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EQUITY OIL CO
Form 10-Q
May 11, 2001

UNITED STATES
FORM 10Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2001

OR

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

Commission file number: 0-610
EQUITY OIL COMPANY

(Exact name of registrant as specified in its charter)

COLORADO

87-0129795

(State or other jurisdiction of
incorporation or organization)

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

Suite 806, #10 West Third South, Salt Lake City, Utah 84101

(Address of principal executive offices)
(Zip Code)

(801) 521-3515

Registrant's telephone number, including area code

(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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Sections 12, 13 or 15(d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court.

Yes No

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APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 12,679,147

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ITEM I: Financial Statements

EQUITY OIL COMPANY
Statement of Operations
For the three months ended March 31, 2001 and 2000
(Unaudited)

	2001	2000
	-----	-----
REVENUES		
Oil and gas sales	\$7,058,260	\$5,388,023
Other	109,698	750,908
	-----	-----
	7,167,958	6,138,931
EXPENSES		
Operating costs	1,775,036	1,642,923
Depreciation, depletion and amortization	950,000	1,025,000
3D Seismic	--	191,678
Exploration	493,682	437,452
General and administrative	773,692	514,682
Interest	166,254	339,446
	-----	-----
	4,158,664	4,151,181
Income before income taxes	3,009,294	1,987,750
Provision for income taxes	1,098,436	735,000
	-----	-----
NET INCOME	\$1,910,858	\$1,252,750
	=====	=====
Net income per share		
Basic	\$.15	\$.10
Diluted	\$.15	\$.10
Weighted average shares outstanding		
Basic	12,661,977	12,643,440
Diluted	13,019,494	12,966,440

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The accompanying notes are an integral part of these statements.

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EQUITY OIL COMPANY Balance Sheet as of March 31, 2001 and December 31, 2000

ASSETS -----	March 31, 2001 ----- (Unaudited)	December 31, 2000 -----
Current assets:		
Cash and cash equivalents	\$ 2,726,978	\$ 2,190,548
Accounts and advances receivable	4,812,523	5,471,937
Income taxes receivable	112,109	107,490
Deferred income taxes	79,896	79,896
Other current assets	44,000	58,667
	7,775,506	7,908,538
Property and equipment	107,492,087	106,031,805
Less accumulated depreciation, depletion and amortization	67,458,445	66,509,569
	40,033,642	39,522,236
Other assets	347,152	366,937
	48,156,300	47,797,711
	48,156,300	47,797,711
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,795,958	\$ 2,303,102
Accrued liabilities	130,846	189,912
Income taxes payable	1,109,428	632,435
	3,036,232	3,125,449
Revolving credit facility	7,000,000	8,500,000
Deferred income taxes	3,588,575	3,588,575
	10,588,575	12,088,575
Stockholders' Equity:		
Common stock	12,843,747	12,819,212
Paid in capital	3,732,278	3,719,865
Less cost of treasury stock	(528,302)	(528,302)
Retained earnings	18,483,770	16,572,912
	34,531,493	32,583,687
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 48,156,300	\$ 47,797,711

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The accompanying notes are an integral part of these statements.

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EQUITY OIL COMPANY
Statement of Cash Flows
For the three months ended March 31, 2001 and 2000
(Unaudited)

	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,910,858	\$ 1,252,750
Adjustments		
Depreciation, depletion and		
amortization	950,000	1,025,000
(Gain) loss on property sales	245	(505,789)
Change in other assets	19,785	33,217
Equity loss in		
Symskaya Exploration	23,521	42,363
Change in deferred income taxes	--	585,000
	-----	-----
	2,904,409	2,432,541
Increase (decrease) from changes in:		
Accounts and advances receivable	659,414	(211,562)
Other current assets	14,667	(83,538)
Accounts payable and accrued		
liabilities	(566,210)	(22,442)
Income taxes receivable/payable	501,322	(152,206)
	-----	-----
Net cash provided		
by operating activities	3,513,602	1,962,793
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,461,651)	(426,535)
Proceeds from property sales	--	513,298
Change in other assets	--	(50,000)
Advances to Symskaya Exploration	(23,521)	(42,363)
	-----	-----
Net cash used in investing activities	(1,485,172)	(5,600)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Stock Option Proceeds	8,000	--
Payment of credit facility fee	--	(26,136)
Payments on credit facility	(1,500,000)	(1,000,000)
	-----	-----
Net cash used in		
financing activities	(1,492,000)	(1,026,136)
	-----	-----

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NET INCREASE IN CASH	536,430	931,057
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF PERIOD	2,190,548	1,006,602
	-----	-----
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	\$ 2,726,978	\$ 1,937,659
	=====	=====

The accompanying notes are an integral part of these statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. INTERIM FINANCIAL STATEMENTS

In the opinion of the Company's management, the financial statements reflect the necessary adjustments, all of which are of a normal and recurring nature, to present fairly the financial position of the Company as of March 31, 2001, and the results of its operations and its cash flows for the three month periods ended March 31, 2001 and 2000.

The financial statements and the accompanying notes to financial statements have been prepared according to rules and regulations of the Securities and Exchange Commission. Accordingly, certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. These financial statements should be read in conjunction with the Company's 2000 Annual Report on Form 10-K.

The results for the three month period ended March 31, 2001 are not necessarily indicative of future results.

NOTE 2. NET INCOME PER SHARE

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and, if dilutive, common equivalent shares outstanding during the period. Common equivalent shares consist of the incremental common shares issuable upon the exercise of stock options (using the treasury stock method).

