EQUITY OIL CO
Form 10-K
February 21, 2001

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

(Mark One)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the fiscal year ended December 31, 2000

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

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 Number) |
| 10 West Broadway, Suite 806<br>Salt Lake City, Utah<br>(Address of principal executive offices) | 84101<br>(Zip Code) |

Registrant's telephone number, including area code: (801) 521-3515

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| None | None |

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

Common Stock (par value, $1 per share)
[Title of class]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 ]

As of February 13, 2001, 12,654,612 common shares were outstanding, and the aggregate market value of voting stock held by non-affiliates of the registrant was approximately $49,300,000.

Documents Incorporated by Reference

1. Definitive proxy statement to be filed in connection with Issuer's Annual Stockholders' Meeting to be held on May 9, 2001 and more particularly the information contained on pages 2 through 6 are incorporated by reference into Part III of this report.

PART I

ITEM 1. BUSINESS

GENERAL

Equity Oil Company ("Equity" or "the Company") was originally incorporated in the state of Utah in 1923. In 1958, it was merged into its subsidiary, Weber Oil Company, a Colorado corporation. The surviving company adopted the name Equity Oil Company.

Equity is an independent oil and gas exploration and production company, currently conducting its business in seven states and two Canadian provinces. Equity is also a 50% shareholder in Symskaya Exploration, Inc., a Texas corporation (Symskaya) which is licensed to operate in Russia. Headquartered in Salt Lake City, Utah, the Company maintains an exploration office in Denver, Colorado, and field offices in Cody, Wyoming and Vernal, Utah. The Company has 23 full-time employees.

The executive office in Salt Lake City is responsible for conducting all administrative functions of the Company, including strategic planning, direction of exploration and development activities, shareholder relations, and financial and legal activities.

The Company's exploration office in Denver is responsible for the generation and review of exploration prospects, and participates in the planning, where necessary, to drill the prospects. These include prospects developed in-house, as well as those presented by independent third parties.

All operated production activities of the Company are coordinated through the Company's field office in Cody, Wyoming. The office was opened on January 1, 2000, as a result of a property exchange in the Big Horn Basin of Wyoming and Montana. Further information concerning the exchange can be found in Item 2. PROPERTIES, under the caption PRESENT ACTIVITY.

BUSINESS STRATEGY

The Company's business strategy is to enhance shareholder value by increasing the net asset value of the Company through the growth of its oil and gas reserves and production base. This is accomplished through a balanced program of focused exploration drilling, development drilling, the exploitation of existing reserves and the acquisition of proved oil and gas reserves. These activities are conducted in a limited number of core geographic areas. Each project in this program is independently evaluated to ensure that the estimated rate of return from the project is commensurate with the risk associated with the individual project.

The Company is continuing to refine its geographic focus, concentrating on areas where its technical staff has the necessary skill and expertise to compete successfully. The Company's core areas include the Rocky Mountains, the Sacramento Basin of Northern California, and Alberta, Canada. In addition, the Company has other non-core production located in Texas.

When conducting its exploration activities, the general practice of the Company is to participate in projects on a 25% to 50% working interest basis. Participation varies with each prospect depending on location and the attendant financial and technical risk.

In addition to its exploration ventures, the Company works in conjunction with other working interest owners in producing properties to identify projects that will develop and exploit the productive capacities of existing wells and fields. These projects include development drilling, production enhancement, operating cost reductions and other types of activities.

The Company also investigates opportunities to purchase interests in properties with existing production. During the last five years, the Company has replaced a significant amount of its production through the purchase of producing properties. These purchases have, in turn, produced additional developmental and enhancement projects, as well as numerous operating efficiencies.

The Company has conducted international exploration in Russia through its 50% ownership of Symskaya. Symskaya's operations during 2000 were limited primarily to maintaining its license. Similar operations will be conducted in 2001. Further discussion of this venture and other Company activities is found in ITEM 2. PROPERTIES, under the caption PRESENT ACTIVITY.

PRINCIPAL PRODUCTS AND MARKETS

The Company produces crude oil and natural gas. During the last five years, revenues from the sales of these products have accounted for more than 90% of the total revenues of the Company. Remaining revenues have come from other sources, including interest income on invested funds, operating overhead reimbursements, and the sales of various developed and undeveloped properties.

The majority of the Company's oil production occurs in Colorado, other Rocky Mountain states, and the Canadian provinces of Alberta and British Columbia. The Company's crude oil production is sold under short-term contracts at current posted prices for each geographic area, less applicable quality adjustments, plus negotiated bonuses. Prices are set by oil purchasers, and, while their methods of determining prices are not within the control of the Company, it is assumed they are influenced by regional, national and international factors relating to oil supply and demand (see discussion under MAJOR CUSTOMERS).

3

The bulk of the Company's natural gas production occurs in Wyoming, California and the Canadian province of Alberta. During 1999, the Company sold all of its gas producing properties that were located in Texas. While the areas where the Company has its major gas reserves are characterized by large reserves of other companies, the Company has historically been able to sell all of its productive capacity, and expects to be able to continue to do so in the near future. The majority of gas sold is marketed under contracts at index prices that change monthly. The contracts are subject to renegotiation on an annual basis.

The Company periodically enters into hedging activities with a portion of its oil production which are intended to comply with the terms of its credit facility, to support its oil price at targeted levels, and to manage the Company's exposure to oil price fluctuations. Further discussion of the Company's hedging activities can be found in Footnote 1 to the financial statements.

SEASONALITY

The Company experiences some seasonality in gas sales revenues. Net gas sales prices and production tend to rise during the winter months compared to the rest of the year. However, since over 70% of the Company's oil and gas revenues come from the sale of oil, the seasonal impact on total oil and gas sales is not significant.

MAJOR CUSTOMERS

All oil and gas produced in the U.S. or Canada is sold to unaffiliated pipeline, refining or crude oil purchasing companies. These companies may be the operators of the fields where the product is produced, owners of the pipelines which transport the products, or other third-party purchasers. While certain entities purchase more than 10% of the Company's oil and gas production, previous changes in purchasers have not resulted in an interruption of production or transportation, and consequently have not had a material adverse effect on the business of the Company.

COMPETITION

Equity is part of a highly competitive industry composed of many companies that are significantly larger and possess greater resources than the Company. These include major oil companies as well as large independent exploration and production companies. Their size and resources may allow these parties to operate at a greater competitive advantage than Equity. During 2000, the Company did not experience any competitive factors which impaired its production or sale of oil and gas, nor did it experience significant difficulties in contracting for drilling and related equipment.



GOVERNMENT REGULATION

Drilling activities of the Company are regulated by several governmental agencies in the United States, both federal and state, including the Environmental Protection Agency, Forest Service, Department of Wildlife and Bureau of Land Management, as well as state oil and gas commissions for those states in which the Company has operations. Canadian and Russian operations are subject to similar requirements.

The Company believes that it is currently in compliance with all federal, state and local environmental regulations, both domestically and abroad. Further, the Company does not believe that any current environmental regulations will have a material impact on its capital expenditures or earnings, nor will they result in any competitive disadvantage to the Company.

FINANCIAL INFORMATION ABOUT FOREIGN OPERATIONS

Foreign operations of the Company are currently conducted in the Canadian provinces of Alberta and British Columbia. Financial information concerning these operations can be found in Footnotes 5 and 9 to the financial statements. For financial reporting purposes, the Company does not allocate any general and administrative expenses to its Canadian operations, nor are they burdened with indirect exploration overhead expenses. Direct exploration expenses are charged to the geographic area in which they occur. Because the majority of the Company's exploration efforts occur in the United States, very little exploration expenses are allocated to the Canadian operations. As a result of these and other factors, the operating profit of the Canadian operations is significantly greater than the operating profit in the United States. The Company does not believe that its Canadian operations are attended with any more risk than those in the United States.

The Company owns a 50% interest in Symskaya, which is licensed to operate in Russia. Further discussion of this venture is found in ITEM 2. PROPERTIES, under the caption PRESENT ACTIVITY, and in Footnotes 6 and 9 in the financial statements.

ITEM 2. PROPERTIES

The principal properties of the Company consist of developed and undeveloped oil and gas leasehold interests. Developed leases are comprised of properties with existing production, where lease terms continue as long as oil and/or gas is produced. Undeveloped leases include unproven acreage on both public and private lands. The leases have set terms and terminate at the time specified in each lease unless oil and/or gas in commercial quantities are discovered prior to that time.

The Company also has a fee interest in 6,996 net acres of oil shale lands in Colorado. These properties have not generated significant revenue for the Company.



RESERVES

The information found in Footnote 9 to the financial statements concerning proved reserves represents the Company's best estimate of product quantities expected to be produced from its properties based on geologic and engineering data, as well as current economic and operating conditions. The presentation is made in accordance with Securities and Exchange Commission guidelines, and is based on prices and costs in effect on December 31, 2000. No estimates of reserves have been filed with or included in any report to any other federal agency during 2000.

