

UNIT CORP

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2000
OR

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

For the transition period from _____ to _____

[Commission File Number 1-9260]

UNIT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 73-1283193

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1000 Kensington Tower I,
7130 South Lewis,
Tulsa, Oklahoma 74136

(Address of principal executive offices)(Zip Code)

(918) 493-7700

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year,
if changed since last report)

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 No

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

Common Stock, \$.20 par value	35,721,725
-----	-----
Class	Outstanding at August 7, 2000

FORM 10-Q
UNIT CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

	December 31, 1999	June 30, 2000
	-----	-----
	(Restated, See Note 1)	
	(In thousands)	
ASSETS		

Current Assets:		
Cash and cash equivalents	\$ 2,647	\$ 688
Accounts receivable	22,070	28,872
Other	5,769	5,059
	-----	-----
Total current assets	30,486	34,619
	-----	-----
Property and Equipment:		
Total Cost	500,703	520,149
Less accumulated depreciation, depletion, amortization and impairment	241,649	254,932
	-----	-----
Net property and equipment	259,054	265,217
	-----	-----
Other Assets	6,027	7,606
	-----	-----
Total Assets	\$ 295,567	\$ 307,442
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Current portion of long-term liabilities and debt	\$ 2,027	\$ 1,816
Accounts payable	14,682	17,646
Accrued liabilities	8,875	8,191
	-----	-----
Total current liabilities	25,584	27,653
	-----	-----
Long-Term Debt	67,239	60,700
	-----	-----
Other Long-Term Liabilities	2,325	3,449
	-----	-----
Deferred Income Taxes	20,914	26,355
	-----	-----
Shareholders' Equity:		
Preferred stock, \$1.00 par value, 5,000,000 shares authorized, none issued	-	-
Common stock, \$.20 par value, 40,000,000 and 75,000,000 shares authorized, 35,641,307 and 35,721,725 shares issued, respectively	7,128	7,146
Capital in excess of par value	139,207	139,764
Retained earnings	33,170	42,375
	-----	-----
Total shareholders' equity	179,505	189,285
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 295,567	\$ 307,442
	=====	=====

The accompanying notes are an integral part of the consolidated condensed financial statements.

UNIT CORPORATION AND SUBSIDIARIES CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)				
	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	2000	1999	2000
	(Restated, See Note 1)		(Restated, See Note 1)	
	(In thousands except per share amounts)			
Revenues:				
Contract drilling	\$ 10,539	\$ 24,596	\$ 22,370	\$ 46,344
Oil and natural gas	9,600	18,921	18,356	33,650
Other	356	70	395	820
Total revenues	20,495	43,587	41,121	80,814
Expenses:				
Contract drilling:				
Operating costs	9,838	19,864	20,252	37,933
Depreciation and amortization	1,449	2,768	2,811	5,309
Oil and natural gas:				
Operating costs	3,607	4,662	7,128	8,638
Depreciation, depletion and amortization	3,973	4,413	8,412	8,585
General and Administrative	1,408	1,545	2,800	3,024
Interest	1,267	1,259	2,525	2,601
Total expenses	21,542	34,511	43,928	66,090
Income (Loss) Before Income Taxes	(1,047)	9,076	(2,807)	14,724
Income Tax Expense (Benefit):				
Current	(11)	46	(17)	78
Deferred	(380)	3,403	(1,015)	5,441
Total income				

taxes	(391)	3,449	(1,032)	5,519
	-----	-----	-----	-----
Net Income (Loss)	\$ (656)	\$ 5,627	\$ (1,775)	\$ 9,205
	=====	=====	=====	=====
Net Income (Loss) Per Common Share:				
Basic	\$ (.02)	\$.16	\$ (.06)	\$.26
	=====	=====	=====	=====
Diluted	\$ (.02)	\$.16	\$ (.06)	\$.26
	=====	=====	=====	=====

The accompanying notes are an integral part of the consolidated condensed financial statements.

