-end	287	264	8.7%

Material Changes in Results of Operations

</TABLE>

Consolidated net income for the first quarter ended March 31, 1999 was \$95.8 million (\$.27 per share, diluted), as compared to first quarter 1998 net income of \$70.0 million (\$.20 per share, diluted), an increase of 36.9 percent. The prior year's earnings per share amounts have been restated for the 1998 three-for-two stock split (see Note 3 to the Condensed Consolidated Financial Statements).

First quarter 1999 consolidated operating revenues increased 14.1 percent compared to first quarter 1998 primarily due to a 13.9 percent increase in passenger revenues. The increase in passenger revenues primarily resulted from a 9.2 percent increase

in revenue passengers carried and a 16.6 percent increase in RPMs partially offset by a 2.3 percent decrease in passenger revenue yield per RPM ("passenger yield"). The slight decrease in passenger yield is primarily due to a 6.9 percent increase in average length of passenger haul compared to first quarter 1998, partially offset by a 4.4 percent increase in average passenger fare.

The increase in RPMs and a 10.0 percent increase in ASMs resulted in a load factor of 64.9 percent, or 3.7 points above first quarter 1998. The increase in ASMs resulted primarily from the net addition of 23 aircraft since first quarter 1998.

The load factor for April 1999 was 72.0 percent, compared to the April 1998 load factor of 68.3 percent. Management believes the higher load factor for April 1999 was primarily due to strong demand and promotional activity in late March 1999. Thus far, bookings for May and June are also good. (The immediately preceding sentence is a forward-looking statement which involves 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 decreased slightly in first quarter 1999 as compared to the same period in 1998 due to a decrease in U.S. mail revenue as the postal service continues to shift business away from commercial carriers. The Company expects the trend in decreasing U.S. Mail revenue to continue throughout 1999. Other revenues increased 37.2 percent in first quarter 1999 primarily due to increased revenues from the sale of frequent flyer segment credits to participating partners in the Company's Rapid Rewards frequent flyer program.

Operating expenses per ASM for first quarter 1999 decreased .5 percent to \$.0733, compared to \$.0737 for first quarter 1998, primarily due to a decline in average jet fuel prices, partially offset by higher profitsharing and Employee savings plan contributions and higher maintenance costs. Excluding jet fuel costs and related taxes, operating expenses per ASM were up 2.6 percent in first quarter 1999 when compared to first quarter 1998. Unit costs are expected to continue benefiting from lower fuel prices in second quarter 1999 versus second quarter 1998. Additionally, based on current trends, the Company expects nonfuel unit cost growth to recede in second quarter 1999 compared to the year-over-year growth experienced in first quarter 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.)

Southwest Airlines Co.
Operating Expenses per ASM
(in cents except percent change)

<TABLE>
<CAPTION>

	Three months ended March 31,			
	1999	1998	Inc/ (Dec)	Percent Change
<S>	<C>	<C>	<C>	<C>
Salaries, wages, and benefits	2.44	2.38	.06	2.5
Employee profitsharing and savings plans	.34	.27	.07	25.9
Fuel and oil	.69	.90	(.21)	(23.3)
Maintenance materials and repairs	.72	.63	.09	14.3
Agency commissions	.31	.34	(.03)	(8.8)
Aircraft rentals	.40	.45	(.05)	(11.1)
Landing fees and other rentals	.47	.45	.02	4.4
Depreciation	.46	.46	-	-
Other operating expenses	1.50	1.49	.01	.7
Total	7.33	7.37	(.04)	(.5)

</TABLE>

Salaries, wages, and benefits per ASM increased 2.5 percent in first quarter 1999 due primarily to increased health care and workers' compensation costs.

Profitsharing and Employee savings plan expenses per ASM increased 25.9 percent from first quarter 1998 to first quarter 1999, primarily due to increased earnings available for profitsharing in 1999.

Fuel and oil expense per ASM decreased 23.3 percent in first quarter 1999 due to a 21.7 percent decrease in the average jet fuel cost per gallon from the same period in 1998. The average price paid for jet fuel in first quarter 1999 was \$.3932 per gallon, compared to \$.5022 per gallon in first quarter 1998. Although jet fuel prices have increased since the end of first quarter 1999, (approximately \$.4870 per gallon for April, 1999, excluding the effects of the Company's hedging positions), the Company expects a year-over-year decrease in average jet fuel prices in second quarter 1999 due to fuel hedging positions entered into by the Company during fourth quarter 1998. The Company has hedged its exposure to fuel price increases for a significant portion of second quarter 1999 anticipated fuel requirements at prices below second quarter 1998. (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, the largely unpredictable levels of jet fuel prices.)