PRODUCTION

The following table sets forth the Company's production, average sales prices and average lifting costs by geographic area for 2000, 1999 and 1998:

| Area | 2000 Oil (Bbls) | 1999 Oil (Bbls) | 1998 Oil (Bbls) | 2000 Gas (MMCF) | 1999 Gas (MMCF) | 1 G (M |
|---|---|---|---|---|---|---|
| Production | | | | | | |
| Colorado | 272,855 | 298,507 | 332,230 | 76 | 76 | |
| Texas | 13,879 | 18,433 | 22,291 | -- | 85 | |
| Montana | 21,590 | 19,650 | 20,434 | 32 | 28 | |
| Utah | 18,194 | 13,120 | 20,658 | -- | -- | |
| Wyoming | 174,556 | 130,453 | 131,943 | 557 | 601 | |
| North Dakota | 92,744 | 96,068 | 67,906 | 64 | 55 | |
| California | -- | -- | -- | 732 | 923 | 1 |
| Other | -- | 4 | 5 | -- | -- | |
| Total U.S. | 593,818 | 576,235 | 595,467 | 1,461 | 1,768 | 2 |
| Alberta | 61,732 | 74,257 | 75,015 | 186 | 245 | |
| B.C | 10,300 | 11,898 | 21,352 | 14 | 20 | |
| Total Canada | 72,032 | 86,155 | 96,367 | 200 | 265 | |
| Grand Total | 665,850 | 662,390 | 691,834 | 1,661 | 2,033 | 2 |
| Average Price | | | | | | |
| U.S | $ 26.55* | $ 17.44 | $ 12.28 | $ 4.02 | $ 2.11 | $ |
| Canada | $ 26.29 | $ 17.12 | $ 11.43 | $ 3.51 | $ 1.57 | $ |
| Total | $ 26.52 | $ 17.40 | $ 12.16 | $ 3.96 | $ 2.04 | $ |
| Lifting Costs | | | | | | |
| U.S | $ 7.51 | $ 6.86 | $ 6.11 | $ 1.14 | $ .83 | $ |
| Canada | $ 6.12 | $ 4.87 | $ 4.48 | $ .82 | $ .40 | $ |
| Total | $ 7.36 | $ 6.60 | $ 5.88 | $ 1.10 | $ .77 | $ |

* -includes the effect of hedging costs.



PRODUCTIVE WELLS AND ACREAGE

The location and quantity of Equity's productive wells and acreage as of December 31, 2000 are as follows:

| Productive Wells: | Gross | Net |
|---|---|---|
| Oil: | | |
| United States | 646 | 86.621 |

| | | |
|---|---|---|
| Canada | 333 | 14.666 |
| Gas: | | |
| United States | 67 | 20.332 |
| Canada | 7 | 1.576 |
| Total Productive Wells | 1,053 | 123.195 |
| Developed Acreage | | |
| United States | 112,960 | 12,423 |
| Canada | 126,440 | 2,701 |
| Total Developed Acreage | 239,400 | 15,124 |



UNDEVELOPED LEASEHOLD ACREAGE

The following table sets forth the Company's undeveloped oil and gas leasehold acreage as of December 31, 2000 by geographic area:

| Area | Gross Acreage | Net Acreage |
|---|---|---|
| Colorado | 18,561 | 13,719 |
| Texas | 2,157 | 331 |
| Montana | 22,271 | 5,748 |
| Utah | 26,451 | 11,927 |
| Wyoming | 43,015 | 17,041 |
| California | 23,537 | 10,642 |
| North Dakota | 14,451 | 5,742 |
| Total U.S. | 150,443 | 65,150 |
| Alberta | 12,595 | 4,317 |
| Total Canada | 12,595 | 4,317 |
| Grand Total | 163,038 | 69,467 |

Through its 50% ownership in Symskaya, the Company also has an indirect 50% interest in an additional 1,100,000 gross acres in Russia. Further discussion of this venture is found in ITEM 2. PROPERTIES, under the caption PRESENT ACTIVITY, and in Footnotes 6 and 9 to the financial statements.

DRILLING ACTIVITY

During 2000, the Company participated in the drilling of 18 gross wells. Of this total, 12 were completed as producing oil and gas wells and 6 were plugged and abandoned as dry holes. In addition one well was in process at year-end 2000.

| Gross exploratory wells drilled: | Status | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| United States | Productive | 3 | 5 | 6 |
| | Dry | 6 | 5 | 5 |
| Canada | Productive | - | - | - |
| | Dry | - | - | - |
| **Gross development wells drilled:** | | | | |
| United States | Productive | 1 | - | 1 |
| | Dry | - | - | - |
| Canada | Productive | 8 | - | - |
| | Dry | - | - | - |

| Net exploratory wells drilled: | Status | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| United States | Productive | .75 | 1.74 | 2.18 |
| | Dry | 3.35 | 2.25 | 2.10 |
| Canada | Productive | - | - | - |
| | Dry | - | - | - |
| **Net development wells drilled:** | | | | |
| United States | Productive | .30 | - | .40 |
| | Dry | - | - | - |
| Canada | Productive | 3.19 | - | - |
| | Dry | - | - | - |



PRESENT ACTIVITY

ACQUISITIONS/DIVESTITURES:

In early January of 2001, the Company agreed to purchase a 100% working interest in several producing oil wells in Utah. The wells are located adjacent to the Company's Ashley Valley field, where the Company discovered the first commercial oil well in Utah in 1948, and is still actively producing oil. The proximity of the wells to existing production will allow the Company to take advantage of operating efficiencies.

The acquired wells have estimated recoverable reserves of approximately 250,000 barrels of oil at a total acquisition cost to the Company of $610,000. While the effective date of this acquisition was December 1, 2000, no reserves are included in year- end 2000 figures as the acquisition was closed in 2001.

In addition, the Company acquired a small, producing property adjacent to one of its Big Horn Basin properties during 2000. The Company is likewise attempting to take advantage of its new operated production office in Cody, Wyoming, by identifying and acquiring other properties that fit with its current production base.

EXPLORATION

While all 2000 exploration drilling took place in California, important progress was made in developing new exploration projects in the Rocky Mountains for 2001 and beyond. The Company recently completed a 20 square mile 3-D seismic survey in North Dakota, which includes the prolific Beaver Creek #24-15 well completed in the Nisku formation in 1998. At year-end 2000, this well has recorded cumulative gross production of 906,000 barrels, while maintaining a flow rate of 700 barrels and 440 mcf per day. The objective of the survey was to identify possible drill sites on the 3,520 acre Northwest Beaver Creek prospect which are similar to the #24-15 well. The Company's 2001 budget includes funds for three new exploratory wells in this area.

Significant progress was also made in assembling the acreage for two new oil exploration projects in Utah. Initial test wells on both projects are scheduled for the first half of 2001.

During 2000, the Company completed a 25 square mile 3-D survey at its Rancho Colusa prospect in the Sacramento Basin. With a 55% working interest, the Company drilled three test wells, all of which were dry holes. In response to these results, the Company has assigned its working interest in the project to its partner to avoid the payment of $150,000 in rental payments in 2001. The Company also drilled two dry holes at its Davis Ranch prospect.

10

The Company and its partners successfully completed two non- operated wells in the Sacramento Basin. One additional re-entry project was also successful, and one well was in process at year-end.

As a result of the dry holes at Rancho Colusa and Davis Ranch, the Company is reevaluating its strategy of exploring in less mature areas of the Sacramento Basin. The Company is currently planning to shift the bulk of its exploration spending to the Rocky Mountains. Consequently, drilling will continue at a slower pace in California, while the Company and its partners drill the remaining prospective locations on existing surveys. 2001 plans contemplate four to eight new wells and several recompletions on existing wells in new zones, capitalizing on the multiple anomaly feature of many wells in the area.

DEVELOPMENT/EXPLOITATION

Using data obtained from a 3-D seismic survey shot in 1998, the Company successfully drilled six low-cost development wells at its Cessford field in western Alberta, Canada. The survey enabled the Company and its partner to highgrade drilling locations at this field, which has been producing since the late 1970's. 2001 plans include up to five additional wells at the field. Total daily producing capacity from the six new wells is approximately 50 net barrels of oil and 500 MCF per day.

Subsequent to obtaining operational control of its Big Horn Basin properties at the beginning of 2000, the Company initiated an extensive workover program, directing more than 15 separate activities during the year. Included in the workovers are recompletions, stimulations, polymer treatments, and production restoration at formerly shut-in wells. The workover program has increased net daily production by 85 barrels of oil and 530 MCF per day.

In addition to its Big Horn Basin activities, the Company has participated in 20 additional projects at other properties. Included in this count are several gas recompletions in the Sacramento Basin, where the Company is exploiting the multiple anomaly characteristics of the wells in that region.

Additional development drilling in 2001 is scheduled at the Company's Siberia Ridge field in Sweetwater County, Wyoming. The Company first discovered gas in this area in 1974. The Company will propose three 50% working interest wells and one 100% working interest well in early 2001.



SYMSKAYA EXPLORATION

Equity continues to hold its 50% ownership position in Symskaya Exploration Inc. Symskaya was issued a 25 year, 1 million acre License in 1993 to explore for, develop and produce hydrocarbons in the Krasnoyarsk Krai in Russia. As oil prices have improved, and interest in the region by other oil companies is beginning to increase, the Company believes that it continues to be in the best interest of its shareholders for Symskaya to hold the License at minimum cost.

Drilling and testing operations were recently completed at the Averinskaya-150 well, a well drilled by a local government entity close to Symskaya's license area. The drilling contractor is evaluating data obtained from the well. Copies of this data along with the evaluation will be furnished to the Company. During 2000, the Company made its final payments under a bottom-hole agreement with the drilling contractor.

Subsequent to year-end, Symskaya was notified by local authorities that it must either increase the level of its operations in the License area or face possible termination of its License. There is no provision in Symskaya's License for termination on the grounds suggested by the local authorities. Barring major developments from the Averinskaya well and changes in Russian federal and local policies regarding production sharing, further attempts to drill Symskaya's prospect or to resist governmental termination of is License is unlikely without additional outside financing. Symskaya has been unable thus far to find additional partners and/or financing. Further discussion of this venture is found in Footnotes 6 and 9 in the financial statements.

DELIVERY COMMITMENTS

The Company is not obligated to provide any fixed or determinable quantity of oil or gas in the future under any existing contracts or agreements.

ITEM 3. LEGAL PROCEEDINGS

No material legal proceedings are pending.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year covered by this report, no matters were submitted to the security holders for a vote, and no proxies were solicited.



PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED MATTERS

The Company's stock is traded on the over-the-counter market and quoted over the NASDAQ National Market System using the symbol EQTY. High and low closing prices for 2000 and 1999 are as follows:

| Quarter | High | Low |
|---|---|---|
| 2000 - 4th | $3.50 | $2.28 |
| 3rd | $3.66 | $2.19 |
| 2nd | $2.94 | $1.50 |
| 1st | $2.13 | $1.25 |
| 1999 - 4th | $1.53 | $1.00 |
| 3rd | $1.50 | $1.13 |
| 2nd | $1.63 | $1.00 |
| 1st | $1.56 | $0.91 |

The approximate number of registered stockholders of the Company as of January 31, 2001 is 1,500.

No unregistered equity securities of the registrant have been sold during the period covered by this report.



ITEM 6. Selected Financial Data

| | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Oil and Gas Sales ........ | $ 24,316,369 | $ 15,434,537 | $ 12,720,876 | $ 16,457,048 | $ 16,1 |
| Other Income ............ | 1,082,653 | 334,980 | 377,282 | 1,023,037 | 3 |
| Lease Operating Costs ................... | 6,726,769 | 5,948,055 | 6,233,955 | 5,940,808 | 5,9 |
| Depreciation, Depletion and Amortization ......... | 3,808,777 | 4,072,278 | 5,029,119 | 4,675,411 | 4,2 |
| Impairment of Proved Oil and Gas Properties .......... | 368,543 | 313,751 | 4,015,158 | 411,894 | 2 |
| Equity Loss and Impairment of Investment in Symskaya Exploration, Inc. ........ | 174,432 | 169,933 | 446,758 | 356,661 | 9,2 |
| 3-D Seismic ............. | 979,028 | 35,200 | 431,075 | 626,525 | 7 |
| Exploration Expense .................. | 2,513,916 | 1,566,521 | 2,383,163 | 3,026,550 | 2,3 |
| General and Administrative .......... | 1,897,190 | 1,743,590 | 1,914,590 | 2,048,194 | 2,0 |
| Net Income (Loss) ........ | 5,164,071 | 403,521 | (5,814,884) | (211,156) | (5,5 |
| Basic Net Income (Loss) Per Common Share ......... | $ .41 | $ .03 | $ (.46) | $ (.02) | $ |
| Diluted Net Income (Loss) Per Common Share ......... | $ .40 | $ .03 | $ (.46) | $ (.02) | $ |
| Total Assets ............ | $ 47,797,711 | $ 46,117,335 | $ 47,271,168 | $ 53,541,639 | $ 50,1 |
| Long-Term Debt .......... | $ 8,500,000 | $ 15,000,000 | $ 16,500,000 | $ 13,978,830 | $ 8,8 |



ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL. The profitability of the Company's operations in any particular accounting period will be directly related to the average realized prices of oil and gas sold, the volume of oil and gas produced and the results of acquisition, development and exploration activities. The average realized prices of oil and gas will fluctuate from one period to another due to market conditions. The aggregate amount of oil and gas produced may fluctuate based on development and exploitation of oil and gas reserves and other factors. Production rates, value-based production taxes, labor and maintenance expenses are expected to be the principal influences on operating costs. Accordingly, the results of operations of the Company may fluctuate from period to period.

OIL AND GAS RESERVES. Estimates of reserve quantities and related future net cash flows are calculated using unescalated year-end oil and gas prices and operating costs, and may be subject to substantial fluctuations based on the prices in effect at the end of each year. The following table sets forth a comparison of year- end reserves, the weighted average prices used in calculating estimated reserve quantities and future net cash flows, pre-tax future net cash flows discounted at 10%, and per barrel of oil equivalent discounted cash flows at the end of 2000, 1999 and 1998 (quantities in thousands, except for pricing and per barrel of oil equivalent amounts):

| | Year-end proved reserves | | | Year-end prices | | SEC-10 pre-tax values | SEC-10 pre-tax values per BOE |
|---|---|---|---|---|---|---|---|
| | Oil (MMBLS) | Gas (MMCF) | BOE* | Oil | Gas | | |
| 12/31/00 | 9,129 | 16,991 | 11,961 | $23.78 | $10.39 | $121,890 | $10.19 |
| 12/31/99 | 9,293 | 16,331 | 12,015 | $22.99 | $ 1.93 | $ 63,366 | $ 5.27 |
| 12/31/98 | 6,193 | 19,010 | 9,361 | $10.80 | $ 1.95 | $ 25,210 | $ 2.69 |

* - gas converted at 6,000 Mcf per barrel.



Reserve revisions occur when the economic limit of a property is lengthened or shortened due to changes in commodity pricing. The following excerpt from the footnotes to the Company's financial statements shows the effect of changing oil prices on the volume of oil reserves (shown in thousands of barrels):

| | Year ended December 31, 2000 | 1999 | 1998 |
|---|---|---|---|
| Proved oil reserves (000's): | | | |
| Beginning of year | 9,293 | 6,193 | 8,420 |
| Revisions of previous estimates | 203 | 3,442 | (1,896) |
| Extensions and discoveries | 503 | 6 | 361 |
| Improved recovery | 190 | - | - |
| Acquisition of minerals in place | 46 | 563 | - |
| Sales of minerals in place | (440) | (249) | - |
| Production | (666) | (662) | (692) |
| End of year | 9,129 | 9,293 | 6,193 |

As oil prices increased only slightly from year-end 1999 to year- end 2000

($22.99 vs. $23.78, respectively), revisions due to price changes during 2000 were lower than in previous years. The revisions of 3,442,000 and (1,896,000) barrels in 1999 and 1998, respectively, were primarily price-related.

During the early winter of 2000-2001, gas prices reached record highs. The average index price for the Company's gas reserves was $10.39 per Mcf at the end of 2000, compared to $1.93 per Mcf at the end of 1999. Accordingly, the majority of the Company's upward revision of gas volumes at year-end 2000 of 1.28 Bcf was due primarily to higher year-end prices.

Excluding revisions to previous estimates, the Company's 2000 drilling and acquisition activities added 913,000 barrels of oil equivalent reserves, 97% of 2000 total oil and gas production. Subsequent to year-end 2000, the Company entered into an agreement to acquire approximately 250,000 barrels of proved oil reserves, with an effective date of December 1, 2000. The reserves are associated with several producing wells located adjacent to the Company's Ashley Valley field in Utah. The Company has a 100% working interest in these properties. The reserves acquired have not been included in year-end 2000 reserve figures.

1999 drilling and acquisition activities, which were curtailed for much of the year, added 663,000 barrels of oil equivalent to the Company's proved reserve base, replacing 66% of 1999 production. In 1998, the Company added 779,000 barrels of oil equivalent, equal to 71% of 1998 oil and gas production. Further information concerning the Company's reserve volumes and values can be found in Footnote 9 to the financial statements.



IMPAIRMENT OF PROVED OIL AND GAS PROPERTIES. Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long Lived Assets and for Assets Held for Disposal, requires successful efforts companies to evaluate the recoverability of the carrying costs of their proved oil and gas properties by comparing the expected undiscounted future net revenues from each producing field with the related net capitalized costs at the end of each period. When the net capitalized costs exceed the undiscounted future net revenues, the cost of the property is written down to fair value, which is determined using discounted future net revenues from the producing field.

During 2000, the Company recorded an impairment of proved oil and gas properties of $368,543 ($230,339 net of tax) associated with certain properties that experienced increased operating costs, declining production, reduced prospectivity due to unsuccessful drilling, and other technical problems that reduced their economic reserves or value. During 1999, the Company recorded an impairment of proved oil and gas properties of $313,751 ($196,094 net of tax). Primarily as a result of depressed year-end oil prices, the Company recorded proved property impairment charges of $4,015,158 in 1998.

RESULTS OF OPERATIONS

COMPARISON OF 2000 WITH 1999

OIL AND GAS PRODUCTION AND SALES. Year-long higher oil prices, combined with record gas prices during the early winter of 2000- 2001, enabled the Company to recognize record revenues in 2000. Oil and gas sales for the year of $24,316,369 were 58% higher than those recorded in 1999, as average oil and gas prices were 52% and 94% higher, respectively.

Revenues were reduced by $1,048,018 in 2000 by costs associated with the Company's hedging program, which was instituted in 1999 as a requirement of its bank financing arrangement. The Company had 400 barrels of oil per day hedged under a costless collar, with a floor of $18.00 and a ceiling of $25.30, which terminated on September 30, 2000. The Company had an additional 500 barrels of oil per day hedged under a second costless collar, with a floor of $18.00 and a ceiling of $27.22. This collar terminated on December 31, 2000. The floor and ceilings were based on the average near month WTI price on the New York Mercantile Exchange (NYMEX).

While the Company may hedge future volumes as a means to mitigate price risk and/or to ensure the availability of capital to fund its drilling programs, there are no further requirements to hedge under its bank arrangement. As of January 1, 2001, the Company had no volumes of oil or gas subject to hedging arrangements.



After taking into consideration the hedging costs discussed above, average oil prices received in 2000 were $26.52 per barrel, up 52% from $17.40 per barrel in 1999. Gas prices were also up sharply, averaging $3.96 per Mcf in 2000,compared to $2.04 per Mcf in 1999. Oil production rose slightly from 662,000 barrels in 1999 to 666,000 barrels in 2000. Gas production in 2000 was 1,661,000 Mcf compared to 2,033,000 Mcf last year. The reduction in gas production was due in part to the Company's reduced drilling program and reduced drilling success in California during 2000 and 1999. Due to some unexpected lengthy repair work on a 14 mile section of a PG&E main line, the Company also had approximately 1 MMCFD shut-in for most of the third quarter of 2000. In addition, the Company sold all of its gas producing properties that were located in Texas in 1999.

OTHER INCOME. Included in 2000 revenues is $506,000 in non- recurring property sales recognized in the first quarter of the year. The Company also recognized gains on the sale of securities and revenue from property promotions that were non-recurring.

