FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

SOUTHWEST PARTNERS III L P
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SIC: **1311** Crude petroleum & natural gas

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FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[x] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2003

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 Number 000-24181

Southwest Partners III, L.P.
(Exact name of registrant as specified in its limited partnership agreement)

Delaware	75-2699554
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
407 N. Big Spring, Suite 300, Midland, Texas	79701
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code (915) 686-9927

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

limited partnership interests

Indicate by check mark whether registrant (1) has filed 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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No X

The registrant's outstanding securities consist of Units of limited partnership interests for which there exists no established public market from which to base a calculation of aggregate market value.

The total number of pages contained in this report is 31. The exhibits begin on page 29.

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Part I

Item 1. Business

General

Southwest Partners III, L.P., a Delaware limited partnership (the "Partnership") was organized March 11, 1997 to invest in oil field service companies and assets. The Partnership's business strategy was to acquire interests in oil field service companies and assets with a view to providing capital appreciation in the value of the Partnership's units of limited partnership interest (the "Units"). The Partnership concluded its acquisition of oil field service company assets in December 1997.

Private Placement

From March 15, 1997 to June 30, 1997, the Partnership originally conducted a "blind pool" offering of the Units in accordance with Regulation D promulgated under the Securities Act (the "Private Placement"). On July 1, 1997, the Partnership amended the offering, which was concluded on September 30, 1997, to invest the entire proceeds in the common stock of Basic Energy Services, Inc. ("Basic"), an oil field service company affiliated with the General Partner. A total of 170.92511 Units were sold to 525 Investors for an aggregate net price of $17,092,510. The Partnership invested a total of $17,054,500 (including the capital contribution of the General Partner) in 2,005 shares of Basic's common stock.

On May 21, 2001, Basic issued a Notice to Stockholders of Preemptive Rights. The Partnership purchased an additional 19,000 shares of common stock at $380,000.

On February 13, 2002, Basic sold 600,000 shares of common stock to a group of related investors. Based on this transaction, the Partnerships ownership percentage was diluted from 6.32% to 5.39%.

Basic's Board of Directors according to the Supplemental Warrant Agreement awarded all holders of EBITDA Contingent Warrants 50% of the maximum warrants that could have been earned, if the financial goals of Basic were achieved. The Partnership exercised their warrants on May 5, 2003 and purchased 50,632 shares of stock for $.01 per share. The Partnership at December 31, 2003 owned a total of 6.39%, or 270,132 shares of Basic's outstanding common stock.

The General Partner

The general partner of the Partnership is Southwest Royalties, Inc. (the "General Partner"). The General Partner was formed in 1983 to acquire and develop oil and gas properties. The General Partner initially financed the acquisition of oil and gas reserves and its exploration and development efforts through public and private limited partnership offerings. The General Partner has raised approximately $115 million in 31 public and private limited partnership offerings. The General Partner is a general partner of these limited partnerships, owns interests in these partnerships and receives management fees and operating cost reimbursements from such partnerships. Since its inception, The General Partner, on behalf of itself and the investment partnerships, has acquired over $320 million of oil and gas properties, primarily in the Permian Basin of West Texas and New Mexico.

The principal executive offices of the Partnership are located at 407 N. Big Spring, Suite 300, Midland, Texas, 79701. The General Partner of the Partnership, and its staff of 81 individuals, together with certain independent consultants used on an "as needed" basis, perform various services on behalf of the Partnership. The Partnership has no employees.

The Partnership

The sole business of the Partnership is holding Basic stock. The Partnership has no employees and has no operations, except through Basic.

Basic Energy Services, Inc.

Basic provides a broad range of services used for the drilling, completion and operation of oil and gas wells, including well servicing, liquids handling and fresh and brine water supply and disposal services. Basic provides services in its areas of operation in Texas, New Mexico, Oklahoma and Louisiana. These services are used by oil and gas companies to complete newly drilled oil and gas wells, maintain and optimize the performance of existing wells, recomplete wells to additional producing zones and plug and abandon wells at the end of their useful lives. Basic's well servicing and fluid service equipment fleets includes well servicing rigs and fluid service trucks.

Basic uses its well servicing rigs to provide completion, maintenance, workover and plugging and abandonment services. Basic's related trucking services are used to move large equipment to and from the job sites of its customers. Basic also provides an integrated mix of liquids handling services, including vacuum truck services, frac tank rentals, test tank rentals and Enviro-Vat system rentals. Basic's fresh and brine water supply and disposal services include the production and sale of fresh and brine water which is used in drilling, completion and workover processes, as well as operation of injection wells that dispose of produced salt water and incidental non-hazardous oil field wastes. Basic also provides certain other well services, including pit lining services and hot oil services.

Environmental
Hazards in the operation of oil field service companies, such as employee injuries on the job site and accidental petroleum or waste spills, are sometimes encountered. Such hazards may cause substantial liabilities to third parties or governmental entities, the payment of which could reduce ultimately the funds available for distribution. Although it is anticipated that customary insurance will be obtained, the Partnership may be subject to liability for pollution and other damages due to hazards, which cannot be insured against or will not be insured against due to prohibitive premium costs or for other reasons. Environmental regulatory matters also could increase the cost of doing business or require the modification of operations in certain areas. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated.

Industry Regulations and Guidelines
Certain industry regulations and guidelines apply to the registration, qualification and operation of limited partnerships. The Partnership is subject to these guidelines, which regulate and restrict transactions between the General Partner and the Partnership. The Partnership complies with these guidelines and the General Partner does not anticipate that continued compliance would have a material adverse effect on Partnership operations.

Partnership Employees
The Partnership has no employees; however the General Partner has a staff of geologists, engineers, accountants, landmen and clerical staff who engage in Partnership activities and operations and perform additional services for the Partnership as needed. In addition to the General

Partner's staff, the Partnership engages independent consultants such as petroleum engineers and geologists as needed. As of December 31, 2003 there were 81 individuals directly employed by the General Partner in various capacities.

Item 2. Properties

The Partnership does not currently own or lease any property. The Partnership operates from the offices of its General Partner in Midland, Texas.