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UNIT CORPORATION AND SUBSIDIARIES		
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)		
Six Months Ended		
June 30,		
	1999	2000
	-----	-----
	(Restated,	
	See Note 1)	
	(In thousands)	
Cash Flows From Operating Activities:		
Net income (loss)	\$ (1,775)	\$ 9,205
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation, depletion, and amortization	11,480	14,081
Deferred tax expense	(1,015)	5,441
Other	66	(187)
Changes in operating assets and liabilities increasing (decreasing) cash:		
Accounts receivable	773	(6,802)
Accounts payable	2,953	3,439
Other - net	358	(90)
	-----	-----
Net cash provided by operating activities	12,840	25,087
	-----	-----
Cash Flows From (Used In) Investing Activities:		
Capital expenditures	(12,592)	(20,939)
Proceeds from disposition of assets	805	1,421
Other-net	(66)	(364)
	-----	-----
Net cash used in investing activities	(11,853)	(19,882)
	-----	-----
Cash Flows From (Used In) Financing Activities:		
Net borrowings (payments) under line of credit	(155)	(6,539)
Net payments of notes payable and other long-term debt	(118)	(308)
Proceeds from stock	47	133
Book overdrafts	-	(450)
	-----	-----
Net cash used in financing activities	(226)	(7,164)
	-----	-----

Net Increase (Decrease) in Cash and Cash Equivalents	761	(1,959)
Cash and Cash Equivalents, Beginning of Year	688	2,647
	-----	-----
Cash and Cash Equivalents, End of Period	\$ 1,449	\$ 688
	=====	=====

The accompanying notes are an integral part of the consolidated condensed financial statements.

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UNIT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTSNOTE 1 - BASIS OF PREPARATION AND PRESENTATION

The accompanying unaudited consolidated condensed financial statements include the accounts of the Company and its wholly owned subsidiaries and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. As applicable under these regulations, certain information and footnote disclosures have been condensed or omitted and the consolidated condensed financial statements do not include all disclosures required by generally accepted accounting principles. In the opinion of the Company, the unaudited consolidated condensed financial statements contain all adjustments necessary (all adjustments are of a normal recurring nature) to present fairly the interim financial information.

On March 20, 2000, the Company acquired, by merger, Questa Oil and Gas Co. ("Questa") in a transaction accounted for as a pooling of interests. In accordance with the pooling of interest method of accounting permitted by Accounting Principles Board Opinion No. 16 "Business Combinations", all prior period consolidated condensed financial statements presented have been restated to include the accounts of Questa. In addition, the combined financial results presented include conforming adjustments to restate Questa's historical financial results from the successful efforts method of accounting for oil and natural gas properties to the full cost method, which is the method utilized by the Company.

Results for the three and six month periods ended June 30, 2000 are not necessarily indicative of the results to be realized during the full year. The condensed financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1999. Our independent accountants have performed a review of the 2000 interim financial statements in accordance with standards established by the American Institute of Certified Public Accountants. Pursuant to Rule 436(c) under the Securities Act of 1933 their report of that review should not be considered as part of any registration statements prepared or certified by them within the meaning of Section 7 and 11 of that Act.

NOTE 2 - EARNINGS PER SHARE

The following data shows the amounts used in computing earnings (loss) per share for the Company.

	INCOME (NUMERATOR)	WEIGHTED SHARES (DENOMINATOR)	PER-SHARE AMOUNT
	-----	-----	-----
For the Three Months Ended June 30, 1999:			
Basic earnings (loss) per common share	\$ (656,000)	27,564,000	\$ (0.02)
			=====
Effect of dilutive stock options	-	-	
	-----	-----	
Diluted earnings (loss) per common share	\$ (656,000)	27,564,000	\$ (0.02)
	=====	=====	=====
For the Three Months Ended June 30, 2000:			
Basic earnings per common share	\$ 5,627,000	35,719,000	\$ 0.16
			=====
Effect of dilutive stock options	-	431,000	
	-----	-----	
Diluted earnings per common share	\$ 5,627,000	36,150,000	\$ 0.16
	=====	=====	=====

The following options and their average exercise prices were not included in the computation of diluted earnings per share for the three months ended June 30, 1999 because the options are not dilutive due to the net loss and for the three months ended June 30, 2000 the option exercise prices were greater than the average market price of common shares:

	1999	2000
	-----	-----
Options	844,000	17,500
	=====	=====
Average exercise price	\$ 4.36	\$ 12.19
	=====	=====

	INCOME (NUMERATOR)	WEIGHTED SHARES (DENOMINATOR)	PER-SHARE AMOUNT
	-----	-----	-----
For the Six Months Ended June 30, 1999:			
Basic earnings (loss)			

per common share	\$ (1,775,000)	27,527,000	\$ (0.06)
			=====
Effect of dilutive stock options	-	-	
	-----	-----	
Diluted earnings (loss) per common share	\$ (1,775,000)	27,527,000	\$ (0.06)
	=====	=====	=====
For the Six Months Ended June 30, 2000:			
Basic earnings per common share	\$ 9,205,000	35,722,000	\$ 0.26
			=====
Effect of dilutive stock options	-	364,000	
	-----	-----	
Diluted earnings per common share	\$ 9,205,000	36,086,000	\$ 0.26
	=====	=====	=====

The following options and their average exercise prices were not included in the computation of diluted earnings per share for the six months ended June 30, 1999 because the options are not dilutive due to the net loss and for the six months ended June 30, 2000 the option exercise prices were greater than the average market price of common shares:

	1999	2000
Options	844,000	20,000
	=====	=====
Average exercise price	\$ 4.36	\$ 12.08
	=====	=====

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NOTE 3 - MERGER WITH QUESTA

On March 20, 2000, the Company completed a merger with Questa Oil and Gas Co. under which Questa became a wholly owned subsidiary of the Company. In the merger each of Questa's outstanding shares of common stock (excluding treasury shares) was converted into .95 shares of Unit Corporation's common stock. The Company issued approximately 1.8 million shares as a result of the merger. The merger has been accounted for as a pooling of interests with the financial statements of the Company restated to include the results of Questa for all periods presented.

The results of operations for each company and the combined amounts

presented in Unit Corporation's consolidated condensed financial statements are as follows:

	Six Months Ended June 30, 1999	Three Months Ended June 30, 1999	Three Months Ended March 31, 2000
	-----	-----	-----
	(In Thousands)		
Revenues:			
Unit Corporation	\$ 39,176	\$ 19,479	\$ 35,807
Questa	1,945	1,016	1,420
	-----	-----	-----
Combined	\$ 41,121	\$ 20,495	\$ 37,227
	=====	=====	=====
Net Income:			
Unit Corporation	\$ (2,148)	\$ (874)	\$ 3,095
Questa	373	218	483
	-----	-----	-----
Combined	\$ (1,775)	\$ (656)	\$ 3,578
	=====	=====	=====

Questa's net income has been adjusted by \$55,000 in the first six months of 1999, \$28,000 in the second quarter of 1999 and \$12,000 in the first quarter of 2000 to restate Questa's financial statements to the full cost method of accounting used by the Company.

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NOTE 4 - NEW ACCOUNTING PRONOUNCEMENTS

On June 15, 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), as subsequently amended by FAS 137 and 138. FAS 133 is now effective for all fiscal quarters of fiscal years beginning after June 15, 2000 (January 1, 2001 for Unit). FAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. We anticipate that, based on the nature of our use of derivative instruments, the adoption of FAS 133 will not have a significant effect on our results of operations or financial position.

NOTE 5 - INDUSTRY SEGMENT INFORMATION

The Company has two business segments: Contract Drilling and Oil and Natural Gas, representing its two strategic business units offering different products and services. The Contract Drilling segment provides land contract drilling of oil and natural gas wells and the Oil and Natural Gas segment is engaged in the development, acquisition and production of oil and natural gas properties. The Company evaluates the performance of its operating segments based on operating income, which is defined as operating revenues less operating expenses and depreciation, depletion and amortization. The Company has natural gas production in Canada which is not significant. Information regarding the Company's operations by industry segment for the three and six month periods ended June 30, 1999 and 2000 are as follows:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	2000	1999	2000

	(In thousands)			
Revenues:				
Contract drilling	\$ 10,539	\$ 24,596	\$ 22,370	\$ 46,344
Oil and natural gas	9,600	18,921	18,356	33,650
Other	356	70	395	820