LEASE OPERATING COSTS. Operating costs rose 13% from 1999 levels on a cost basis, and 20% on a barrel of oil equivalent basis. The most significant factor leading to this increase was a function of higher oil and gas prices resulting in higher value-based production taxes. In addition, the Company's higher-cost, lower- margin oil properties were on production the entire year 2000, whereas a portion of these properties were shut-in during part of 1999.

DEPRECIATION, DEPLETION AND AMORTIZATION (DD&A). DD&A per unit charges decreased slightly from $4.07 per BOE in 1999 to $4.04 per BOE in 2000.

IMPAIRMENT OF PROVED OIL AND GAS PROPERTIES. As discussed previously, included in the statement of operations for 2000 and 1999 are non-cash charges for the impairment of proved oil and gas properties in the amount of $368,543 and $313,751, respectively.

3-D SEISMIC AND EXPLORATION EXPENSES. The Company participated in two new 3-D seismic surveys during 2000. The first was a 25 mile survey at the Company's Rancho Colusa prospect in the Sacramento Basin of California. The second was a 20 mile survey at the Company's Beaver Creek prospect in North Dakota. The costs of both surveys were charged to expense during the year. The Company curtailed its use of 3-D seismic in 1999 in response to low oil prices during the first part of the year.

Higher exploration costs in 2000 reflected higher dry hole costs incurred during the year. While the Company drilled only one more dry hole in 2000 than in 1999, the wells drilled in 2000 carried a higher working interest than those of the previous year. Dry hole costs in 2000 were approximately $800,000 higher than the amount recorded in 1999.



GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased 9% from 1999 levels. The increase was due to higher compensation, employee relocation, and shareholder expenses. During the low oil price environment of early 1999, the Company froze salaries, reduced employee benefits, and made other compensation reductions. As oil prices have increased, the Company has restored some of these previous reductions. In addition, the Company recorded overhead expenses associated with its new Cody, Wyoming office.

INTEREST AND INCOME TAXES. Lower interest costs in 2000 reflect lower balances outstanding under the Company's credit facility. During 2000, the Company reduced its credit facility debt by $6,500,000. Income tax expense recorded for both periods reflect the results of operations, as well as various credits available to the Company. Details concerning the components of the tax provision can be found in Footnote 3 to the financial statements.

COMPARISON OF 1999 WITH 1998

OIL AND GAS PRODUCTION AND SALES. Oil and gas sales increased more than 20% in 1999 over 1998 levels. Higher oil and gas prices were offset somewhat by decreases in both oil and gas production. Total revenues increased 20% from 1998 to 1999.

Oil production decreased 4% in 1999, as a number of the Company's high-cost, low-margin oil wells were shut-in during the first several months of the year. Oil production was 662,000 barrels, compared to 692,000 barrels in 1998. Gas production decreased 17% to 2.0 Bcf in 1999 from 2.4 Bcf in 1998. Gas production declined primarily as a result of reduced drilling in California during 1998 and 1999, as well as the sale of the Company's Texas gas properties during the fourth quarter of 1999.

While average year-end oil prices in 1999 were more than double those of year-end 1998, the average price received for the entire year increased a more modest 43%. Higher second half prices were offset by abnormally low prices in the first half of the year. The Company's average oil price for the full year of 1999 was $17.40 compared to $12.16 per barrel realized during 1998. Gas prices were also higher, averaging $2.04 per Mcf in 1999 compared to $1.83 per Mcf in 1998.

LEASE OPERATING COSTS. Lease operating costs decreased 5% over the prior year. Higher per unit costs were offset by reduced volumes. Per unit costs rose as the Company recorded higher value-based production taxes associated with higher oil prices.

DEPRECIATION, DEPLETION AND AMORTIZATION (DD&A). DD&A per unit charges decreased from $4.58 per BOE in 1998 to $4.07 per BOE in 1999. The primary reason for the per unit decrease was the elimination of approximately $4 million from the Company's depletable base through a property impairment charge in the fourth quarter of 1998. In addition, higher oil prices enabled the Company to record positive reserve revisions, which in turn decreased DD&A rates for many of the Company's oil properties.

IMPAIRMENT OF PROVED OIL AND GAS PROPERTIES. As discussed previously, included in the statement of operations for 1999 and 1998 are non-cash charges for the impairment of proved oil and gas properties in the amount of $313,751 and $4,015,158, respectively.

EQUITY LOSS IN SYMSKAYA EXPLORATION, INCORPORATED. The equity loss in Symskaya Exploration decreased by $276,825 during 1999. As operations continue to be curtailed at the project, Symskaya terminated its only domestic employee, and further reduced administrative expenses in 1999. The 1998 loss included $125,000 of accrued interest income on a senior note between Symskaya and the Company that had been recognized in prior periods. The 1998 amount also included the Company's share of a bottom hole contribution that was not repeated in 1999.

3-D SEISMIC AND EXPLORATION EXPENSES. Lower exploration costs in 1999 resulted from the Company's reduced drilling program. During 1999, the Company incurred approximately $470,000 in dry hole costs compared to approximately $875,000 in 1998. In addition, as a result of the Company's cost cutting measures in 1999, the Company reduced other exploratory geological and administrative costs by 23%.

In 1998, the Company incurred 3-D seismic charges in the amount of $431,000 associated with its Sequoia prospect in California. The Company curtailed its use of 3-D seismic in 1999 in response to low oil prices during the first part of the year.

GENERAL AND ADMINISTRATIVE EXPENSES. The Company cut its general and administrative expenses by $171,000, or 9%, from 1998 levels. In response to abnormally low oil prices in the beginning of 1998, the Company made a concerted effort to reduce overhead costs through staff reductions, lower compensation costs, reduced employee benefits and other costs.

INTEREST AND INCOME TAXES. Lower interest costs in 1999 reflect lower average interest rates on the debt outstanding under the Company's credit facility. The income tax expense (benefits) recorded for both periods reflect the results of operations, as well as various credits available to the Company. Details concerning the components of the tax provision can be found in Footnote 3 to the financial statements.



LIQUIDITY AND CAPITAL RESOURCES

The Company took advantage of higher oil and gas prices, increased cash flows, and positive financial results in 2000, to continue to strengthen its balance sheet and improve its financial flexibility. The Company's cash balances increased by 118% from December 31, 1999. Working capital at December 31, 2000 was 67% higher than that at December 31, 1999. The Company's ratio of current assets to current liabilities also improved, reaching 2.53 to 1 at December 31, 2000 compared to 2.40 to 1 at the end of 1999. As cash flow from operating activities more than doubled in 2000, the Company reduced its outstanding debt by 43%.

Higher cash flows also enabled the Company to expand its drilling and workover programs in 2000. Capital expenditures increased 31% over 1999 levels, reaching approximately $3.1 million in 2000. The Company's 2000 capital expenditures were partially offset by proceeds from the sale of certain non-core oil and gas properties.

In September of 1999, the Company obtained a $50 million reducing revolving credit facility with Bank One Texas, N.A. The facility has an initial commitment of $17 million, and the maturity date of the facility is September 9, 2002, three years from the date of closing. The new facility has a LIBOR or a prime interest rate option; the weighted average interest rate on debt outstanding at December 31, 2000 was 8.57 percent.

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. As of December 31, 2000, the Company had $8,500,000, or 50%, of remaining availability on the facility. The Company is in compliance with all its facility covenants.

The Company utilized its higher cash flows in 2000 to reduce the amount of debt outstanding, making principal reductions of $6,500,000 during the year. Excess cash flows in 1999 enabled the Company to make principal payments of $1,500,000 during that year. Should the Company have cash flows in excess of its capital requirements for 2001, additional reductions of outstanding debt during the year may occur.

Cash flow from operating activities of $10,319,912 was 135% higher than the amount recorded during 1999. While increased net income was the primary driver for the increase, the following items impacted the amount as well.

At the end of 1999, the Company had approximately $5.8 million in net operating loss carryforwards, all of which was utilized during 2000 to offset taxable income. As a result, deferred income taxes increased by approximately $1.9 million year-to-year.



As gas prices reached record levels in November and December of 2000, resulting in higher accrued revenues, the Company's accounts receivable at year-end were approximately $2.1 million higher than at year-end 1999. The increase in accounts payable was primarily due to the timing of invoice payments by the Company. In addition, the assumption of operations in the Big Horn Basin led to increases in both receivables and payables as the Company assumed responsibilities for the payment of invoices on behalf of its partners.

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. The Company has adequate liquidity to maintain its operations as they currently exist.

COMMITMENTS. Under the terms of Symskaya's License and Production Sharing Agreement (PSA), Equity was committed to advance Symskaya a minimum of $6 million during the first 5 contract years, representing 50% of the minimum expenditures called for in the License and PSC, with the remainder being funded by Leucadia National Corporation, Symskaya's other 50% shareholder. The first contract year began November 15, 1993. The amounts spent through November 14, 1998, the end of the fifth contract year, have satisfied all minimum commitments required. Further discussion of this venture is found in ITEM 2. PROPERTIES, under the caption PRESENT ACTIVITY, and in Footnotes 6 and 9 to the financial statements.

OTHER ITEMS. The Company has reviewed all 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 any significant effects on current or future earnings or operations.

22

FORWARD LOOKING STATEMENTS

The preceding discussion and analysis should be read in conjunction with the consolidated financial statements, including the notes thereto, appearing elsewhere in this annual report on Form 10-K. Except for the historical information contained herein, the matters discussed in this annual 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 affect future results include, but are not limited to: drilling success, 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.

ITEM 7(a). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. The answers to items listed under Item 7(a) are inapplicable or negative.