Basic's corporate office is located in Midland, Texas, which complements the core of its operations in the Permian Basin of West Texas and eastern New Mexico ("the Permian Basin"). Within the Permian Basin, Basic owns and leases field offices. Additionally, Basic has field offices in South Texas, East Texas and Oklahoma.

Basic's well servicing equipment fleet includes well servicing rigs, fluid service trucks, Enviro-Vat systems and frac and test tanks. Additionally, the Company operates injection wells and fresh or brine water stations. Basic uses its well servicing rigs to provide completion, maintenance, workover and plugging and abandonment services. Basic's related trucking services are used to move large equipment to and from the job sites of its customers as well as provide an integrated mix of liquids handling services, including vacuum truck services, frac tank rentals, test tank rentals and Enviro-Vat system rentals. Basic's fresh and brine water supply and disposal services include the production and sale of fresh and brine water which is used in drilling, completion and workover processes, as well as operation of injection wells that dispose of produced salt water and incidental non-hazardous oil field wastes.

Basic believes it has satisfactory title to all of its properties in accordance with standards generally accepted within the well servicing industry.

Item 3. Legal Proceedings

The Partnership is not currently involved in any legal proceeding nor is it party to any pending or threatened claims that could reasonably be expected to have a material adverse effect on its financial condition or results of operations.

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

No matter was submitted to a vote of security holders during the fourth quarter of 2003 through the solicitation of proxies or otherwise.

Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

There is no trading market for the Units, and it is unlikely that a trading market will exist at any time in the future. The Partnership does not have any units (i) that are subject to outstanding options or warrants to purchase, or securities convertible into, common equity of the Partnership, (ii) that could be sold pursuant to Rule 144 under the Securities Act or that we have agreed to register under the Securities Act for sale by security holders, or (iii) that are being, or have been publicly proposed to be, publicly offered by the Partnership, the offering of which could have a material effect on the market price of the limited partnership units. Any transfer of the Units is severely restricted by certain conditions outlined in the Partnership Agreement and requires the consent of the General Partner.

There have been no cash distributions to the Limited Partners to date. In general, the Partnership expects to reinvest all cash flow received from operations and does not expect to make distributions until liquidation of the Partnership. The following is a summary of certain allocation provisions of the Partnership Agreement and is qualified in its entirety by reference to the Partnership Agreement, which was filed as an Exhibit to the partnership's Form 10, filed April 1998. Any distributions of cash flow, income, gain, profit, or loss will be allocated 85% to the Limited Partners and 15% to the General Partner in accordance with their capital accounts until the Limited Partners have recovered, through cumulative distributions 100% of their capital contributions plus a 10% cumulative (but not compounded) return. Thereafter, distributions will be made 75% to the Limited Partners and 25% to the General Partner.

The revenues generated and capital appreciation, if any, from the Partnership's investment in Basic is highly dependent upon the future prices and demand for oil and gas in that the level of use of oil field services and equipment is directly related to the amount of activity in the oil fields. In addition, investments in oil field service companies, while presenting significant potential for capital appreciation, may take from four to seven years from the date of initial investment to reach such a state of maturity that disposition can be considered. Thus, it is anticipated that capital gains or losses typically will take two to five years or longer to realize. In view of these factors, it is unlikely that any significant distributions of the proceeds from the disposition of investments will be made until such time. The Partnership's investment in Basic will generate little, if any, current income.

The General Partner has the right, but not the obligation in accordance with the obligations set forth in the partnership agreement, to purchase limited partnership units should an investor desire to sell. The investor must give written notice of intentions to dispose of their units to the General Partner along with the nature and terms of the proposed disposition. The notice shall be deemed to constitute an offer to sell the units to the General Partner. The General Partner has 15 days from the date of the offer to indicate in writing to the investor its decision as to whether it will purchase all or any of the offered units.

Issuer Purchases of Equity Securities

Period(1)	Total Number of Units Purchased	Average Price Paid Per Unit	Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Value) of Units that May Yet Be Purchased Under the Plans or Programs
October 1-31, 2003	-	$ -	-	N/A
November 1-30, 2003	-	-	-	N/A
December 1-31, 2003	-	-	-	N/A
TOTALS	-	$ -		

(1) In January 2003, the General Partner purchased a total of 0.25 limited partner units from limited partners at an average base price of $100,000 per unit. As of December 31, 2002, no limited partner units were purchased by the General Partner. As of December 31, 2001 the General Partner purchased 0.15 limited partner units for $13,950. These discretionary repurchases were made based upon the partnership agreement criteria.

Number of Limited Partner Interest Holders

As of December 31, 2003, there were 524 holders of limited partner units in the Partnership.

Distributions

Pursuant to Section 4.1 of the Partnership's Certificate and Agreement of Limited Partnership, "Net Cash From Operations and Net Cash From Sales or Refinancings" shall be distributed, at such times as the General Partner may determine in its sole discretion. "Net Cash From Operations" is defined as "the gross cash proceeds from Partnership operations less the portion thereof used to pay or establish reasonable reserves for all Partnership expenses, fees, commissions, debt payments, new investments, capital improvements, replacements, repairs and contingencies, and such other purposes deemed appropriate, all as determined by the General Partner." "Net Cash From Sales or Refinancings" is defined as "the net cash proceeds from all sales and other dispositions (other than in the ordinary course of business) and all refinancings of Partnership Property, less any portion thereof used to establish reserves, all as determined by the General Partner. There have been no cash distributions to date.

Item 6. Selected Financial Data

The following selected financial data for the years ended December 31, 2003, 2002, 2001, 2000 and 1999 should be read in conjunction with the financial statements included in Item 8:

	Years ended December 31,				
	2003	2002	2001	2000	1999
Revenues	$ 103	220	4,021	11,403	11,164
Equity loss in unconsolidated subsidiary	-	-	-	-	(2,005,000)
Net loss	(10,755)	(5,611)	(1,643)	(63,169)	(2,120,433)
Partners' share of net loss:					
General partner	(1,613)	(842)	(246)	(9,475)	(318,065)
Limited partners	(9,142)	(4,769)	(1,397)	(53,694)	(1,802,368)
Limited partners' net loss per unit	(53)	(28)	(8)	(314)	(10,545)
Total assets	$ 404,931	404,828	408,120	404,112	392,709

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Southwest Partners III, L.P.