Maintenance materials and repairs per ASM increased 14.3 percent for first quarter 1999 compared to the same prior year period. This increase was primarily due to higher engine overhaul costs and an increase in outsourced routine maintenance due to temporary headcount shortages. The increase in engine maintenance was primarily related to the Company's 737-200 aircraft, which are not covered by the Company's maintenance contract with General Electric Engine Services, Inc.

Agency commissions per ASM decreased 8.8 percent for first quarter 1999 compared to first quarter 1998, primarily due to a decrease in the percentage of commissionable sales.

Aircraft rentals per ASM decreased 11.1 percent for first quarter 1999 compared to first quarter 1998 due to a lower percentage of the aircraft fleet being leased.

Landing fees and other rentals per ASM increased 4.4 percent for first quarter 1999 compared to first quarter 1998. Although landing fees were flat on a unit basis, other rental expense increased primarily due to the Company's expansion of facilities in several airports.

Depreciation expense per ASM was flat for first quarter 1999 compared to first quarter 1998. Although the Company experienced an increase in depreciation expense per ASM due to a higher percentage of owned aircraft, this increase was offset by an increase in the estimated useful lives of the Company's Boeing 737-300/500 aircraft from 20 years to 23 years. This change in accounting estimate was made January 1, 1999 and resulted in a decrease in depreciation expense of approximately \$6.4 million for first quarter 1999. This revision will result in similar savings for remaining 1999 periods when comparing to 1998.

Other expense (income) for first quarter 1999 included interest expense, capitalized interest, interest income, and other gains and losses. Interest expense decreased in first quarter 1999 primarily due to the February 1998 \$100 million repayment of 9 1/4% notes and less capital lease interest expense in first quarter 1999 than in first quarter 1998 due to the expiration of six aircraft capital leases. Five of the leased aircraft were purchased and one was converted to an operating lease. Capitalized interest increased 12.0 percent as a result of higher first quarter 1999 progress payment balances for scheduled future aircraft deliveries. Interest income decreased in first quarter 1999 due to lower invested cash balances. Other losses in first quarter 1999 resulted primarily from a write-down associated with the consolidation of certain software development projects; whereas other gains in first quarter 1998 primarily consisted of contractual penalties received from Boeing due to delays in the delivery of 737-700 aircraft.

Liquidity and Capital Resources

Net cash provided by operating activities was \$310.7 million for the three months ended March 31, 1999 and \$981.5 million for the 12 months then ended. Cash generated for the 12 months ended

March 31, 1999 was primarily used to finance aircraft-related capital expenditures, provide working capital, and repurchase approximately \$100 million of the Company's outstanding common stock. The Company completed this repurchase program during third quarter 1998, resulting in the repurchase of approximately 4.9 million post-split shares.

During the 12 months ended March 31, 1999, net capital expenditures were \$1,000.2 million, which primarily related to the purchase of 25 new 737-700 aircraft, three used 737-300 aircraft, five used 737-200 aircraft, and progress payments for future aircraft deliveries. The five 737-200 aircraft were previously on lease by Southwest prior to being purchased. During February 1998, the Company redeemed the \$100 million senior unsecured 9 1/4% Notes due February, 15, 1998 issued in February 1991.

The Company's contractual commitments consist primarily of scheduled aircraft acquisitions. The Company recently exercised options to purchase six Boeing 737-700 aircraft for accelerated delivery in the year 2000, and options for six additional Boeing 737-700 aircraft for accelerated delivery in late 2000 and early 2001. In addition, the Company has acquired two used Boeing 737-300s thus far in 1999. As of April 30, 1999, 26 737-700s are scheduled for delivery in the remainder of 1999, 31 in 2000, 23 in 2001, 21 in 2002, five in 2003, and five in 2004. In addition, the Company has options to purchase up to 62 737-700s during 2003-2006. 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 1999. Aggregate funding needed for fixed commitments at April 30, 1999 was approximately \$2,595 million 1999 due as follows: \$627.8 million in 1999; \$689.4 million in 2000; \$520.1 million in 2001; \$515.8 million in 2002; \$152.8 million in 2003; and \$89.1 million in 2004.

The Company has various options available to meet its capital and operating commitments, including cash on hand at March 31, 1999 of \$405.6 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 March 31, 1999). 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 during 1999 and 2000.

The Company began service to Islip, New York on Long Island on March 14, 1999 with daily nonstop service to Baltimore/Washington, Chicago Midway, Nashville, and Tampa Bay. The Company recently announced new service to Raleigh-Durham beginning June 6, 1999, with nonstop service to Baltimore/Washington, Chicago Midway, Tampa Bay, and Orlando.