23

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Accountants

To the Stockholders and Board of
Directors of Equity Oil Company:

In our opinion, the financial statements as listed in Item 14 (a) of this Form 10-K, present fairly, in all material respects, the financial position of Equity Oil Company (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
January 30, 2001

24

EQUITY OIL COMPANY
BALANCE SHEETS
December 31, 2000 and 1999

| ASSETS | 2000 | 1999 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents ............................. | $ 2,190,548 | $ 1,006,602 |

| | | |
|---|---|---|
| Accounts receivable | 5,012,331 | 2,896,558 |
| Operator advances | 459,606 | 485,803 |
| Federal, state and foreign income taxes receivable | 107,490 | 221,199 |
| Deferred income taxes | 79,896 | 19,632 |
| Other current assets | 58,667 | 277,595 |
| Total current assets | 7,908,538 | 4,907,389 |
| Property and equipment, at cost (successful efforts method): | | |
| Unproved oil and gas properties | 2,601,314 | 2,388,819 |
| Proved oil and gas properties: | | |
| Developed leaseholds | 10,209,296 | 10,265,095 |
| Intangible drilling costs | 65,676,544 | 64,282,028 |
| Equipment | 26,433,032 | 25,671,687 |
| Other property and equipment | 1,111,619 | 966,997 |
| | 106,031,805 | 103,574,626 |
| Less accumulated depreciation, depletion and amortization | (66,509,569) | (62,800,100) |
| | 39,522,236 | 40,774,526 |
| Other assets | 366,937 | 435,420 |
| Total assets | $ 47,797,711 | $ 46,117,335 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 2,303,102 | $ 1,541,834 |
| Accrued liabilities | 189,912 | 177,550 |
| Federal, state and foreign income taxes payable | 632,435 | 321,981 |
| Total current liabilities | 3,125,449 | 2,041,365 |
| Revolving credit facility | 8,500,000 | 15,000,000 |
| Deferred income taxes | 3,588,575 | 1,667,648 |
| | 12,088,575 | 16,667,648 |
| Commitments (Note 6) | | |
| Stockholders' equity: | | |
| Common stock, $1 par value: | | |
| Authorized: 25,000,000 shares | | |
| Issued: 12,819,212 shares in 2000 and 12,808,040 shares in 1999 | 12,819,212 | 12,808,040 |
| Paid in capital | 3,719,865 | 3,719,743 |
| Retained earnings | 16,572,912 | 11,408,841 |
| | 33,111,989 | 27,936,624 |
| Less treasury stock, at cost | (528,302) | (528,302) |
| | 32,583,687 | 27,408,322 |

| | | |
|---|---|---|
| Total liabilities and stockholders' equity | $ 47,797,711 | $ 46,117,335 |

The accompanying notes are an integral part of the financial statements



EQUITY OIL COMPANY
STATEMENTS OF OPERATIONS
for the years ended December 31, 2000, 1999 and 1998

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Revenues: | | | |
| Oil and gas sales | $ 24,316,369 | $ 15,434,537 | $ 12,720,876 |
| Other income | 1,082,653 | 334,980 | 457,107 |
| | 25,399,022 | 15,769,517 | 13,177,983 |
| Expenses: | | | |
| Leasehold operating costs | 6,726,769 | 5,948,055 | 6,233,955 |
| Depreciation, depletion and amortization | 3,808,777 | 4,072,278 | 5,029,119 |
| Impairment of proved oil and gas properties | 368,543 | 313,751 | 4,015,158 |
| Equity loss in Symskaya Exploration, Inc. | 174,432 | 169,933 | 446,758 |
| Leasehold abandonments | 14,820 | 68,965 | 162,754 |
| 3-D seismic | 979,028 | 35,200 | 431,075 |
| Exploration | 2,513,917 | 1,566,521 | 2,383,163 |
| General and administrative | 1,897,190 | 1,743,590 | 1,914,590 |
| Interest | 1,110,062 | 1,214,600 | 1,298,061 |
| | 17,593,538 | 15,132,893 | 21,914,633 |
| Income (loss) before income taxes | 7,805,484 | 636,624 | (8,736,650) |
| Provision for (benefit from) income taxes | 2,641,413 | 233,103 | (2,921,766) |
| Net income (loss) | $ 5,164,071 | $ 403,521 | $ (5,814,884) |
| Basic net income (loss) per common share | $ .41 | $ .03 | $ (.46) |

| | | | |
|---|---|---|---|
| Basic weighted average shares outstanding ................ | 12,646,101 | 12,638,377 | 12,623,041 |
| Diluted net income (loss) per common share .......................... | $ .40 | $ .03 | $ (.46) |
| Diluted weighted average shares outstanding ................ | 12,875,750 | 12,638,377 | 12,623,041 |

The accompanying notes are an integral part of the financial statements



EQUITY OIL COMPANY
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
for the years ended December 31, 2000, 1999 and 1998

| | Common Stock Shares | Common Stock Amount | Paid in Capital | Retained Earnings |
|---|---|---|---|---|
| Balance at January 1, 1998 ............ | 12,761,100 | $12,761,100 | $ 3,667,707 | $16,820,20 |
| Net (loss) ........................... | | | | (5,814,88 |
| Common stock issued for services, $2.42 per share ........ | 32,940 | 32,940 | 46,786 | |
| Balance at December 31, 1998 ........... | 12,794,040 | $12,794,040 | $ 3,714,493 | $11,005,32 |
| Net income ............................ | | | | 403,52 |
| Common stock issued for services, $1.38 per share ........ | 14,000 | 14,000 | 5,250 | |
| Balance at December 31, 1999 ........... | 12,808,040 | $12,808,040 | $ 3,719,743 | $11,408,84 |
| Net income ............................ | | | | 5,164,07 |
| Common stock issued on exercise of stock option ......... | 11,172 | 11,172 | (3,731) | |
| Income tax benefit from exercise of stock options ................ | | | 3,853 | |
| Balance at December 31, 2000 .......... | 12,819,212 | $12,819,212 | $ 3,719,865 | $16,572,91 |

The accompanying notes are an integral part of the financial statements



EQUITY OIL COMPANY
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2000, 1999 and 1998

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income (loss) ................................ | $ 5,164,071 | $ 403,521 | $ (5,814,8 |
| Adjustments to reconcile net income (loss) | | | |
| to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization .... | 3,808,777 | 4,072,278 | 5,029,1 |
| Impairment of proved oil and gas properties . | 368,543 | 313,751 | 4,015,1 |
| Equity loss in Symskaya Exploration, Inc. ... | 174,432 | 169,933 | 446,7 |
| (Gain) loss on property dispositions ........ | (482,191) | (12,343) | 325,5 |
| Change in other assets ..................... | 94,619 | 71,151 | 89,9 |
| Deferred income tax expense (benefit) ....... | 1,860,663 | 24,733 | (3,209,7 |
| Common stock issued for services ........... | -- | 19,250 | 79,7 |
| | 10,988,914 | 5,062,274 | 961,6 |
| Increase (decrease) from changes in: | | | |
| Accounts receivable and operator advances | (2,089,576) | (686,201) | 817,8 |
| Other current assets .................... | 218,928 | 41,309 | 195,8 |
| Accounts payable and accrued liabilities . | 773,630 | (210,950) | 294,2 |
| Income taxes payable/receivable .......... | 428,016 | 179,796 | (344,8 |
| Net cash provided by operating activities | 10,319,912 | 4,386,228 | 1,924,6 |
| Cash flows from investing activities: | | | |
| Advances to Symskaya Exploration, Inc. ............ | (174,432) | (169,933) | (319,2 |
| Capital expenditures ............................. | (3,145,188) | (2,406,251) | (4,126,6 |
| Proceeds from sale of oil and gas properties ....... | 702,349 | 474,486 | 65,7 |
| Net cash used in investing activities ... | (2,617,271) | (2,101,698) | (4,380,1 |
| Cash flows from financing activities: | | | |
| Payments on revolving credit facility ............. | (6,500,000) | (18,000,000) | -- |
| Borrowings under revolving credit facility ......... | -- | 16,500,000 | 2,521,1 |
| Payment of revolving credit facility fees .......... | (26,136) | (222,404) | -- |
| Proceeds from stock option exercises .............. | 7,441 | -- | -- |
| Net cash provided by (used in) financing activities ............... | (6,518,695) | (1,722,404) | 2,521,1 |
| Net increase in cash and cash equivalents ......... | 1,183,946 | 562,126 | 65,6 |
| Cash and cash equivalents at beginning of year ..... | 1,006,602 | 444,476 | 378,8 |
| Cash and cash equivalents at end of year .......... | $ 2,190,548 | $ 1,006,602 | $ 444,4 |

| | | | |
|---|---|---|---|
| | ============ | ============ | ========== |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the year for: | | | |
| Income taxes ................................ | $ 334,796 | $ 148,938 | $ 495, |
| Interest .................................... | $ 1,110,062 | $ 1,214,600 | $ 1,298, |
| Supplemental disclosures on non-cash investing activities: | | | |
| Non-cash proceeds from oil and gas property exchange | $ - | $ 366,699 | $ |

The accompanying notes are an integral part of the financial statements

28

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

A. The Company:

Equity Oil Company (the Company) is a Colorado corporation engaged in oil and gas exploration, development and production in the United States, Canada and Russia.

B. Cash and Cash Equivalents:

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

C. Accounting for Oil and Gas Operations:

The Company reports using the "successful efforts" method of accounting for oil and gas operations. The use of this method results in capitalization of those costs identified with the acquisition, exploration and development of properties that produce revenue or, if in the development stage, are anticipated to produce future revenue. Costs of unsuccessful exploration efforts are expensed in the period in which it is determined that such costs are not recoverable through future revenues. Exploratory geological and geophysical costs are expensed as incurred. The costs of development wells are capitalized whether productive or nonproductive.

The Company annually assesses undeveloped oil and gas properties for impairment. Any impairment recorded represents management's estimate of the decline in realizable value experienced during the year. The unamortized costs of proved properties which management determines are not recoverable are written off in the period such determination is made. The net capitalized costs of proved oil and gas properties are measured for impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 121. (See Note 2).