General
Southwest Partners III, L.P. was organized as a Delaware limited partnership on March 11, 1997. The Partnership was formed for the purpose of investing in Basic Energy Services, Inc., an oilfield service company which provides services and products to oil and gas operators for the workover, maintenance and plugging of existing oil and gas wells in the southwestern United States.

The Partnership intends to wind up its operations and distribute its assets or the proceeds therefrom on or before December 31, 2008, at which time the Partnership's existence will terminate, unless sooner terminated or extended in accordance with the terms of the Partnership agreement. As of December 31, 2003, the Partnership owned a 6.39% interest in Basic, which is accounted for using the cost method of accounting.

Results of Operations
For the year ended December 31, 2003

Revenues
Revenues consisted of interest income. The surplus cash remaining before and after the May 21, 2001 additional investment in Basic generated interest income of $103.

Expenses
Direct expenses totaled $10,858 for the year, relating to general and administrative. General and administrative expenses primarily represent independent accounting fees incurred to perform quarterly reviews and the annual audit of the Partnership.

Results of Operations
For the year ended December 31, 2002

Revenues
Revenues consisted of interest income. The surplus cash remaining before and after the May 21, 2001 additional investment in Basic generated interest income of $220.

Expenses
Direct expenses totaled $5,831 for the year, relating to general and administrative. General and administrative expenses primarily represent independent accounting fees incurred to audit the Partnership.

Revenue and Distribution Comparison

Partnership losses for the years ended December 31, 2003, 2002 and 2001 were $10,755, $5,611 and $1,643, respectively. Since inception of the

Partnership, no cash distributions have been made to the partners.

Liquidity and Capital Resources

Cash flows provided by (used in) operating activities were approximately $103 in 2003 compared to $(3,292) in 2002 and approximately $4,008 in 2001. Cash flows provided by operating activities for 2003 represent interest income.

Cash flows used in investing activities were approximately $500 in 2003. There were no cash flows used in investing activities during 2002. Cash flows used in investing activities were approximately $380,000 in 2001.

There were no cash flows used in financing activities during 2003, 2002 and 2001.

The Partnership as of December 31, 2003 has negative working capital of $334,510, which includes a payable to the General Partner of $358,936. The Partnership does not generate operating income and has no current means of settling the liability to the General Partner, but believes the fair value of its assets are sufficient to meet their current obligations if necessary. The General Partner, should it become necessary, has agreed to either extend the payment terms until the Partnership can comfortably pay the balance or make other mutually acceptable arrangements to settle the payable by transfer, sale or assignment of Partnership assets.

Liquidity - Investment in Subsidiary

Southwest Partners III consist entirely of an investment in Basic's common stock. The investment had been accounted for using the equity method. Based on the December 21, 2000 transaction discussed below, the Partnership accounted for the investment using the cost method. Southwest Partners III no longer holds a 20% or more interest in Basic and exerts no significant influence over Basic's operations.

On December 21, 2000, Basic entered into a refinancing and restructuring of its debt and equity. Upon the signing of the documents, the Partnership's percentage of ownership was diluted from 44.94% to 10.57%. A new equity investor, in exchange for 1,441,730 shares of Basic's common stock, purchased and retired $24.5 million of Basic's debt from its previous lender. The equity investor received a 76% ownership. Additionally, $10.5 million of the debt held by the previous lender was refinanced with a new lender. The remaining debt held by the previous lender of approximately $21.7 million was cancelled.

Basic's new equity investor mentioned in the above paragraphs purchased an additional 576,709 shares, during the first part of 2001, thereby increasing their ownership from 76% to 81.6%. As a result of the purchase, the Partnership's ownership decreased at that time from 10.57% to 8.11%.

On May 21, 2001, Basic issued a Notice to Stockholders of Preemptive

Rights. The Partnership purchased an additional 19,000 shares of common stock at $380,000.

On February 13, 2002, Basic sold 600,000 shares of common stock to a group of related investors. Based on this transaction, the Partnerships ownership percentage was diluted from 6.32% to 5.39%.

Basic's Board of Directors according to the Supplemental Warrant Agreement awarded all holders of EBITDA Contingent Warrants 50% of the maximum warrants that could have been earned, if the financial goals of Basic were achieved. The Partnership exercised their warrants on May 5, 2003 and purchased 50,632 shares of stock for $.01 per share. The Partnership at December 31, 2003 owned a total of 6.39%, or 270,132 shares of Basic's outstanding common stock.

Liquidity - General Partner

As of December 31, 2003, the Managing General Partner is in violation of several covenants pertaining to their Amended and Restated Revolving Credit Agreement due June 1, 2006 and their Senior Second Lien Secured Credit Agreement due October 15, 2008. Due to the covenant violations, the Managing General Partner is in default under their Amended and Restated Revolving Credit Agreement and the Senior Second Lien Secured Credit Agreement, and all amounts due under these agreements have been classified as a current liability on the Managing General Partner's balance sheet at December 31, 2003. The significant working capital deficit and debt being in default at December 31, 2003, raise substantial doubt about the Managing General Partner's ability to continue as a going concern.

Subsequent to December 31, 2003, the Board of Directors of the Managing General Partner announced its decision to explore a merger, sale of the stock or other transaction involving the Managing General Partner. The Board has formed a Special Committee of independent directors to oversee the sales process. The Special Committee has retained independent financial and legal advisors to work closely with the management of the Managing General Partner to implement the sales process. There can be no assurance that a sale of the Managing General Partner will be consummated or what terms, if consummated, the sale will be on.