Total revenues	\$ 20,495	\$ 43,587	\$ 41,121	\$ 80,814
	=====			
Operating Income (1):				
Contract drilling	\$ (748)	\$ 1,964	\$ (693)	\$ 3,102
Oil and natural gas	2,020	9,846	2,816	16,427

Total operating Income	1,272	11,810	2,123	19,529
General and administrative expense	(1,408)	(1,545)	(2,800)	(3,024)
Interest expense	(1,267)	(1,259)	(2,525)	(2,601)
Other income (expense)- net	356	70	395	820

Income (loss)				
before income				
taxes	\$ (1,047)	\$ 9,076	\$ (2,807)	\$ 14,724
	=====	=====	=====	=====

(1) Operating income is total operating revenues less operating expenses, depreciation, depletion and amortization and does not include non-operating revenues, general corporate expenses, interest expense or income taxes.

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REPORT OF REVIEW BY INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
Unit Corporation

We have reviewed the accompanying consolidated condensed balance sheet of Unit Corporation and subsidiaries as of June 30, 2000, and the related consolidated condensed statements of operations for the three and six month periods ended June 30, 2000 and cash flows for the six month period ended June 30, 2000. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States.

PricewaterhouseCoopers L L P

Tulsa, Oklahoma
July 25, 2000

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

FINANCIAL CONDITION

On March 20, 2000, we completed the acquisition, by merger, of Questa Oil and Gas Co. ("Questa") under which Questa became a wholly owned subsidiary of Unit Corporation. In the merger each of Questa's outstanding shares of common stock (excluding treasury shares) was converted into .95 shares of our common stock. We issued approximately 1.8 million shares as a result of this merger. The merger has been accounted for as a pooling of interests and, accordingly, all amounts within this document have been restated as if the companies had been combined throughout the periods presented.

Our bank loan agreement provides for a total loan facility of \$100 million with a current available borrowing value of \$90 million. Each year on April 1 and October 1 our banks redetermine our available borrowing value which is an amount equal to a percentage of the discounted future value of our oil and natural gas reserves plus an amount which is the greater of (i) 50 percent of the appraised value of our contract drilling rigs or (ii) two times the previous 12 months cash flow from our contract drilling rigs, limited, in either case, to \$20 million. Our loan agreement provides for a revolving credit facility which terminates on May 1, 2002 followed by a three year term loan. Borrowings under our loan agreement totaled \$58.7 million at June 30, 2000 and \$57.8 million at July 31, 2000. We are charged a facility fee of .375 of 1 percent on any unused portion of the available borrowing value.

The interest rate on our bank debt was 7.93 percent at June 30, 2000 and 7.87 percent at July 31, 2000. At our election, any portion of our outstanding bank debt may be fixed at the London Interbank Offered Rate ("Libor Rate"), as adjusted depending on the level of our debt as a percentage of the available borrowing value. The Libor Rate may be fixed for periods of up to 30, 60, 90 or 180 days with the remainder of our bank debt being subject to the Chase Manhattan Bank, N. A. prime rate. During any Libor Rate funding period, we may not pay any part of the outstanding principal balance which is subject to the Libor Rate. Borrowings subject

to the Libor Rate were \$58.5 million at June 30, 2000 and 57.5 million at July 31, 2000.

Our shareholders' equity at June 30, 2000 was \$189.3 million giving us a ratio of long-term debt-to-total capitalization of 25 percent. Our primary source of funds consists of the cash flow from our operating activities and borrowings under our bank loan agreement. Net cash provided by our operating activities in the first six months of 2000 was \$25.1 million compared to \$12.8 million in 1999. We had working capital of \$7.0 million at June 30, 2000. Our first six month 2000 capital expenditures were \$20.9 million of which \$13.2 million was spent on our oil and natural gas operations and \$6.5 million on our contract drilling equipment. Our oil

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and natural gas operations completed 36 wells in the first six months of 2000. If oil and natural gas prices remain favorable, we anticipate that we will drill approximately 90 total wells during 2000 and spend approximately \$30 million drilling or buying oil and natural gas properties during the year although this amount may increase depending on the availability of and our success in acquiring oil and natural gas properties through acquisitions. We anticipate that we will spend approximately \$15 million this year for drilling rig equipment capital expenditures.