The provision for depreciation, depletion and amortization of proved oil and gas properties is computed using the units of production method, based on proved oil and gas reserves. Estimated dismantlement, restoration and abandonment costs are expected to be offset by estimated residual values of lease and well equipment. Thus, no accrual for such costs has been recorded.

Continued





1. Significant Accounting Policies, Continued:

D. Concentration of Credit Risk:

Substantially all of the Company's accounts receivable are within the oil and gas industry, primarily from purchasers of oil and gas (see Note 5). Although diversified within many companies, collectibility is dependent upon the general economic conditions of the industry. The receivables are not collateralized and, to date, the Company has experienced minimal bad debts. The majority of the Company's cash and cash equivalents is held by one financial institution located in Salt Lake City, Utah, and by one financial institution in Calgary, Alberta.

E. Equipment:

The provision for depreciation of equipment (other than oil and gas equipment) is based on the straight-line method using asset lives as follows:

| | |
|---|---|
| Office equipment | 10 years |
| Automobiles | 3 years |

When equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of operations.

F. Foreign Operations:

Operations and investments in Canada have been translated into U.S. dollar equivalents at the average rate of exchange in effect at the transaction date. Foreign exchange gains or losses during 2000, 1999 and 1998 were not material.

Continued



EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

1. Significant Accounting Policies, Continued:

G. Net Income (Loss) Per Common Share:

Basic earnings per share is computed by dividing the net income (loss)by the weighted average number of common shares outstanding Diluted earnings per share is computed by dividing the net income (loss) by the sum of the weighted average number of common shares and the effect of dilutive unexercised stock options. Dilutive options to purchase approximately 536,500 shares of common stock at prices of $1.06 to $1.71 per share were outstanding at December 31, 2000 and were included in the computation of diluted net income per share. Options to purchase 1,052,000, 1,434,000, and 1,203,000 shares of common stock at prices ranging from $1.06 to $5.50 per share were outstanding at December 31, 2000, 1999 and 1998, respectively, but were not included in the computation of diluted earnings per share because the effect would have been antidilutive.

H. Estimates:

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.

Significant estimates with regard to these financial statements include the estimates of proved oil and gas reserve volumes and future dismantlement and abandonment costs used in determining amortization and impairment provisions.

I. Hedging:

The Company enters into futures contracts to hedge the price risks associated with oil and gas sales. The Company defers the impact of changes in the market value of these contracts until such time as the hedged transaction is completed. At that time, the impact of the changes in the fair value of these contracts is recognized in income. Periodic gains or losses associated with hedges are included in income as they occur.

To qualify as a hedge, the item to be hedged must expose the Company to oil and gas price risk and the hedging instrument must reduce that exposure. Any contracts held or issued that did not meet the requirements of a hedge would be recorded at fair value in the balance sheet and any changes in that fair value recognized in income. If a contract designated as

Continued





1. Significant Accounting Policies, Continued:

a hedge of price risk is terminated, the associated gain or loss is deferred and recognized in income in the same manner as the hedged item. Also, a contract designated as a hedge of an anticipated transaction that is no longer likely to occur would be recorded at fair value and the associated changes in fair value recognized in income.

Under the terms of its revolving credit facility, the Company was required to hedge at least 50%, but not more than 75%, of its daily oil production at a price not lower than the lowest price used in the bank's price deck, for a period between 12 and 18 months commencing with the effective date of the facility, which was September 9, 1999. The Company had 120 days after the closing date in September 1999 to have the hedge or hedges in place. The Company entered into one collar agreement for 12 months effective October 1, 1999, covering 400 barrels per day with a floor at $18.00 per barrel and a ceiling at $25.30 per barrel. The Company entered into a second collar agreement for 12 months effective January 1, 2000, covering 500 barrels per day with a floor at $18.00 per barrel and a ceiling at $27.22 per barrel.

As a result of these hedges, revenues were reduced by $1,048,018 in 2000 and $9,784 in 1999. No hedging transactions occurred in 1998. The Company has satisfied all hedging requirements under the credit facility, and had no hedges in place as of January 1, 2001.

2. Impairment of Proved Oil and Gas Properties:

SFAS No.121, Accounting for the Impairment of Long Lived Assets and for Assets Held for Disposal, requires successful efforts companies to evaluate the recoverability of the net capitalized costs of their proved oil and gas properties at a field level. The SFAS No.121 impairment test compares the expected undiscounted future net revenues from each property with the related net capitalized costs at the end of each period. When the net capitalized costs exceed the undiscounted future net revenues, the carrying value of the property is written down to fair value, which is determined using discounted future net revenues from the property.

The Company recorded SFAS No. 121 non-cash impairment charges of $368,543, $313,751 and $4,015,158 for 2000, 1999 and 1998, respectively.

Continued



EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

3. Income Taxes:

The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Deferred income taxes are provided using enacted tax rates applied to the difference between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future years when the reported amount of the asset or liability is recovered or settled, respectively.

The provision for (benefit from) income taxes consists of the following:

| Currently payable (receivable): | 2000 | 1999 | |
|---|---|---|---|
| U.S. income taxes (including alternative minimum tax) ...... | $ 14,924 | $ 719 | $ |
| State income taxes ............... | 158,582 | 5,000 | 6 |
| Canadian income taxes ............ | 605,725 | 336,167 | 208 |
| Changes in prior years' taxes .... | 1,519 | (84,050) | 73 |
| Deferred tax (benefit) expense ... | 1,860,663 | (24,733) | (3,209 |
| | $2,641,413 | $233,103 | $(2,921 |

Continued



EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

3. Income Taxes, Continued:

The components of the net deferred tax liability as of December 31, 2000 and 1999 were as follows:

| | 2000 | 1999 |
|---|---|---|
| Deferred tax assets: | | |
| AMT credit carryforward ................ | $ 269,221 | $ 312,650 |
| State income taxes ..................... | 58,628 | 1,849 |
| Deferred compensation .................. | 21,268 | 17,783 |
| Geological and geophysical costs ....... | 342,624 | 600,923 |
| Accrued interest ....................... | 1,154,134 | 893,755 |
| Foreign tax credit carryforward ........ | 358,507 | 491,862 |
| Equity loss and impairment of investment in Symskaya Exploration, Inc. ........ | 2,909,230 | 2,844,742 |
| Net operating loss carryforward ........ | -- | 2,104,119 |
| | 5,113,612 | 7,267,683 |
| Valuation allowance .................... | (358,507) | (491,862) |
| Total deferred tax asset ............... | 4,755,105 | 6,775,821 |
| Deferred tax liabilities: | | |
| Deferred income ........................ | -- | 42,719 |
| Property and equipment ................. | 8,227,404 | 8,342,487 |
| Other assets ........................... | 36,380 | 38,631 |
| Total deferred tax liability ........... | 8,263,784 | 8,423,837 |
| Net deferred tax liability .............. | $ 3,508,679 | $ 1,648,016 |

The net deferred tax liability as of December 31, 2000 and 1999 is reflected in the balance sheet as follows:

| | | |
|---|---|---|
| Current deferred tax asset ............... | $ (79,896) | $ (19,632) |
| Long-term deferred tax liability ......... | 3,588,575 | 1,667,648 |
| | $ 3,508,679 | $ 1,648,016 |

Continued

NOTES TO FINANCIAL STATEMENTS, Continued

3. Income Taxes, Continued:

The provision for (benefit from) income taxes differs from the amount that would be provided by applying the statutory U.S. Federal income tax rate to the income (loss) before income taxes for the following reasons:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Expected federal statutory tax expense (benefit) ................ | $ 2,653,323 | $ 216,452 | $(2,970,461) |
| Increase (reduction) in taxes resulting from: | | | |
| State taxes (net of federal benefit) ......................... | 211,225 | 6,733 | (255,742) |
| Canadian taxes (net of foreign tax credits) ................... | 136,988 | 221,870 | 208,046 |
| Excess allowable percentage depletion ........................ | (319,803) | (124,638) | (54,059) |
| Investment tax and other credits ... | (31,000) | -- | -- |
| Changes in prior years' taxes ...... | (9,320) | (87,314) | 150,450 |
| Provision for (benefit from) income taxes | $ 2,641,413 | $ 233,103 | $(2,921,766) |

At December 31, 2000, the Company had approximately $269,221 of alternative minimum tax credit carryforwards which can be carried forward indefinitely, and approximately $358,507 of foreign tax credit carryforwards which begin to expire in 2001.

Continued



EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

4. Stock-Based Compensation Plan:

At December 31, 2000, the Company had two stock-based compensation plans, which are described below. The Company applies APB Opinion No. 25 and related Interpretations in accounting for these plans. Accordingly, no compensation cost has been recognized for options granted to employees under its fixed stock option plans. Had compensation cost for the Company's stock- based compensation plan been determined based on the fair value at the grant dates consistent with the method of SFAS No. 123, Accounting for Stock Based Compensation, the Company's net income (loss) and net income (loss) per share would have been changed to the pro forma amounts indicated below:

| | | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| Net income (loss) | As reported | $5,164,071 | $403,521 | $(5,814,884) |
| | Pro forma | $4,966,286 | $239,924 | $(5,991,191) |
| Net income (loss) per share | As reported | $ .41 | $ .03 | $ (.46) |
| | Pro forma | $ .39 | $ .02 | $ (.47) |

Under the 2000 and 1993 Equity Oil Company Incentive Stock Option Plans, the Company may grant options to its employees for up to 1.2 million and 1.4 million shares, respectively, of common stock. The options may take the form of incentive stock options, non-qualified stock options, and non-qualified stock options with tandem stock appreciation rights. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Options are granted from time to time at the discretion of the Board of Directors, and vest over periods of one to five years from the grant date.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2000, 1999 and 1998 respectively: expected volatility of 95, 112 and 138 percent, risk-free interest rates of 6.8, 5.1 and 5.5 percent; expected life of 5 to 7 years and dividend yield of zero for all three years.