Critical Accounting Policies

The Partnership used the cost method of accounting for its investment in Basic since December 21, 2000. Prior to December 21, 2000 the Partnership used the equity method of accounting for the investment. Under the cost method of accounting the Partnership recognizes as income dividends received that are distributed from net accumulated earnings of an investee subsequent to the date of acquisition of the investment. The Partnership would recognize a loss when there is a loss in value in the investment, which is other than a temporary decline. In its assessment of value the Partnership considers future cash flows either in the form of dividends or other distributions from the investee or from selling it's investment to an unrelated party.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Partnership is not a party to any derivative or embedded derivative instruments.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

INDEPENDENT AUDITORS' REPORT

The Partners
Southwest Partners III, L.P.
(A Delaware Limited Partnership):

We have audited the accompanying balance sheets of Southwest Partners III, L.P. (the "Partnership") as of December 31, 2003 and 2002, and the related statements of operations, changes in partners' equity and cash flows for each of the years in the three year period ended December 31, 2003. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Partners III, L.P. as of December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Midland, Texas
March 19, 2004, except as to Note 8, which is as of May 3, 2004

Southwest Partners III, L.P.
(a Delaware limited partnership)
Balance Sheets
December 31, 2003 and 2002

		2003	2002
Assets			
Current asset:			
Cash and cash equivalents	$	24,425	24,828
Total current assets		24,425	24,828
Investment		380,506	380,000

Total assets	$	404,931	404,828

Liabilities and Partners' Equity

Current liabilities:			
Payable to General Partner	$	358,935	348,077
Total current liabilities		358,935	348,077
Partners' equity:			
General Partner		(909,926)	(908,313)
Limited partners		955,922	965,064
Total partners' equity		45,996	56,751
	$	404,931	404,828

The accompanying notes are an integral part of these financial statements.

Southwest Partners III, L.P.
(a Delaware limited partnership)
Statements of Operations

Years Ended December 31, 2003, 2002 and 2001

	2003	2002	2001
Revenues			
Interest income	$ 103	220	4,021
	103	220	4,021
Expenses			
General and administrative	10,858	5,831	5,664
	10,858	5,831	5,664
Net loss	$ (10,755)	(5,611)	(1,643)
Net loss allocated to:			
General Partner	$ (1,613)	(842)	(246)
Limited partners	$ (9,142)	(4,769)	(1,397)
Per limited partner unit	$ (53)	(28)	(8)

The accompanying notes are an integral part of these financial statements.

Southwest Partners III, L.P.
(a Delaware limited partnership)
Statement of Changes in Partners' Equity
Years Ended December 31, 2003, 2002 and 2001

		General Partner	Limited Partners	Total
Balance - December 31, 2000	$	(907,225)	971,230	64,005
Net loss		(246)	(1,397)	(1,643)
Balance - December 31, 2001		(907,471)	969,833	62,362
Net loss		(842)	(4,769)	(5,611)
Balance - December 31, 2002		(908,313)	965,064	56,751
Net loss		(1,613)	(9,142)	(10,755)
Balance - December 31, 2003	$	(909,926)	955,922	45,996

The accompanying notes are an integral part of these financial statements.

Southwest Partners III, L.P.
(a Delaware limited partnership)
Statements of Cash Flows
Years Ended December 31, 2003, 2002 and 2001

	2003	2002	2001
Cash flows from operating activities:			
Paid to suppliers	$ -	(3,512)	(13)
Interest received	103	220	4,021
Net cash provided by (used in) operating activities	103	(3,292)	4,008
Cash flows from investing activities:			
Purchase of Basic Investment	(506)	-	(380,000)
Net decrease in cash and cash equivalents	(403)	(3,292)	(375,992)
Beginning of period	24,828	28,120	404,112

End of period	$ 24,425	24,828	28,120
Reconciliation of net loss to net cash (used in) provided by operating activities:			
Net loss	$ (10,755)	(5,611)	(1,643)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Increase in accounts payable	10,858	2,319	5,651
Net cash provided by (used in) operating activities	$ 103	(3,292)	4,008

The accompanying notes are an integral part of these financial statements.

Southwest Partners III, L.P.
(a Delaware limited partnership)

Notes to Financial Statements

1. Organization

Southwest Partners III, L.P. (the "Partnership") was organized under the laws of the state of Delaware on March 11, 1997 for the purpose of investing in or acquiring oil field service companies' assets. The Partnership intends to wind up its operations and distribute its assets or the proceeds therefrom on or before December 31, 2008, at which time the Partnership's existence will terminate, unless sooner terminated or extended in accordance with the terms of the Partnership Agreement. Southwest Royalties, Inc., a Delaware corporation formed in 1983, is the General Partner of the Partnership. Revenues, costs and expenses are allocated as follows:

	Limited Partners	General Partner
Interest income on capital contributions	(1)	(1)
All other revenues	85%	15%
Organization and offering costs	100%	-
Syndication costs	100%	-
Amortization of organization costs	100%	-
Gain or loss on property disposition	85%	15%
Operating and administrative costs	85%	15%
All other costs	85%	15%

After payout, allocations will be seventy-five (75%) to the limited partners and twenty-five (25%) to the General Partner. Payout is when the limited partners have received an amount equal to one hundred ten percent (110%) of their limited partner capital contributions.

(1) Interest earned on promissory notes related to Capital Contributions is allocated to the specific holders of those notes.

Method of Allocation of Administrative Costs

For the purpose of allocating Administrative Costs, the General Partner will allocate each employee's time among three divisions: (1) operating partnerships; (2) corporate activities; and (3) currently offered or proposed partnerships. The General Partner determines a percentage of total Administrative Costs per division based on the total allocated time per division and personnel costs (salaries) attributable to such time. Within the operating partnership division, Administrative Costs are further allocated on the basis of the total capital of each partnership invested in its operations.

2. Summary of Significant Accounting Policies

Investment

Investment in Basic Energy Services, Inc. in which the Partnership had a 6.39% interest at December 31, 2003, is accounted for by the cost method. Southwest Partners III no longer holds a 20% or more interest in Basic and exerts no significant influence over Basic's operations. Under the cost method of accounting the Partnership recognizes as income dividends received that are distributed from net accumulated earnings of an investee subsequent to the date of acquisition of the investment. The Partnership would recognize a loss when there is a loss in value in the investment, which is other than a temporary decline. In its assessment of value the Partnership considers future cash flows either in the form of dividends or other distributions from the investee or from selling it's investment to an unrelated party. Prior to December 2000, the Partnership accounted for the investment on the equity method.

Estimates and Uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Southwest Partners III, L.P.
(a Delaware limited partnership)

Notes to Financial Statements

2. Summary of Significant Accounting Policies - continued

Syndication Costs

Syndication costs are accounted for as a reduction of partnership equity.

Income Taxes

No provision for income taxes is reflected in these financial statements, since the tax effects of the Partnership's income or loss are passed through to the individual partners.