Options to purchase approximately 1,755,000 shares of common stock at prices of \$1.06 to \$5.50 per share were outstanding during the first three months of 2001, 357,517 of which were included in the computation of diluted net income per share for the period. Options to purchase approximately 1,589,000 shares of common stock at prices of \$1.06 to \$5.50 per share were outstanding during the first three months of 2000, 323,000 of which were included in the computation of net income per share at March 31, 2000.

PART I
ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Higher gas prices company-wide, particularly in California, and continued strong oil prices resulted in a 31% increase in oil and gas sales for the first quarter of 2001. Total revenues for the period were \$7,167,958, compared to \$6,138,931 during the first quarter of 2000. The Company recorded net income for the 2001 first quarter of \$1,910,858, or \$.15 per share. This compares to net income for the first quarter of 2000 of \$1,252,750, or \$.10 per share.

Oil production in the 2001 first quarter was 162,000 barrels, compared to 170,000 in the same period last year. The decrease was attributable to normal production declines as properties mature. Gas production decreased to 412 million cubic feet in 2001 from 450 million cubic feet in 2000. The reduction was due primarily to the Company's reduced drilling program in California during 1999 and 2000.

As of January 1, 2001, the Company had no volumes of oil or gas subject to hedging agreements.

The average crude prices received in the first quarter this year were \$24.89 per barrel, compared to \$25.40 per barrel received during the same period of 2000. Gas prices increased significantly in the first quarter of 2001, averaging \$7.95 per Mcf, compared to \$2.37 per Mcf received during the first quarter of 2000. Gas prices remain strong but have recently moderated slightly as the California supply and demand problems are becoming more stable and the cold winter temperatures are moderating.

Higher operating expenses, and administrative costs were offset by lower interest cost and no 3-D seismic charges during the first quarter of 2001. Operating costs rose from \$1,642,923 in 2000 to \$1,775,036 in 2001 an 8% increase. This increase is a function of higher value-based production taxes due to the increased revenues, and reduced portion of revenues coming from gas production which historically has had lower operating costs.

General and administrative expenses increased from 2000 first quarter levels. The increase was due to higher compensation and other administrative expenses.

Lower interest costs in 2001 reflect the reduced balance of the debt outstanding under the Company's credit facility and lower interest rates applied to this amount.

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CAPITAL RESOURCES AND LIQUIDITY

Improved financial results have led to a continued strengthening of the Company's financial position at March 31, 2001. The Company's cash balances increased by 24% from December 31, 2000. Cash flow from operating activities in the first quarter of 2001 increased by more than 79% from \$1,962,793 at March 31, 2000 to \$3,513,602 at March 31, 2001.

Investment in property and equipment for the first three months of 2001 totaled \$1,461,651, a 243% increase from the amount recorded during the corresponding three months of 2000. Approximately \$576,000 of this amount was for the purchase of producing properties adjacent to the Company's Ashley Valley field in Utah. Higher cash flows in 2001 will allow the Company to continue to expand its exploration and exploitation activities. The bulk of the Company's drilling should occur during the third and fourth quarters of the year.

Higher cash flows during the quarter enabled the Company to make further reductions in its long-term debt. Debt outstanding at March 31, 2001 was \$7 million, down \$1.5 million from year-end 2000 amounts, reflecting the Company's plan of using excess cash flow to aggressively manage its balance sheet. The Company's commitment under its credit facility is subject to a redetermination as of May 1 and November 1 of each year, with estimated future oil and gas prices used in the evaluation determined by the Company's lender. The Company's current commitment under its credit facility is \$17 million. Accordingly, as of March 31, 2001, the Company had \$10 million of remaining availability on the facility. The Company is in compliance with all its facility covenants.

The Company believes that existing cash balances, cash flow from operating activities, and funds available under the Company's credit facility will provide adequate resources to meet its capital and exploration spending objectives for 2001.

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OTHER ITEMS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133, as amended, establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. The Company adopted SFAS No. 133 on January 1, 2001, and the adoption of this pronouncement did not have a material impact on the Company's financial position and results of operations. The Company has reviewed all other recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on the results of operations or financial position of the Company. Based on that review, the Company believes that none of these pronouncements will have a significant effect on current or future earnings or operations.

FORWARD LOOKING STATEMENTS

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The preceding discussion and analysis should be read in conjunction with the consolidated financial statements, including the notes thereto, appearing in the Company's annual report on Form 10-K. Except for the historical information contained herein, the matters discussed in this report contain forward-looking statements within the meaning of Section 27a of the Securities Act of 1933, as amended, and Section 21e of the Securities Exchange Act of 1934, as amended, that are based on management's beliefs and assumptions, current expectations, estimates, and projections. Statements that are not historical facts, including without limitation statements which are preceded by, followed by or include the words "believes", "anticipates", "plans", "expects", "may", "should" or similar expressions are forward-looking statements. Many of the factors that will determine the Company's future results are beyond the ability of the Company to control or predict. These statements are subject to risks and uncertainties and, therefore, actual results may differ materially. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. The Company disclaims any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Important factors that may effect future results include, but are not limited to: drilling success, the availability of equipment and contract services, environmental risks and impediments, geologic hazards, the risk of a significant natural disaster, the inability of the Company to insure against certain risks, fluctuations in commodity prices, the inherent limitations in the ability to estimate oil and gas reserves, changing government regulations, as well as general market conditions, competition and pricing, and other risks detailed from time to time in the Company's SEC reports, copies of which are available upon request from the Company's investor relations department.

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PART II

OTHER INFORMATION

The answers to items listed under Part II are inapplicable or negative.

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 there unto duly authorized.

EQUITY OIL COMPANY
(Registrant)

DATE: May 11, 2000

By /s/ Paul M. Dougan

Paul M. Dougan, President

DATE: May 11, 2000

By /s/ Russell V. Florence

Russell V. Florence, Treasurer