Year 2000 Readiness Disclosure

The Year 2000 issue results from the fact that many computer programs were previously written using two digits rather than four to define the applicable year. Programs written in this way may recognize a date ending in "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing business delays and disruptions of operations. The Company is following an enterprise-wide Year 2000 program to take the necessary actions to become Year 2000 ready and ensure business continuity now and into the next century. This program encompasses information technology systems as well as embedded technology assets and an assessment of material third-party relationships and associated risks.

The Company's program consists of five phases: identification of all products, services, vendors, etc. to determine if they could potentially be affected by the Year 2000 issue; assessment includes the prioritization of each item according to its significance to the Company's operations and the determination of a strategy for remediation; remediation entails the execution of plans to make an item Year 2000 ready including replacement, modifying computer codes, retirement, or verification of whether or not an item has date codes; testing includes the validation of whether something is Year 2000 ready by using date simulation techniques; and implementation, which involves putting an item in use in the Company's operations.

FLIGHT SAFETY SYSTEMS The Company has completed all phases of its Year 2000 project as it relates to its aircraft fleet and onboard support systems. The Company does not believe there are any safety issues in regard to these systems and believes they are

Year 2000 ready. The Company also utilizes ground computer systems and equipment essential for the maintenance of aircraft and the management of flight operations. The identification, assessment, and remediation phases of the project with respect to these systems and equipment are essentially completed. The Company expects to complete testing and implementation of the majority of these items by mid-1999.

INTERNAL SYSTEMS The Company's critical internal systems include computer hardware, software, and related equipment for customer reservations, ticketing, flight and crew scheduling, revenue management, accounting functions, and payroll. Also included are non-information systems that support airport activities such as aircraft ground handling, bag handling, and security. Although some of these systems are still currently in the testing phase, the Company expects all vital and critical systems to be Year 2000 ready by mid-1999. Additionally, the Company has established procedures to review all new potential vital and critical hardware and software purchases to ensure they are Year 2000 ready.

The Company's non-information systems primarily include electrical systems, telephone systems, elevators, security systems, etc. For non-information systems, the Company has performed some internal testing, but has primarily relied on assurances received from original manufacturers or suppliers of those non-information systems where no date logic is involved.

THIRD PARTIES As part of its Year 2000 assessment, the Company must also consider the compliance of third parties with which the Company has a material relationship, namely its vendors and governmental agencies such as the Federal Aviation Administration ("FAA"). The Company has categorized its third party vendors with respect to their potential impact on Company operations in the event any such third party vendor has Year 2000 issues which are not dealt with on a timely basis. The Company is also identifying and assessing the impact of Year 2000 issues as they may affect the vendors' businesses (which, in turn, could affect the Company). The Company has made initial contacts with all of its material third party vendors and is in the process of evaluating their statements of Year 2000 compliance. The Company has utilized many different methods in obtaining assurances from third parties including questionnaires, written statements, obtaining publicly filed documents, etc., and continually updates information received as new data becomes available. The Company has also visited several of its vital and critical third party vendors for the sole purpose of observing Year 2000 testing and processes.

The Company is not aware of any Year 2000 issues within the FAA. The FAA has stated that all of their internal systems, as well as the airport systems for which it is responsible will be Year 2000 compliant by June 30, 1999. The airport systems, which are directly involved with air safety, include radar screens and radio transmissions, ground traffic control, airport weather reports, and remote radio beacons. In addition, the Company continues to work with other members of the Air Transport Association, the airline industry trade group, to share information and resources regarding vendors which are common to the entire industry.

In management's experience, it is not always possible to obtain written certification of Year 2000 compliance from third party vendors. Accordingly, in such cases, the Company is basing its assessment on its own testing, other materials made available by such vendors, and other publicly available information. The timetables disclosed are all based on the most recent information that has been made available to the Company, including oral and written assurances from third party vendors. The Company does not currently expect any material impact on its operations as a result of third party products; however, this expectation is based on the timeliness and accuracy of those assurances. The Company expects the evaluation and assessment of third parties will be an ongoing process through the balance of 1999.

YEAR 2000 COSTS The Company currently anticipates it will spend approximately \$16 million on Year 2000 compliance, of which approximately \$12.8 million has been spent through March 31, 1999 (\$1.8 million in first quarter 1999). The majority of the previously expensed amounts have been for third party Year 2000 consultants, full-time associates, and new hardware and software purchases. The Company also purchased Year 2000 hardware and software testing and data aging tools that it has utilized on internal systems. The majority of the remaining expense is expected to be for full-time associates dedicated to the Year 2000 compliance effort. All previous as well as future expenditures on Year 2000 compliance have or will be expensed as incurred from

operating cash flow.