Most of our capital expenditures are discretionary and directed toward increasing oil and natural gas reserves and future growth. Current operations do not depend on our ability to obtain funds outside of our loan agreement. Future decisions to acquire or drill on oil and natural gas properties will depend on prevailing or anticipated market conditions, potential return on investment, future drilling potential and the availability of financing, thus providing us with a large degree of flexibility in determining when and if to incur such costs.

On September 30, 1999, we completed the acquisition of 13 land drilling rigs from Parker Drilling Company and Parker Drilling Company North America, Inc., for 1,000,000 shares of our common stock and \$40,000,000 in cash. The cash part of this acquisition was funded through a public offering of 7,000,000 shares of our common stock which closed on September 29, 1999. We received proceeds of \$50.1 million from the offering net of commission fees and other costs.

Due to a settlement agreement which terminated on December 31, 1997, we have a liability of \$877,000 at June 30, 2000, representing proceeds received from a natural gas purchaser as prepayment for natural gas. The \$877,000 is payable in equal annual payments of approximately \$439,000 due on June 1, 2001 through June 1, 2002.

The prices we received for the sale of our natural gas in the first six months of 2000 increased 70 percent above the prices we received during the first six months of 1999. Average oil prices we received over the same periods increased 91 percent. For the first six months of 2000, the average natural gas price we received was \$2.82 per Mcf and the average oil price we received was \$25.82 per barrel. Natural gas prices are influenced by weather conditions and supply imbalances, particularly in the domestic market, and by world wide oil price levels. Domestic oil price levels continue to be primarily influenced by world market developments. Since natural gas comprises approximately 88 percent of our total oil and natural gas reserves, large drops in spot market natural gas prices have a significant adverse effect on the value of our oil and natural gas reserves and price declines could cause us to reduce the carrying value of our oil and natural gas properties. Any price decreases, if sustained, would also

adversely affect our future cash flow by reducing our oil and natural gas revenues and, if continued over an extended period, could lessen not only the demand for our contract drilling rigs but also the rate we would receive. Any declines in natural gas and oil prices could also adversely affect the semi-annual determination of the borrowing value under our bank

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loan agreement since this determination is based on the value of our oil and natural gas reserves and our drilling rigs. Such a reduction would reduce the amount available to us under our loan agreement which, in turn, would affect our ability to carry out our capital projects. In the first quarter of 2000, we entered into swap transactions in an effort to lock in a portion of our production at the higher oil prices which currently exist. These transactions apply to approximately 50 percent of our daily oil production covering the period from April 1, 2000 to July 31, 2000 and 25 percent of our oil production for August and September of 2000, at prices ranging from \$24.42 to \$27.01. In the second quarter of 2000, the oil swaps yielded a reduction in our oil revenues of \$199,000.

Generally, during the past 15 years, our contract drilling operations have encountered significant competition. In the last six months of 1999, and the first six months of 2000 we have experienced significant improvement in rig utilization. Despite the recent improvement in rig demand, we still anticipate that competition within our industry will, for the foreseeable future, continue to influence the use of our drilling rigs. In addition to competition, our ability to use our drilling rigs at any given time depends on a number of other factors, including the price of both oil and natural gas, the availability of labor and our ability to supply the type of equipment required.

Although we have not encountered material difficulty in hiring and retaining qualified rig crews, such shortages have in the past occurred in the industry. We may experience shortages of qualified personnel to operate our rigs, which would limit our ability to increase the number of our rigs working and could have an adverse effect on our financial condition and results of operations.

In the third quarter of 1994, our board of directors authorized us to purchase up to 1,000,000 shares of our outstanding common stock on the open market. Since that time, 160,100 shares were repurchased at prices ranging from \$2.50 to \$9.69 per share. In the first quarter of 1998 and 1999, we used 19,863 and 25,000 of the purchased shares, respectively, as part of our matching contribution to our 401(k) Employee Thrift Plan. As part of the requirements for the pooling of interests in the Questa merger the authorization to purchase treasury shares has been withdrawn. At June 30, 1999 and 2000 we held no treasury shares.

