

FORM 8-K

Date of Report (Date of earliest event reported) February 25, 1997

TEXAS
(State or other jurisdiction of incorporation)

P. O. BOX 36611, LOVE FIELD, DALLAS, TEXAS 75235
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (214) 904-4000

Item 5. Other Events

On February 25, 1997, Southwest Airlines Co. entered into an underwriting agreement for the public offering of \$100 million of its 73/8% Debentures Due 2027. Closing of the transaction is expected to occur on February 28, 1997. The purpose of this report is to permit the registrant to file herewith those exhibits listed in Item 7(c) below.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits.

- 1.1. Terms Agreement dated February 25, 1997 between Southwest Airlines Co. and Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Brothers Inc (Annex A thereto entitled Southwest Airlines Co. Debt Securities, Underwriting Agreement--Basic Provisions, dated September 1, 1992, being incorporated by reference to Exhibit 1 to the registrant's Current Report on Form 8-K dated September 2, 1992).
- 4.1 Form of Global Security representing all 73/8% Debentures Due 2027.

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.
(Registrant)

By: /s/ Gary C. Kelly

Gary C. Kelly
Vice President - Finance and
Chief Financial Officer

Date: February 27, 1997

INDEX TO EXHIBITS

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Exhibit No.	Exhibit
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<S>	<C>
1.1.	Terms Agreement dated February 25, 1997 between Southwest Airlines Co. and Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Brothers Inc (Annex A thereto entitled Southwest Airlines Co. Debt Securities, Underwriting Agreement--Basic Provisions, dated September 1, 1992, being incorporated by reference to Exhibit 1 to the registrant's Current Report on Form 8-K dated September 2, 1992).
4.1	Form of Global Security representing all 73/8% Debentures Due 2027.

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SOUTHWEST AIRLINES CO.
DEBT SECURITIES
TERMS AGREEMENT

February 25, 1997

To: Southwest Airlines Co.
2702 Love Field Drive
Dallas, Texas 75235

Dear Sirs:

We understand that Southwest Airlines Co., a Texas corporation (the "Company"), proposes to issue and sell \$100,000,000 aggregate principal amount of debt securities. On behalf of the Underwriters named in Schedule I hereto (the "Underwriters"), and subject to the terms and conditions set forth herein or incorporated by reference herein, we hereby offer to purchase such Securities.

The Securities to be purchased by the Underwriters, which are to be issued under an Indenture dated as of February 25, 1997 between the Company and U.S. Trust Company of Texas, N.A., as Trustee, shall have the following terms:

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Title:	73/8% Debentures Due 2027
Principal amount to be issued:	\$100,000,000
Date of maturity:	March 1, 2027
Interest rate:	73/8% per annum
Interest payment dates:	March 1 and September 1 of each year, beginning September 1, 1997, in immediately available funds
Public offering price:	99.639%, plus accrued interest from February 28, 1997
Purchase price:	98.764%, plus accrued interest from February 28, 1997 (payable in same-day funds)
Redemption provisions:	Redeemable, at the option of the Company, in whole at any time or in part from time to time, at a redemption price equal to the greater of (i) 100% of their principal amount and (ii) the sum of the present values of the remaining scheduled payments of principal and interest

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	thereon discounted to the date of redemption, on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), at the Treasury Rate (as defined) plus 20 basis points, plus accrued interest thereon to the date of redemption.
Defeasance:	Yes
Delayed Delivery Contracts:	None
Book-entry arrangements:	Authorized
Underwriters' counsel:	Vinson & Elkins L.L.P., Houston, Texas
Closing date and location:	February 28, 1997, at the offices of the Company, 2702 Love Field Drive, Dallas, Texas
Current ratings:	Moody's Investor Service -- A3 Standard & Poor's -- A- Duff & Phelps -- A-

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All of the provisions contained in the document entitled "Southwest Airlines Co. Debt Securities, Underwriting Agreement--Basic Provisions," dated as of September 1, 1992, a copy of which is attached hereto as Annex A, are herein incorporated by reference in their entirety, except to the extent inconsistent herewith, and shall be deemed to be a part of this Terms Agreement to the same extent as if such provisions had been set forth in full herein. Terms defined in such document are used herein as therein defined, except that the references therein to the Indenture dated as of June 21, 1991 shall be deemed to be the Indenture as defined in this Terms Agreement and the registration statement on Form S-3 (No. 33-50930) referred to therein shall be deemed to be the Company's registration statement on Form S-3 (No. 33-59113). The Underwriters severally agree, subject to the terms and provisions of this Terms Agreement, including the terms and provisions incorporated by reference herein, to purchase from the Company the respective principal amounts of Securities set forth opposite their names in Schedule I hereto.

The Company and the Underwriters acknowledge that Vinson & Elkins L.L.P., which is acting as counsel to the Underwriters in connection with the offer and sale of the Securities, also acts as counsel from time to time to the Company in connection with unrelated matters. The Company and the Underwriters consent to such firm's so acting as counsel to the Underwriters and as counsel to the Company.

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Any notice by the Company to the Underwriters pursuant to this Terms Agreement shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication addressed to the Underwriters c/o Lehman Brothers Inc., 3 World Financial Center, 200 Vesey Street, New York, New York 10285.

Please accept this offer by signing a copy of this Terms Agreement in the space set forth below and returning the signed copy to us.