In accordance with the requirements of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," the Partnership's tax basis in its assets is $17,054,500 and $17,054,500 more, as of December 31, 2003 and 2002 as that shown on the accompanying Balance Sheet in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Partnership considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Partnership maintains its cash at one financial institution.

Number of Limited Partner Units

There were 170.93 limited partner units outstanding as of December 31, 2003, held by 524 partners.

Concentrations of Credit Risk

All partnership revenues are received by the General Partner and subsequently remitted to the partnership and all expenses are paid by the General Partner and subsequently reimbursed by the partnership.

Fair Value of Financial Instruments
The carrying amount of cash approximates fair value due to the short maturity of these instruments.

Net loss per limited partnership unit
The net loss per limited partnership unit is calculated by using the number of outstanding limited partnership units.

3. Liquidity - Partnership
The Partnership as of December 31, 2003 has negative working capital of $334,510, which includes a payable to the General Partner of $358,936. The Partnership does not generate operating income and has no current means of settling the liability to the General Partner, but believes the fair value of its assets are sufficient to meet their current obligations if necessary. The General Partner, should it become necessary, has agreed to either extend the payment terms until the Partnership can comfortably pay the balance or make other mutually acceptable arrangements to settle the payable by transfer, sale or assignment of Partnership assets.

4. Liquidity - General Partner
As of December 31, 2003, the Managing General Partner is in violation of several covenants pertaining to their Amended and Restated Revolving Credit Agreement due June 1, 2006 and their Senior Second Lien Secured Credit Agreement due October 15, 2008. Due to the covenant violations, the Managing General Partner is in default under their Amended and Restated Revolving Credit Agreement and the Senior Second Lien Secured Credit Agreement, and all amounts due under these agreements have been classified as a current liability on the Managing General Partner's balance sheet at December 31, 2003. The significant working capital deficit and debt being in default at December 31, 2003, raise substantial doubt about the Managing General Partner's ability to continue as a going concern.

Subsequent to December 31, 2003, the Board of Directors of the Managing General Partner announced its decision to explore a merger, sale of the stock or other transaction involving the Managing General Partner. The Board has formed a Special Committee of independent directors to oversee the sales process. The Special Committee has retained independent financial and legal advisors to work closely with the management of the Managing General Partner to implement the sales process. There can be no assurance that a sale of the Managing

General Partner will be consummated or what terms, if consummated, the sale will be on.

5. Investment

Common stock ownership in Basic Energy Services, Inc. was as follows:

December 31, 1997 to March 31, 1999	45.89%
March 31, to December 21, 2000	44.94%
December 21, 2000 to December 31, 2000	10.57%
January 1, 2001 to May 20, 2001	8.11%
May 21, 2001 to February 13, 2002	6.32%
February 14, 2002 to May 4, 2003	5.39%
May 5, 2003 to December 31, 2003	6.39%

Southwest Partners III consist entirely of an investment in Basic's common stock. The investment had been accounted for using the equity method. Based on the December 21, 2000 transaction discussed below, the Partnership changed its accounting for the investment to the cost method. Southwest Partners III no longer holds a 20% or more interest in Basic and exerts no significant influence over Basic's operations.

On December 21, 2000, Basic entered into a refinancing and restructuring of its debt and equity. Upon the signing of the documents, the Partnership's percentage of ownership was diluted from 44.94% to 10.57%. A new equity investor, in exchange for 1,441,730 shares of Basic's common stock, purchased and retired $24.5 million of Basic's debt from its previous lender. The equity investor received a 76% ownership. Additionally, $10.5 million of the debt held by the previous lender was refinanced with a new lender. The remaining debt held by the previous lender of approximately $21.7 million was cancelled.

Basic's new equity investor mentioned in the above paragraphs purchased an additional 576,709 shares, during the first part of 2001, thereby increasing their ownership from 76% to 81.6%. As a result of the purchase, the Partnership's ownership decreased at that time from 10.57% to 8.11%.

On May 21, 2001, Basic issued a Notice to Stockholders of Preemptive Rights. The Partnership purchased an additional 19,000 shares of common stock at $380,000.

5. Investment - continued

On February 13, 2002, Basic sold 600,000 shares of common stock to a group of related investors. Based on this transaction, the Partnerships ownership percentage was diluted from 6.32% to 5.39%.

Basic's Board of Directors according to the Supplemental Warrant Agreement awarded all holders of EBITDA Contingent Warrants 50% of the maximum warrants that could have been earned, if the financial goals of Basic were achieved. The Partnership exercised their warrants on May 5, 2003 and purchased 50,632 shares of stock for $.01 per share. The Partnership at December 31, 2003 owned a total of 6.39%, or 270,132 shares of Basic's outstanding common stock.

6. Commitments and Contingent Liabilities

As a marketing incentive, brokers who sold in excess of one Unit received three percent (3%) of the Partnership liquidation proceeds which are distributed to the General Partner in proportion to the dollar amount of Units sold by each such broker; provided, however that no broker shall receive such interest unless the Partnership has returned to the Limited Partners 100% of their Limited Partner Capital Contribution plus a 10% cumulative (but not compounded) return at the time of liquidation. As of December 31, 1998, there were 13 such brokers who sold in excess of one Unit qualifying for the special distribution.

The Partnership is subject to various federal, state and local environmental laws and regulations, which establish standards and requirements for protection of the environment. The Partnership cannot predict the future impact of such standards and requirements, which are subject to change and can have retroactive effectiveness. The Partnership continues to monitor the status of these laws and regulations.

As of December 31, 2003, the Partnership has not been fined, cited or notified of any environmental violations and management is not aware of any unasserted violations, which would have a material adverse effect upon capital expenditures, earnings or the competitive position in the oil field service industry.

7. Related Party Transactions

Accounts payable to the General Partner at December 31, 2003 and 2002 totaled $358,935 and $348,077 and primarily represents management fees billed in previous years.

8. Subsequent Event

Subsequent to December 31, 2003, the Managing General Partner announced that its Board of Directors had decided to explore a merger or sale of the stock of the Company. The Board formed a Special Committee of independent directors to oversee the sale process. The Special Committee retained independent financial and legal advisors to work closely with management to implement the sale process.