Continued





4. Stock-Based Compensation Plan, Continued:

| | 2000 | | 1999 | |
|---|---|---|---|---|
| Fixed Options | Shares (000) | Weighted-Average Exercise Price | Shares (000) | Weighted-Average Exercise Price |
| Outstanding at beginning of year | 1,434 | $3.45 | 1,203 | $4.14 |
| Granted | 219 | 1.55 | 323 | 1.06 |
| Exercised | (15) | 1.06 | - | - |

| | | | | |
|---|---|---|---|---|
| Forfeited | (49) | 5.66 | (92) | 4.08 |
| Outstanding at end of year | 1,589 | 3.14 | 1,434 | 3.45 |
| Options exercisable at year-end | 1,149 | | 973 | |
| Weighted-average fair value of options granted during the year | | $1.18 | | $.88 |

The following table summarizes information about fixed stock options outstanding at December 31, 2000:

| | Options Outstanding | | | |
|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding at 12/31/00 | Weighted-Average Remaining Contractual Life | Weighted-Average Exercise Price | Number Exercisa at 12/31 |
| $1.063-$1.063 | 307,600 | 8.25 | $1.063 | 170,80 |
| $1.500-$2.500 | 355,000 | 8.35 | $1.914 | 92,00 |
| $3.563-$3.875 | 306,500 | 3.83 | $3.621 | 282,50 |
| $4.000-$4.250 | 304,000 | 2.05 | $4.127 | 304,00 |
| $5.000-$5.500 | 315,500 | 3.85 | $5.127 | 299,30 |
| | 1,588,600 | 5.36 | $3.140 | 1,148,60 |

5. Geographic Segment Information:

The Company follows SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information. The Company operates in the exploration and production segment of the oil and gas industry. The Company's operations are located in the following geographical areas.

| | Revenues for the years ended December 31, | | | |
|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 2000 |
| United States | $21,746,294 | $13,625,811 | $11,199,836 | $ 96,017,461 |
| Canada | 2,570,075 | 1,808,726 | 1,521,040 | 10,014,344 |
| Total | $24,316,369 | $15,434,537 | $12,720,876 | $106,031,805 |

Continued

EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

5. Geographic Segment Information, Continued:

Revenue from a major U.S. oil company accounted for approximately 47 percent of total revenues in 2000, 31 percent of total revenues in 1999 and 32 percent of total revenues in 1998. The Company believes this purchaser could be replaced, if necessary, without a loss in revenue.

6. Symskaya Exploration:

Symskaya Exploration, Incorporated, a company in the development stage and a Texas corporation (Symskaya), was formed on November 25, 1991, and is engaged in oil and gas exploration in Russia. Symskaya holds a Combined License (License) which grants it the exclusive right to explore, develop and produce hydrocarbons on a contract area totaling approximately 1,100,000 acres in the Yenisysk District of the Krasnoyarsk Krai in the Russian Federation. The License has a primary term of 25 years from November 15, 1993.

The work to be performed and the obligations and rights of Symskaya are set forth in the License and a Production Sharing Agreement (PSA) which is an integral part of the License. Under the License and PSA, Symskaya will provide funding for all exploration and development and will recover these costs from 80% of hydrocarbon production after payment of an 8% royalty. The remaining 20% of any hydrocarbon production, net of royalty, will be shared by Symskaya and the Russian government based on the rate of production. As of December 31, 2000, the Symskaya area had not received approval by the Russian federal government as a production sharing area.

Minimum expenditures required under the License and PSA total $12,000,000 during the first five years of the License term, which began on November 15, 1993. Symskaya satisfied all of the minimum expenditures in the time required under the license.

Symskaya is owned 50% each by Equity Oil Company (Equity) and Leucadia National Corporation, (Leucadia). Leucadia acquired 50% of the stock of Symskaya effective January 1, 1994, in exchange for their commitment to spend up to $6,000,000, in an amount equal to that spent by Equity, towards the Symskaya project through the drilling, completion and/or plugging and abandonment of the initial test well, the Lemok #1. Pursuant to a Shareholders' Agreement, Leucadia was not required to pay any part of the amounts previously advanced by Equity under a Loan Agreement with Symskaya, with the exception of one-half (1/2) of the interest on a $1,740,519 loan between Equity and Symskaya. The loan reflects the initial investment by Equity in Symskaya prior to Leucadia's ownership.

Continued

EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

6. Symskaya Exploration, Continued:

Amounts advanced by Equity and Leucadia after January 1, 1994 are treated as interest-bearing notes payable or equity, as mutually agreed upon by the respective companies. The Shareholder Agreement with Leucadia also requires that Leucadia share equally in the payment of the one (1%) percent royalty obligation in favor of Coastline Exploration, Inc. on future revenues from the Symskaya project. The Company's President serves on Leucadia's Board of Directors.

The Company's investment in Symskaya is being accounted for using the equity method of accounting.

In 1996, Symskaya plugged and abandoned the Lemok #1 well, and charged all capitalized costs to expense. Subsequent to the plugging of the Lemok #1 well, the Company and Leucadia agreed to suspend interest payments on Symskaya's notes with the Company. The Company has no current plans to fund future exploratory drilling by Symskaya. The Company's 50% share of Symskaya's net loss, excluding losses related to interest payable to the Company, was $174,432, $169,933 and $446,758 in 2000, 1999 and 1998, respectively.

7. Note Payable:

In September of 1999, the Company obtained a $50 million Reducing Revolving Credit Facility (the Facility), with a commitment of $17 million as of December 31, 2000, which replaced its prior credit facility. The terms of the Facility call for interest payments only, at the lower of prime or LIBOR plus 2.00%, until September 9, 2002, at which time the principal amount becomes due. An unused commitment fee of 1/2% will be charged to the Company based on the average daily unused portion of the Facility. The Facility is collateralized by essentially all oil and gas assets of the Company. As of December 31, 2000, the outstanding balance under the Facility was $8,500,000 at a weighted average interest rate of 8.57%.

The Facility contains provisions relating to maintenance of certain financial ratios, as well as restrictions governing its use. Under covenants contained in the Facility, the Company has agreed, among other things, not to advance any proceeds from the Facility to Symskaya, not to pay dividends, and not to merge with or acquire any other company without the prior approval of the bank. As of December 31, 2000, the Company was in compliance with all covenants in the Facility. Facility fees, which are reflected as other assets in the accompanying balance sheet, are being amortized on a straight line basis over the original 36 month term of the agreement.

Continued

EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

8. Quarterly Financial Data (Unaudited):

Quarterly financial information for the years ended December 31, 2000 and 1999 is as follows:

| 2000 Quarter Ended: | December 31 | September 30 | June 30 | March 31 |
|---|---|---|---|---|
| Net revenues | $ 7,497,944 | $ 6,027,006 | $ 5,403,396 | $ 5,388,023 |
| Gross margin | 4,626,159 | 3,279,220 | 2,786,801 | 2,720,100 |
| Net income | 1,588,512 | 1,214,027 | 1,108,782 | 1,252,750 |
| Basic income per common share | $ .13 | $ .10 | $ .09 | $ .10 |
| Diluted income per common share | $ .12 | $ .09 | $ .09 | $ .10 |

| 1999 Quarter Ended: | December 31 | September 30 | June 30 | March 31 |
|---|---|---|---|---|
| Net revenues | $ 4,995,330 | $ 4,311,235 | $ 3,515,233 | $ 2,618,352 |
| Gross margin | 2,032,571 | 1,645,306 | 1,195,995 | 232,194 |
| Net income (loss) | 441,743 | 422,532 | 111,945 | (572,699) |
| Basic and diluted income (loss) per common share | $ .03 | $ .03 | $ .01 | $ (.05) |

Continued

9. Disclosures About Oil and Gas Producing Activities:

Capitalized Costs:

| | United States | Canada | Tota |
|---|---|---|---|
| **2000:** | | | |
| Unproved oil and gas properties | $ 2,571,276 | $ 30,038 | $ 2,60 |
| Proved oil and gas properties | 92,334,569 | 9,984,303 | 102,31 |
| | 94,905,845 | 10,014,341 | 104,92 |
| Accumulated depreciation, depletion and amortization | (59,502,298) | (7,007,271) | (66,50 |
| Net capitalized costs | $ 35,403,547 | $ 3,007,070 | $ 38,41 |
| **1999:** | | | |
| Unproved oil and gas properties | $ 2,358,084 | $ 30,735 | $ 2,38 |
| Proved oil and gas properties | 90,779,602 | 9,439,208 | 100,21 |
| | 93,137,686 | 9,469,943 | 102,60 |
| Accumulated depreciation, depletion and amortization | (56,070,950) | (6,729,150) | (62,80 |
| Net capitalized costs | $ 37,066,736 | $ 2,740,793 | $ 39,80 |
| **1998:** | | | |
| Unproved oil and gas properties | $ 2,969,999 | $ 33,224 | $ 3,00 |
| Proved oil and gas properties | 91,206,116 | 9,364,704 | 100,57 |
| | 94,176,115 | 9,397,928 | 103,57 |
| Accumulated depreciation, depletion and amortization | (54,247,539) | (6,418,467) | (60,66 |
| Net capitalized costs | $ 39,928,576 | $ 2,979,461 | $ 42,90 |