SAFE HARBOR STATEMENT

Statements in this document as well as information contained in written material, press releases and oral statements issued by or on behalf of us contain, or may contain, certain "forward-looking statements" within the meaning of federal securities laws. All statements, other than statements of historical facts, included in this document which address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. The words "believes," "intends," "expects," "anticipates," "projects," "estimates," "predicts" and similar expressions are also intended to identify forward-

looking statements. These forward-looking statements include, among others, such things as:

- . the amount and nature of future capital expenditures;
- . wells to be drilled or reworked;
- . oil and natural gas prices to be received and demand for oil and natural gas;
- . exploitation and exploration prospects;
- . estimates of proved oil and natural gas reserves;
- . reserve potential;
- . development and infill drilling potential;
- . drilling prospects;
- . expansion and other development trends of the oil and natural gas industry;
- . our business strategy;
- . production of our oil and natural gas reserves;
- . expansion and growth of our business and operations; and
- . drilling rig utilization, revenues and costs.
- . availability of qualified labor.

These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from our expectations, including:

- . the risk factors discussed in this document;
- . general economic, market or business conditions;
- . the nature or lack of business opportunities that may be presented to and pursued by us;
- . demand for land drilling services;
- . changes in laws or regulations; and
- . other factors, most of which are beyond our control.

A more thorough discussion of forward-looking statements with the possible impact of some of these risks and uncertainties is provided in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. We encourage you to obtain and read that document.

RESULTS OF OPERATIONS

Second Quarter 2000 versus Second Quarter 1999

Our net income for the second quarter of 2000 was \$5,627,000, compared with a net loss of \$656,000 in 1999. Higher natural gas and oil prices and production volumes along with increases in the use of our drilling rigs and

the rates we received for the drilling rigs all contributed to the increase in our net income.

Our revenue from the sale of our oil and natural gas increased 97 percent in the second quarter of 2000 compared to the second quarter of 1999 due to a 81 percent and 58 percent increase in the average prices we received for natural gas and oil, respectively. Natural gas production also increased 15 percent and oil production increased 21 percent when compared to the second quarter of 1999. Production increases from both our oil and natural gas were due to the acceleration of our development drilling program as a result of rising prices in the last half of 1999.

In the second quarter of 2000, revenues from our contract drilling operations increased by 133 percent as the average number of drilling rigs being used increased from 19.0 in the second quarter of 1999 to 37.4 in 2000. Increased rig utilization resulted from the expansion of our drilling activity into the Rocky Mountains with the acquisition of the Parker rigs in September 1999 and from increases in demand for our rigs located in Oklahoma. Revenues per rig per day increased 18 percent in the second quarter of 2000 as compared to the same period in 1999. While dayrates in all of our drilling areas were higher, the Rockies provide dayrates substantially higher than those achieved in our other market areas.

Operating margins (revenues less operating costs) for our oil and natural gas operations were 75 percent in the second quarter of 2000 compared to 62 percent for the same period in 1999. This increase resulted primarily from the increase in the average oil and natural gas prices we received. Total operating costs increased 29 percent due to increases in the net number of wells owned.

Our contract drilling operating margins increased from 7 percent in the second quarter of 1999 to 19 percent in the second quarter of 2000. This increase was generally due to increases in rig utilization and revenue per rig per day. Total contract drilling operating costs were up 102 percent in 2000 versus 1999 due to increased utilization and labor costs.

Depreciation, depletion and amortization ("DD&A") of our oil and natural gas properties increased 11 percent due to the increase in production. The increase was partially offset by a 4 percent reduction in the average DD&A rate per Mcfe to \$0.81 in the second quarter of 2000. Contract drilling depreciation increased 91 percent due to the impact of higher depreciation per operating day associated with the newly acquired Parker rigs and an overall increase in rig utilization.

General and administrative expenses increased 10 percent while interest expense decreased one percent between the comparative periods. The average interest rate on all long-term debt increased from 6.5 percent in the second quarter of 1999 to 7.8 percent in the second quarter of 2000 while our average outstanding debt decreased 18 percent.