On May 3, 2004, the Managing General Partner entered into a cash merger agreement to sell all of its stock to Clayton Williams Energy, Inc. The cash merger price is being negotiated, but is expected to be approximately $45 per share. The transaction, which is subject to approval by the Managing General Partner's shareholders, is expected to close no later than May 21, 2004.

9. Selected Quarterly Financial Results - (unaudited)

		Quarter			
		First	Second	Third	Fourth
2003:					
Total revenues	$	27	27	25	24
Total expenses		1,267	8,007	2,823	(1,239)
Net income (loss)		(1,240)	(7,980)	(2,798)	1,263
Net income (loss) per limited partner unit		(6)	(40)	(14)	7
2002:					
Total revenues	$	61	63	60	36
Total expenses		1,223	1,419	1,929	1,260
Net loss		(1,162)	(1,356)	(1,869)	(1,224)
Net loss per limited partner unit		(6)	(7)	(9)	(6)

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures
As of the year ended December 31, 2003, H.H. Wommack, III, President and Chief Executive Officer of the Managing General Partner, and Bill E. Coggin, Executive Vice President and Chief Financial Officer of the Managing General Partner, evaluated the effectiveness of the Partnership's disclosure controls and procedures. Based on their evaluation, they believe that:

> The disclosure controls and procedures of the Partnership were effective in ensuring that information required to be disclosed by the Partnership in the reports it files or submits under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and

> The disclosure controls and procedures of the Partnership were effective in ensuring that material information required to be disclosed by the Partnership in the report it filed or submitted under the Exchange Act was accumulated and communicated to the Managing General Partner's management, including its President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting
There has not been any change in the Partnership's internal control over financial reporting that occurred during the year ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, it internal control over financial reporting.

Part III

Item 10. Directors and Executive Officers of the Registrant

Management of the Partnership is provided by Southwest Royalties, Inc., as General Partner. The names, ages, offices, positions and length of service of the directors and executive officers of Southwest Royalties, Inc. are set forth below. Each director and executive officer serves for a term of one year.

Name	Age	Position
H. H. Wommack, III	48	Chairman of the Board, President, Director and Chief Executive Officer
James N. Chapman(1)	41	Director
William P. Nicoletti(2)	58	Director
Joseph J. Radecki, Jr. (2)	45	Director

Richard D. Rinehart(1)	68	Director
John M. White(2)	48	Director
Herbert C. Williamson, III(1)	55	Director
Bill E. Coggin	49	Executive Vice President and Chief Financial Officer
J. Steven Person	45	Vice President, Marketing

(1) Member of the Compensation Committee

(2) Member of the Audit Committee

H. H. Wommack, III has served as Chairman of the Board, President, Chief Executive Officer and a director since Southwest's founding in 1983. Since 1997 Mr. Wommack has served as President, Chief Executive Officer and Chairman of SRH, Southwest's former parent and current holder of 10% of its voting share capital. SRH holds an equity investment in Southwest and in Basic Energy Services. Since 1997 Mr. Wommack has served as chairman of the board of directors of Midland Red Oak Realty, Inc. Midland Red Oak Realty owns and manages commercial real estate properties, including shopping centers and office buildings, in secondary real estate markets in the Southwestern United States. From 1997 until December 2000, Mr. Wommack served as chairman of the board of directors of Basic Energy Services, Inc. and since December 2000 has continued to serve on Basic's board of directors. Basic provides certain well services for oil and gas companies. Prior to Southwest's formation, Mr. Wommack was a self-employed independent oil and gas producer engaged in the purchase and sale of royalty and working interests in oil and gas leases and the drilling of wells. Mr. Wommack graduated from the University of North Carolina at Chapel Hill and received his law degree from the University of Texas.

James N. Chapman has served as a director since April 19, 2002. Mr. Chapman is associated with Regiment Capital Advisors, LLC, which he joined in January 2003. Prior to Regiment, Mr. Chapman acted as a capital markets and strategic planning consultant with private and public companies, as well as hedge funds, across a range of industries. Prior to establishing an independent consulting practice, Mr. Chapman worked for The Renco Group, Inc. from December 1996 to December 2001. Prior to Renco, Mr. Chapman was a founding principal of Fieldstone Private Capital Group in August 1990. Prior to joining Fieldstone, Mr. Chapman worked for Bankers Trust Company from July 1985 to August 1990, most recently in the BT Securities capital markets area. Mr. Chapman serves as a member of the board of directors of Anchor Glass Container Corporation, Davel Communications, Inc., Coinmach Corporation, as well as a number of private companies.

William P. Nicoletti has served as a director since April 19, 2002. Mr. Nicoletti is Managing Director of Nicoletti & Company Inc., an investment banking and financial advisory firm he founded in 1991. He was previously a senior officer and head of the Energy Investment Banking Groups of E. F. Hutton & Company Inc. and Paine Webber, Incorporated. From March 1998 until June 1990 he was a managing director and co-head of Energy Investment

Banking at McDonald Investments Inc. Mr. Nicoletti is a director and Chairman of the Audit Committee of Star Gas Partners, L.P., the nation's largest retail distributor of home heating oil and a major retail distributor of propane gas. He is also a director of MarkWest Energy Partners, L.P., a business engaged in the gathering and processing of natural gas and the fractionation and storage of natural gas liquids, and Russell-Stanley Holdings, Inc., a manufacturer and marketer of steel and plastic industrial containers. Mr. Nicoletti is a graduate of Seton Hall University and received an MBA degree from Columbia University Graduate School of Business.

Joseph J. Radecki, Jr. has served as a director since April 19, 2002. Mr. Radecki is currently a Managing Director in the Leveraged Finance Group of CIBC World Markets where he is principally responsible for the firm's financial restructuring and distressed situation advisory practice. Prior to joining CIBC World Markets in 1998, Mr. Radecki was an Executive Vice President and Director of the Financial Restructuring Group of Jefferies & Company, Inc. beginning in 1990. From 1983 until 1990, Mr. Radecki was First Vice President in the International Capital Markets Group at Drexel Burnham Lambert, Inc., where he specialized in financial restructurings and recapitalizations. Over the past fourteen years, Mr. Radecki has been integrally involved in over 120 transactions totaling nearly $50 billion in recapitalized securities. Mr. Radecki currently serves as a Director of RBX Corporation, a manufacturer of rubber and plastic foam and other polymer products. He previously served as a Director of Wherehouse Entertainment, Inc., a music and video specialty retailer, as Chairman of the Board of American Rice, Inc., an international rice miller and marketer, as a member of the Board of Directors of Service America Corporation, a national food service management firm, Bucyrus International, Inc., a mining equipment manufacturer, and ECO-Net, a non-profit engineering related network firm. Mr. Radecki graduated magna cum laude in 1980 from Georgetown University with a B.A. in Government.