RISK OF YEAR 2000 ISSUES The Company believes its project to ensure Year 2000 readiness will be completed in a timely manner and Year 2000 issues will not have a material adverse effect on operations. However, it is possible the Company's or third parties' systems and equipment could fail and result in the reduction or suspension of the Company's operations. This could in turn have a material adverse effect on the Company's operations. The Company has developed contingency plans to deal with situations that occur from time to time in the normal course of business, including weather emergencies, system and power outages, etc. The Company is in the process of augmenting those plans to include plans that deal with different Year 2000 scenarios the Company believes could possibly occur. The Company continues to work closely with each of the airports it serves to ensure all potential Year 2000 related issues are addressed in a timely manner. The Company is also in the process of business continuity planning to be utilized in the event any vendor cannot demonstrate to the Company, on a timely basis, its Year 2000 compliance. There can be no guarantee, however, that the Company's systems and equipment or third parties' systems and equipment on which Southwest relies will be Year 2000 ready in a timely manner or that contingency plans will mitigate the impact of any failure to complete plans in a timely manner.

The costs of the project, the dates on which the Company believes it will complete the Year 2000 modifications and assessments, and the Company's analysis of its risk in this area are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources. There can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area and the ability to locate and correct all relevant computer code, as well as the cooperation needed from third party vendors and others upon whom the Company must rely.

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, 1998.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company received a statutory notice of deficiency from the Internal Revenue Service (the "IRS") in which the IRS proposed to disallow 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. The IRS has proposed similar adjustments to the tax returns of numerous other members of the airline industry. In response to the statutory 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. It is expected that the Tax Court's decision will not be entered for several years. Management believes that the final resolution of this controversy will not have a materially adverse effect upon the results of operations of the Company.

Item 2. Changes in Securities and Use of Proceeds

Recent Sales of Unregistered Securities

During the first quarter of 1999, Herbert D. Kelleher exercised unregistered options to purchase Southwest Common Stock as follows:

Number of Shares

Date of

Purchased	Exercise Price	Exercise
303,750	\$1.00	1/15/99
75,938	\$1.321	1/15/99

The issuance of the above shares to Mr. Kelleher were deemed exempt from the registration provisions of the Securities Act of 1933, as amended (the "Act"), by reason of the provision of Section 4(2) of the Act because, among other things, of the limited number of participants in such transactions and the agreement and representation of Mr. Kelleher that he was acquiring such securities for investment and not with a view to distribution thereof. The certificates representing the shares issued to Mr. Kelleher contain a legend to the effect that such shares are not registered under the Act and may not be transferred except pursuant to a registration statement which has become effective under the Act or to an exemption from such registration. The issuance of such shares was not underwritten.

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

(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.

May 13, 1999
Date

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

INDEX TO EXHIBITS

Exhibit Number	Exhibit
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(27)	Financial Data Schedule
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[ARTICLE] 5
[CIK] 0000092380
[NAME] SOUTHWEST AIRLINES CO.
[MULTIPLIER] 1000

<TABLE>

<S>	<C>
[PERIOD-TYPE]	3-MOS
[FISCAL-YEAR-END]	DEC-31-1999
[PERIOD-START]	JAN-01-1999
[PERIOD-END]	MAR-31-1999
[CASH]	405,574
[SECURITIES]	0
[RECEIVABLES]	116,124
[ALLOWANCES]	0
[INVENTORY]	52,108
[CURRENT-ASSETS]	619,416
[PP&E]	5,994,498
[DEPRECIATION]	1,649,481
[TOTAL-ASSETS]	4,968,871
[CURRENT-LIABILITIES]	999,058
[BONDS]	0
[PREFERRED-MANDATORY]	0
[PREFERRED]	0
[COMMON]	335,937
[OTHER-SE]	2,174,061
[TOTAL-LIABILITY-AND-EQUITY]	4,968,871
[SALES]	0
[TOTAL-REVENUES]	1,075,571
[CGS]	0
[TOTAL-COSTS]	908,594
[OTHER-EXPENSES]	0
[LOSS-PROVISION]	0
[INTEREST-EXPENSE]	13,387
[INCOME-PRETAX]	156,102
[INCOME-TAX]	60,225
[INCOME-CONTINUING]	95,847
[DISCONTINUED]	0
[EXTRAORDINARY]	0
[CHANGES]	0
[NET-INCOME]	95,847
[EPS-PRIMARY]	0.29
[EPS-DILUTED]	0.27

</TABLE>