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Six Months 2000 versus Six Months 1999

Our net income for the first six months of 2000 was \$9,205,000, compared with a net loss of \$1,775,000 in 1999. Higher natural gas and oil prices and production volumes along with increases in the use of our drilling rigs and the rates we received for the drilling rigs all

contributed to the increase in our net income.

Our revenue from the sale of our oil and natural gas increased 83 percent in the first six months of 2000 compared to the first six months of 1999 due to a 70 percent and 91 percent increase in average prices we received for natural gas and oil, respectively. Natural gas production also increased 8 percent and oil production increased 16 percent when compared to the first six months of 1999. Production increases from both our oil and natural gas were due to the acceleration of our development drilling program as a result of rising prices in the last half of 1999.

In the first six months of 2000, revenues from our contract drilling operations increased by 107 percent as the average number of drilling rigs being used increased from 19.5 in the first six months of 1999 to 36.1 in 2000. Increased rig utilization resulted from the expansion of our drilling activity into the Rocky Mountains with the acquisition of the Parker rigs in September 1999 and from increases in demand for our rigs located in Oklahoma. Revenues per rig per day increased 11 percent in the first six months of 2000 as compared to the same period in 1999. While dayrates in all of our drilling areas were higher, the Rockies provide dayrates substantially higher than those achieved in our other market areas.

Operating margins (revenues less operating costs) for our oil and natural gas operations were 74 percent in the first six months of 2000 compared to 61 percent for the same period in 1999. This increase resulted primarily from the increase in the average oil and natural gas prices we received. Total operating costs increased 21 percent due to increases in the net number of wells owned.

Our contract drilling operating margins increased from 9 percent in the first six months of 1999 to 18 percent in the first six months of 2000. This increase was generally due to increases in rig utilization and revenue per rig per day. Total contract drilling operating costs were up 87 percent in 2000 versus 1999 due to increased utilization and labor costs.

Depreciation, depletion and amortization ("DD&A") of our oil and natural gas properties increased 2 percent due to the increase in production. The increase was partially offset by a 6 percent reduction in the average DD&A rate per Mcfe to \$0.81 in first six months of 2000. Contract drilling depreciation increased 89 percent due to the impact of higher depreciation per operating day associated with the newly acquired Parker rigs and an overall increase in rig utilization.

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General and administrative expenses increased 8 percent while interest expense increased 3 percent between the comparative periods. The average interest rate on all long-term debt increased from 6.5 percent in the first six months of 1999 to 7.8 percent in the first six months of 2000 while our average outstanding debt decreased 16 percent.

On May 3, 1999, our contract drilling offices in Moore, Oklahoma were struck by a tornado destroying two buildings and damaging various vehicles and drilling equipment. During the first quarter of 2000, we received the final insurance proceeds totaling \$987,000 for the contents of the buildings destroyed, damaged equipment and clean up costs. As a result, we recognized a gain of \$599,000 recorded as part of other revenues in the first quarter of 2000.

On June 15, 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133) as amended by FAS 137 and FAS 138. For additional information see, "Note 4 - New Accounting Pronouncements" in the Notes to Consolidated Condensed Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our operations are exposed to market risks due to changes in commodity prices. The price we receive is primarily driven by the prevailing worldwide price for crude oil and market prices applicable to our natural gas production. Historically, prices we have received for our oil and natural gas production have been volatile and such volatility is expected to continue.

To reduce the impact of price fluctuations, we periodically use hedging strategies to hedge the price we will receive for a portion of our future oil and natural gas production. During the second quarter of 2000 we had swap transactions applying to approximately 50 percent of our daily oil production, at prices ranging from \$24.42 to \$27.01. These transactions yielded a reduction in our oil revenues of \$199,000 in the second quarter of 2000. During July 2000 we have swap transactions for approximately 50 percent of our daily oil production and for August and September 2000 we have swap transactions for approximately 25 percent of our oil production, at prices ranging from \$24.42 to \$24.91.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable

Item 2. Changes in Securities and Use of Proceeds

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

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

On May 3, 2000 we held our Annual Meeting of Stockholders. At the

meeting the following matters were voted on, with each receiving the votes indicated:

- I. Election of Nominees John G. Nikkel and John S. Zink to serve as directors.