Richard D. Rinehart has served as a director since April 19, 2002. Mr. Rinehart is a founding principal of PetroCap, Inc. and president of Kestrel Resources, Inc. PetroCap, Inc. provides investment and merchant banking services to a variety of clients active in the oil and gas industry. Kestrel Resources, Inc. is a privately owned oil and gas operating company. He served as Director of Coopers & Lybrand's Energy Systems and Services Division prior to the founding of Kestrel Resources, Inc. in 1992. Prior to joining Coopers & Lybrand, he was chief executive officer/founder of Dawn Information Resources, Inc., formed in 1986 and acquired by Coopers & Lybrand in early 1991. Mr. Rinehart served as CEO of Terrapet Energy Corporation during the period 1982 through 1986. Prior to the formation of Terrapet in 1982, he was employed as President of the Terrapet Division of E.I. DuPont de Nemours and Company. Before its acquisition by DuPont, he served as CEO and President of Terrapet Corp., a privately owned E & P company. Before the formation of Terrapet Corp. in 1972, he was manager of supplementary recovery methods and senior evaluation engineer with H. J. Gruy and Associates, Inc., Dallas, Texas.

John White has served as a director since April 19, 2002. Mr. White became an equity analyst for Harris Nesbitt Gerard following the acquisition by BMO Financial Group in 2003. He had joined BMO Nesbitt Burns in 1998, responsible for high yield research on oil, gas and energy companies. Previously, Mr. White worked at John S. Herold, Inc., an independent oil and gas research and consulting firm, where he was responsible for fixed income research on the oil and gas industry. His prior experience also included four years managing a portfolio of oil and gas loans for The Bank of Nova Scotia. Before entering financial services, Mr. White was with BP, where he worked in exploration and production for seven years. At BP, his experience was primarily in the basins of the Mid-Continent and Rocky Mountain regions. Mr. White is a graduate of The University of Oklahoma.

Herbert C. Williamson, III has served as a director since April 19, 2002. At present, Mr. Williamson is self-employed as a consultant. From March 2001 to March 2002 Mr. Williamson served as an investment banker with Petrie Parkman & Co. From April 1999 to March 2001 Mr. Williamson served as chief financial officer and from August 1999 to March 2001 as a director of Merlon Petroleum Company, a private oil and gas company involved in exploration and production in Egypt. Mr. Williamson served as executive vice president, chief financial officer and director of Seven Seas Petroleum, Inc., a publicly traded oil and gas exploration company, from March 1998 to April 1999. From 1995 through April 1998, he served as director in the Investment Banking Department of Credit Suisse First Boston. Mr. Williamson served as vice chairman and executive vice president of Parker and Parsley Petroleum Company, a publicly traded oil and gas exploration company (now Pioneer Natural Resources Company) from 1985 through 1995.

Bill E. Coggin has served as Vice President and Chief Financial Officer since joining the Managing General Partner in 1985. Previously, Mr. Coggin was Controller for Rod Ric Corporation, an oil and gas drilling company, and for C.F. Lawrence & Associates, a large independent oil and gas operator. Mr. Coggin received a B.S. in Education and a B.A. in Accounting from Angelo State University.

J. Steven Person has served as Vice President, Marketing since joining the Managing General Partner in 1989. Mr. Person began in the investment industry with Dean Witter in 1983. Prior to joining the Managing General Partner, Mr. Person was a senior wholesaler with Capital Realty, Inc. While at Capital Realty, he was involved in the syndication of mortgage based securities through the major brokerage houses. Mr. Person received a B.B.A. degree from Baylor University and an M.B.A. from Houston Baptist University.

Key Employees

Jon P. Tate, age 46, has served as Vice President, Land and Assistant

Secretary of the Managing General Partner since 1989. From 1981 to 1989, Mr. Tate was employed by C.F. Lawrence & Associates, Inc., an independent oil and gas company, as land manager. Mr. Tate is a member of the Permian Basin Landman's Association.

R. Douglas Keathley, age 48, has served as Vice President, Operations of the Managing General Partner since 1992. Before joining us, Mr. Keathley worked as a senior drilling engineer for ARCO Oil and Gas Company and in similar capacities for Reading & Bates Petroleum Co. and Tenneco Oil Co.

Code of Ethics

Neither the Partnership nor the Managing General Partner has adopted a code of ethics for employees, or any principal executive officers, principal financial officers, principal accounting officers or the Board of Directors of the Managing General Partner. The Board of the Managing General Partner believes that the Partnership's existing internal control procedures and current business practices are adequate to promote ethical conduct and to deter wrongdoing on the part of these executives. The Managing General Partner of the Partnership intends to implement during 2004 a code of ethics that will apply to these executives. In accordance with applicable SEC rules, the code of ethics will be made publicly available.

Audit Committee

The current members of the Audit Committee of the Managing General Partner are William P. Nicoletti, John M. White and Joseph J. Radecki, Jr. The Board of Directors of the Managing General Partner has determined that Mr. Nicoletti, the Chairman of the Audit Committee, meets the definition of an "audit committee financial expert" under Item 401(h)(2) of Regulation S-K and has also determined that all of the members of the Audit Committee, including Mr. Nicoletti, meet the independence requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Item 11. Executive Compensation

The Partnership does not have any directors or executive officers. The executive officers of the General Partner do not receive any cash compensation, bonuses, deferred compensation or compensation pursuant to any type of plan, from the Partnership.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

There are no limited partners who own of record, or are known by the General Partner to beneficially own, more than five percent of the Partnership's limited partnership interests.

The General Partner owns a 15 percent interest in the Partnership as a general partner. Through repurchase, the General Partner also owns 0.40

limited partner units, a 0.20% limited partner interest. The General Partner's total percentage interest ownership in the Partnership is 15.20%.