LEHMAN BROTHERS INC.
MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
SALOMON BROTHERS INC

By: Lehman Brothers Inc.

By: /s/ Peter Wexler

Title: Managing Director

Accepted:

SOUTHWEST AIRLINES CO.

By: /s/ Gary C. Kelly

Title: Vice President & CEO

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SCHEDULE I

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UNDERWRITER

PRINCIPAL
AMOUNT

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Lehman Brothers Inc.....	\$ 33,400,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	33,300,000
Salomon Brothers Inc.....	33,300,000

Total.....	\$100,000,000
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THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND, EXCEPT IN SUCH LIMITED CIRCUMSTANCES, MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR OF THE DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

SOUTHWEST AIRLINES CO.

73/8% DEBENTURES DUE 2027

NO. GS-1

CUSIP #844741 AN 8

Southwest Airlines Co., a corporation duly organized and existing under the laws of Texas (herein called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of ONE HUNDRED MILLION DOLLARS on March 1, 2027, and to pay interest thereon from February 28, 1997 or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, semi-annually in arrears on March 1 and September 1 (an "Interest Payment Date") in each year, commencing September 1, 1997, at the rate of 73/8% per annum, until the principal hereof is fully paid or made available for full payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions provided in such Indenture, be paid to the person in whose name this Security is registered on the Security register or registers of the Company at the close of business on February 15 or August 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

Payment of the principal of and interest on this Security will be made at the office or agency of the Company maintained for that purpose in Dallas, Texas, in such immediately available funds of the United States of America as at the time of payment are legal tender for payment of public and private debts.

Reference is hereby made to the further provisions of this Security set forth below, which further provisions shall for all purposes have the same effect as if set forth in this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to below by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: February 28, 1997

SOUTHWEST AIRLINES CO.

By: _____

Vice President - Finance and
Chief Financial Officer

ATTEST:

- -----
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

U.S. TRUST COMPANY OF TEXAS, N.A.,
as Trustee

By

Authorized Signatory

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This Security is one of a duly authorized issue of debt securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of February 25, 1997 (herein called the "Indenture"), between the Company and U.S. Trust Company of Texas, N.A., as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Company, the Trustee and the holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is a Global Security representing the entire principal amount of the series designated on the initial page hereof, limited in aggregate principal amount to \$100,000,000.

The Securities of this series are not subject to any sinking fund.

The Securities of this series shall be redeemable, at the option of the Company, in whole at any time or in part from time to time, on at least 30 days but not more than 60 days' prior notice mailed to the registered address of each holder of Securities to be so redeemed, at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities to be so redeemed plus accrued interest thereon to the date of redemption and (ii) the sum of the present values of the remaining scheduled payments of principal of the Securities to be so redeemed and interest thereon discounted to the date of redemption, on a semi-annual basis (assuming a 360-day per year consisting of twelve 30-day months), at the Treasury Rate (as defined herein) plus 20 basis points plus accrued interest thereon to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Securities of this series to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Securities. "Independent Investment Banker" means the Reference Treasury Dealer.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, the average of the Reference Treasury Dealer Quotations for such redemption date. "Reference Treasury Dealer Quotations" means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted

in writing to the Trustee by the Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"Reference Treasury Dealer" means Lehman Brothers Inc. and its successors; provided, however, that if Lehman Brothers Inc. shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

The Indenture contains provisions for defeasance of the entire indebtedness of the Securities of this series upon compliance by the Company with certain conditions set forth therein.

If an Event of Default with respect to the Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66 2/3% in aggregate principal amount of the Securities at the time outstanding of all series to be affected (voting as one class), evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Securities of each such series; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of any interest thereon, or reduce any amount payable on redemption thereof or impair or affect the right of any Securityholder to institute suit for payment thereof, without the consent of the holder of each Security so affected, or (ii) reduce the percentage of aggregate principal amount of Securities of any series or of all series (voting as one class), as the case may be, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all outstanding Securities of each such series so affected.

This Global Security shall be exchangeable for Securities of this series registered in the names of persons other than the Depositary for such Global Security or its nominee only as provided in this paragraph. This Global Security shall be so exchangeable if (x) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for this Global Security or if at any time such Depositary ceases to be a clearing agency registered as such under the Securities Exchange Act of 1934, and the Company fails to appoint a successor Depositary for this Global Security within 90 days after the Company receives such notice or becomes aware of such event, (y) the Company executes and delivers to the Trustee written instructions that this Global Security shall be so exchangeable or (z) there shall have occurred and be continuing an Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default with respect to the Securities of this series. Securities so issued in exchange for this Global Security shall be of the same series and of like tenor, in authorized denominations and in the aggregate having the same principal amount as this Global Security and registered in such names as the Depositary for such Global Security shall direct.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security register or registers of the Company, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security registrar, duly executed by the registered holder hereof or its attorney duly authorized in writing, and thereupon on or more new Securities of this series, and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. At the date of the Indenture such agency of the Company is located at U.S. Trust Company of Texas, N.A., 2001 Ross Avenue, Suite 2700, Dallas, Texas 75201.

No service charge shall be made for any such exchange or registration of transfer, but the Company or the Securities registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of

transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary. All payments made to or upon the order of such registered holder shall, to the extent of the sum or sums paid, effectually satisfy and discharge liability for moneys payable on this Security.

All terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of Texas.