Nominee	Numbers of Votes For	Against or Withheld
John G. Nikkel	25,946,900	2,131,978
John S. Zink	25,935,187	2,143,691

The following directors, whose term of office did not expire at the annual meeting, continue as directors of the Company: Earle Lamborn, William B. Morgan, John H. Williams, King P. Kirchner, Don Cook and J. Michael Adcock.

- II. Ratification of the appointment of PricewaterhouseCoopers L L P as the Company's independent certified public accountants for the fiscal year 1999.

For -	28,009,140
Against -	44,724
Abstain -	25,014

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- III. Ratification of an amendment to restate our certificate of incorporation to increase the number of authorized shares of common stock from 40 million shares to 75 million shares.

For -	25,578,583
Against -	2,455,688
Abstain -	44,607

- IV. Ratification of amendments to the Unit Corporation Amended and Restated Stock Option Plan.

For -	21,994,684
Against -	718,300
Abstain -	97,198

- V. Approval of the Unit Corporation 2000 Non-Employee Directors' Stock Option Plan.

For -	21,244,392
Against -	1,466,189
Abstain -	99,601

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

- 15 Letter re: Unaudited Interim Financial Information.
- 27 Financial Data Schedule

(b) On May 24, 2000, we filed a report on Form 8-K under Item 5 to release the financial results of Unit Corporation for April, 2000.

On June 29, 2000, we filed a report on Form 8-K under Items 5 and 7. This report filed as an exhibit the Amended and Restated Certificate of Incorporation of Unit Corporation, which increased the authorized shares of common stock of Unit Corporation from 40,000,000 to 75,000,000, as approved by the Stockholders at the Annual Meeting of Stockholders of Unit Corporation held on May 3, 2000.

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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.

UNIT CORPORATION

Date: August 10, 2000

By: /s/ John G. Nikkel

JOHN G. NIKKEL
President, Chief Operating
Officer and Director

Date: August 10, 2000

By: /s/ Larry D. Pinkston

LARRY D. PINKSTON
Vice President, Chief
Financial Officer
and Treasurer

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EX-15 OTHERDOC
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Exhibit 15

August 10, 2000

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: Unit Corporation
Registration on Form S-8 and S-3

We are aware that our report dated July 25, 2000 on our review of interim financial information of Unit Corporation for the three and six month periods ended June 30, 2000 and included in the Company's Form 10-Q for the quarter ended June 30, 2000 is incorporated by reference in the Company's registration statements on Form S-8 (File No.'s 33-19652, 33-44103, 33-49724, 33-64323, 33-53542, 333-38166 and 333-39584), Form S-3 (File No.'s 333-42341, 333-83551 and 333-89353).

PricewaterhouseCoopers L L P

EX-27 OTHERDOC

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The schedule contains summary financial information extracted from the Consolidated Condensed Financial Statements of Unit Corporation and Subsidiaries under the cover of Form 10-Q for the six months ended June 30, 2000 and is qualified in its entirety by reference to such financial statements. The Consolidated Condensed Financial Statements of Unit Corporation and Subsidiaries have been restated for the six months ended June 30, 1999 to reflect the merger with Questa Oil and Gas Co. which was accounted for as a pooling of interests.

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UNIT CORPORATION
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6-MOS	6-MOS
DEC-31-1999	DEC-31-2000
JUN-30-1999	JUN-30-2000
1,449	688
0	0
13,102	28,872
0	0
0	0
19,764	34,619
433,999	520,149
229,000	254,932
231,068	307,442
19,080	27,653
0	0
0	0
0	0
5,513	7,146
111,036	182,139
231,068	307,442
0	0
41,121	80,814
0	0
38,603	60,465

2,800	3,024
0	0
2,525	2,601
(2,807)	14,724
(1,032)	5,519
(1,775)	9,205
0	0
0	0
0	0
(1,775)	9,205
(.06)	.26
(.06)	.26

Accounts Receivable is presented net in the Consolidated Condensed Balance Sheet.

Inventory is presented as a portion of Other Current Assets in the Consolidated Condensed Balance Sheet.