No officer or director of the General Partner directly owns units in the Partnership. The officers and directors of the General Partner are considered beneficial owners of the limited partner units acquired by the General Partner by virtue of their status as such. A list of beneficial owners of limited partner units, known to the General Partner, is as follows:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Limited Partnership Interest	Southwest Royalties, Inc. Managing General Partner 407 N. Big Spring Street Midland, TX 79701	Directly Owns 0.40 Units	0.20%
Limited Partnership Interest	H. H. Wommack, III Chairman of the Board, President, and CEO of Southwest Royalties, Inc., the Managing General Partner 407 N. Big Spring Street Midland, TX 79701	Indirectly Owns 0.40 Units	0.20%

There are no arrangements known to the General Partner, which may at a subsequent date result in a change of control of the Partnership.

Item 13. Certain Relationships and Related Transactions

The General Partner contributed $1,692,698, which entitled it to receive 100% of the Partnership's general partner interest. The general partner interest entitles the General Partner to 15% interest in the Partnership. See "Item 5."

In 2003, the General Partner received no administrative fees. The General Partner ceased to charge the Partnership for administrative fees effective July 31, 2000.

The Partnership originally invested primarily all of the proceeds of the Private Placement in 2,005 shares 45.9% of Basic common stock. On May 21, 2001, Basic issued a Notice to Stockholders of Preemptive Rights. The Partnership purchased an additional 19,000 shares of common stock at $380,000. The Partnership at December 31, 2003 owns a total of 6.39%, or 270,132 shares of Basic's outstanding common stock.

In the opinion of management, the terms of the above transactions are similar to ones with unaffiliated third parties.

Item 14. Principal Accountant Fees and Services

The following table presents fees for professional audit services rendered by KPMG, LLP for the audit of the Partnership's annual financial statements for the years ended December 31, 2003 and 2002 and fees billed for other services rendered by KPMG during those periods.

For the Year Ended December 31,	2003	2002
Audit Fees	$8,630	$ 4,763
Audit Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
TOTAL	$8,630	$ 4,763

The Audit Committee of the Managing General Partner reviewed and approved, in advance, all audit and non-audit services provided by KPMG, LLP.

Part IV

Item 15. Exhibits, Financial Statements Schedules and Reports on Form 8-K

(a)(1) Financial Statements:

Southwest Partners III, L.P. Financial Statements

Included in Part II Item 8 of this report -
Independent Auditors Report
Balance Sheets
Statements of Operations
Statement of Changes in Partners' Equity
Statements of Cash Flows
Notes to Financial Statements

(2) Schedules required by Article 12 of Regulation S-X are either omitted because they are not applicable or because the required information is shown in the financial statements or the notes thereto.

(3) Exhibits:

4 (a) Certificate of Limited Partnership of Southwest Partners III, L.P., dated March 11, 1997. (Incorporated by reference from Partnership's Form 10-K for the fiscal year ended December 31, 1998).

(b) Agreement of Limited Partnership of Southwest Partners III, L.P., dated March 11, 1997. (Incorporated by reference from Partnership's Form 10-K for the fiscal year ended December 31, 1998).

31.1 Rule 13a-14(a)/15d-14(a) Certification

31.2 Rule 13a-14(a)/15d-14(a) Certification

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

There were no reports filed on Form 8-K during the quarter ended December 31, 2003.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Partnership has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Southwest Partners III, L.P.
a Delaware limited partnership

By:
Southwest Royalties, Inc.,

General Partner

By: /s/ H. H. Wommack, III

H. H. Wommack, III, President

Date: May 12, 2004

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ H. H. Wommack, III

H. H. Wommack, III, Chairman of the Board, President, Director and Chief Executive Officer

Date: May 12, 2004

/s/ Bill E. Coggin

Bill E. Coggin, Executive Vice President and Chief Financial Officer

Date: May 12, 2004

/s/ William P. Nicoletti

William P. Nicoletti, Director

/s/ James N. Chapman

James N. Chapman, Director

Date: May 10, 2004	Date: May 12, 2004
/s/ Richard D. Rinehart	/s/ Joseph J. Radecki, Jr.
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Richard D. Rinehart, Director	Joseph J. Radecki, Jr., Director
Date: May 12, 2004	Date: May 12, 2004
/s/ Herbert C. Williamson, III	
----------------------------- -------------------	------------------------ -----------------------
Herbert C. Williamson, III, Director	John M. White, Director
Date: May 11, 2004	Date:

SECTION 302 CERTIFICATION Exhibit 31.1

I, H.H. Wommack, III, certify that:

1. I have reviewed this annual report on Form 10-K of Southwest Partners III, L.P.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 12, 2004

/s/ H.H. Wommack, III
H. H. Wommack, III
Chairman, President and Chief Executive
Officer
of Southwest Royalties, Inc., the
Managing General Partner of
Southwest Partners III, L.P.

SECTION 302 CERTIFICATION Exhibit 31.2

I, Bill E. Coggin, certify that:

1. I have reviewed this annual report on Form 10-K of Southwest Partners III, L.P.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 12, 2004

/s/ Bill E. Coggin
Bill E. Coggin
Executive Vice President
and Chief Financial Officer of
Southwest Royalties, Inc., the
Managing General Partner of
Southwest Partners III, L.P.

Exhibit 32.1

CERTIFICATION PURSUANT TO
19 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Southwest Partners III, L.P. (the "Company") on Form 10-K for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H.H. Wommack, III, Chief Executive Officer of the Managing General Partner of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 12, 2004

/s/ H.H. Wommack, III
H. H. Wommack, III
Chairman, President, Director and Chief Executive Officer
of Southwest Royalties, Inc., the
Managing General Partner of
Southwest Partners III, L.P.

Exhibit 32.2

CERTIFICATION PURSUANT TO
19 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Southwest Partners III, L.P. (the "Company") on Form 10-K for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bill E. Coggin, Chief Financial Officer of the Managing General Partner of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 12, 2004

/s/ Bill E. Coggin
Bill E. Coggin
Executive Vice President
and Chief Financial Officer of
Southwest Royalties, Inc., the
Managing General Partner of
Southwest Partners III, L.P.