Continued



EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

9. Disclosures About Oil and Gas Producing Activities, Continued:

Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities:

| 2000: | United States | Canada | Russia | Total |
|---|---|---|---|---|
| Acquisition of properties: | | | | |
| Proved ................ | $ 0,500 | | | $ 20,500 |
| Unproved .............. | 519,660 | | | 519,660 |
| Exploration costs ........ | 3,447,209 | $ 17,924 | | 3,465,133 |
| Development costs ........ | 1,793,824 | 679,736 | | 2,473,560 |
| Symskaya, equity method .. | | | $174,432 | 174,432 |
| **1999:** | | | | |
| Acquisition of properties: | | | | |
| Proved ................ | $ 946,665 | | | $ 946,665 |
| Unproved .............. | 200,541 | | | 200,541 |
| Exploration costs ........ | 1,863,875 | $ 30,073 | | 1,893,948 |
| Development costs ........ | 1,062,408 | 110,521 | | 1,172,929 |
| Symskaya, equity method .. | | | $169,933 | 169,933 |
| **1998:** | | | | |
| Acquisition of properties: | | | | |
| Proved ................ | | | | |
| Unproved .............. | $ 124,066 | | | $ 124,066 |
| Exploration costs ........ | 4,423,128 | $ 27,529 | | 4,450,657 |
| Development costs ........ | 2,270,849 | 267,392 | | 2,538,241 |
| Symskaya, equity method .. | | | $446,758 | 446,758 |

Continued



EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

9. Disclosures About Oil and Gas Producing Activities, Continued:

Results of Operations (Unaudited):

| 2000: | United States | Canada | Russia |
|---|---|---|---|
| Oil and gas sales | $ 21,746,294 | $ 2,570,075 | |
| Production costs | (6,122,894) | (603,875) | |
| Exploration expenses | (3,493,390) | (14,374) | |
| Depreciation, depletion and amortization | (3,684,117) | (124,661) | |
| Impairment of proved oil and gas properties | (368,543) | -- | |
| Equity loss in Symskaya Exploration, Inc. | -- | -- | $ (174,432) |
| | 8,077,350 | 1,827,165 | (174,432) |
| Imputed income tax benefit (expense) | (2,604,092) | (344,352) | 65,412 |
| Results of operations from producing activities | $ 5,473,258 | $ 1,482,813 | $ (109,020) |

| 1999: | United States | Canada | Russia |
|---|---|---|---|
| Oil and gas sales | $ 13,625,811 | $ 1,808,726 | |
| Production costs | (5,422,811) | (525,244) | |
| Exploration expenses | (1,650,413) | (20,273) | |
| Depreciation, depletion and amortization | (3,761,339) | (310,939) | |
| Impairment of proved oil and gas properties | (313,751) | -- | |
| Equity loss in Symskaya Exploration, Inc. | -- | -- | $ (169,933) |
| | 2,477,497 | 952,270 | (169,933) |
| Imputed income tax benefit (expense) | (677,741) | (423,760) | 63,725 |
| Results of operations from producing activities | $ 1,799,756 | $ 528,510 | $ (106,208) |

| 1998: | United States | Canada | Russia |
|---|---|---|---|
| Oil and gas sales | $ 11,199,836 | $ 1,521,040 | |
| Production costs | (5,665,047) | (568,908) | |
| Exploration expenses | (2,954,780) | (22,212) | |
| Depreciation, depletion and amortization | (4,720,913) | (308,206) | |
| Impairment of proved oil and gas properties | (4,015,158) | -- | |
| Equity loss in Symskaya Exploration, Inc. | -- | -- | $ (446,758) |
| | (6,156,062) | 621,714 | (446,758) |
| Imputed income tax benefit (expense) | 2,308,523 | (276,663) | 167,534 |
| Results of operations from producing activities | $ (3,847,539) | $ 345,051 | $ (279,224) |

The imputed income tax benefit (expense) is hypothetical and determined without regard to the Company's deduction for general and administrative and interest expense.

Continued

43

EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

9. Disclosures About Oil and Gas Producing Activities, Continued:

Reserves and Future Net Cash Flows (Unaudited):

Estimates of reserve quantities and related future net cash flows are calculated using unescalated year-end oil and gas prices and operating costs, and may be subject to substantial fluctuations based on the prices in effect at the end of each year. Reserve revisions occur when the economic limit of a property is lengthened or shortened due to changes in commodity pricing. The following table sets forth the weighted average prices used in calculating estimated reserve quantities and future net cash flows at the end of 2000, 1999 and 1998:

| | United States | | Canada | | Total | |
|---|---|---|---|---|---|---|
| | Oil | Gas | Oil | Gas | Oil | Gas |
| December 31, 2000 | $24.41 | $10.42 | $19.40 | $10.18 | $23.78 | $10.39 |
| December 31, 1999 | $23.28 | $ 1.95 | $20.40 | $ 1.71 | $22.99 | $ 1.93 |
| December 31, 1998 | $10.97 | $ 2.06 | $ 9.92 | $ 1.49 | $10.80 | $ 1.95 |

Estimates of Proved Oil and Gas Reserves(Unaudited):

The following tables present the Company's estimates of its proved oil and gas reserves. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, the estimates are expected to change as future information becomes available. Reserve estimates are prepared by the Company and audited by the Company's independent petroleum reservoir engineers, Fred S. Reynolds and Associates, who have issued a report expressing their opinion that the reserve information in the following tables complies with the applicable rules promulgated by the Securities and Exchange Commission and the Financial Accounting Standards Board. The volumes presented on the following pages are in thousands of barrels for oil and thousands of mcf for gas.

Continued

44

EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

9. Estimates of Proved Oil and Gas Reserves, Continued:

Reserves and Future Net Cash Flows (Unaudited):

| | United States | | Canada | |
|---|---|---|---|---|
| December 31, 2000: | Oil | Gas | Oil | Gas |
| Proved developed and undeveloped reserves: | | | | |
| Beginning of year | 8,042 | 13,838 | 1,251 | 2,49 |
| Revisions of previous estimates | 450 | 1,014 | (247) | 26 |
| Extensions and discoveries | 154 | 819 | 349 | 22 |
| Acquisition of minerals in place | 46 | -- | -- | -- |
| Sales of minerals in place | (440) | -- | -- | -- |
| Improved Recovery | 174 | -- | 16 | -- |
| Production | (590) | (1,456) | (76) | (20 |
| End of year | 7,836 | 14,215 | 1,293 | 2,77 |
| Proved developed reserves: | | | | |
| Beginning of year | 7,808 | 13,663 | 1,017 | 2,31 |
| End of year | 7,439 | 11,285 | 1,104 | 2,77 |

| | United States | | Canada | |
|---|---|---|---|---|
| December 31, 1999: | Oil | Gas | Oil | Gas |
| Proved developed and undeveloped reserves: | | | | |
| Beginning of year | 5,117 | 15,411 | 1,076 | 3,59 |
| Revisions of previous estimates | 3,181 | 274 | 261 | (84 |
| Extensions and discoveries | 6 | 529 | -- | -- |
| Acquisition of minerals in place | 563 | 34 | -- | -- |
| Sales of minerals in place | (249) | (642) | -- | -- |
| Production | (576) | (1,768) | (86) | (26 |
| End of year | 8,042 | 13,838 | 1,251 | 2,49 |

| | | | | |
|---|---|---|---|---|
| Proved developed reserves: | | | | |
| Beginning of year | 4,870 | 12,683 | 1,076 | 3,59 |
| End of year | 7,808 | 13,663 | 1,017 | 2,31 |

| | United States | | Canada | |
|---|---|---|---|---|
| December 31, 1998: | Oil | Gas | Oil | Gas |
| Proved developed and undeveloped reserves: | | | | |
| Beginning of year | 7,168 | 15,457 | 1,252 | 3,45 |
| Revisions of previous estimates | (1,817) | (459) | (79) | 49 |
| Extensions and discoveries | 361 | 2,505 | -- | -- |
| Production | (595) | (2,092) | (97) | (34 |
| End of year | 5,117 | 15,411 | 1,076 | 3,59 |
| Proved developed reserves: | | | | |
| Beginning of year | 6,972 | 11,932 | 1,252 | 3,45 |
| End of year | 4,870 | 12,683 | 1,076 | 3,59 |

Continued



EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

9. Disclosures About Oil and Gas Producing Activities, Continued:

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves (Unaudited):

| | Thousands of Dollars | | |
|---|---|---|---|
| 2000: | United States | Canada | Total |
| Future cash inflows | $ 334,675 | $ 52,295 | $ 386,970 |
| Future production and development costs | (126,556) | (15,400) | (141,956) |
| Future net cash flows before income taxes | 208,119 | 36,895 | 245,014 |
| 10% annual discount for estimated timing of cash flows | (103,691) | (19,454) | (123,145) |
| Standardized measure of discounted future net cash flows before income taxes | 104,428 | 17,441 | 121,869 |
| Future income taxes, net of 10% annual discount | (32,374) | (7,251) | (39,625) |

| | | | |
|---|---|---|---|
| Standardized measure of discounted future net cash flows | $ 72,054 | $ 10,190 | $ 82,244 |
| **1999:** | | | |
| Future cash inflows | $ 215,342 | $ 27,122 | $ 242,464 |
| Future production and development costs | (108,395) | (12,147) | (120,542) |
| Future net cash flows before income taxes | 106,947 | 14,975 | 121,922 |
| 10% annual discount for estimated timing of cash flows | (51,627) | (6,929) | (58,556) |
| Standardized measure of discounted future net cash flows before income taxes | 55,320 | 8,046 | 63,366 |
| Future income taxes, net of 10% annual discount | (13,951) | (2,629) | (16,580) |
| Standardized measure of discounted future net cash flows | $ 41,369 | $ 5,417 | $ 46,786 |
| **1998:** | | | |
| Future cash inflows | $ 88,549 | $ 15,442 | $ 103,991 |
| Future production and development costs | (54,825) | (7,811) | (62,636) |
| Future net cash flows before income taxes | 33,724 | 7,631 | 41,355 |
| 10% annual discount for estimated timing of cash flows | (13,176) | (2,969) | (16,145) |
| Standardized measure of discounted future net cash flows before income taxes | 20,548 | 4,662 | 25,210 |
| Future income taxes, net of 10% annual discount | (1,479) | (929) | (2,408) |
| Standardized measure of discounted future net cash flows | $ 19,069 | $ 3,733 | $ 22,802 |

Continued



EQUITY OIL COMPANY

NOTES TO FINANCIAL STATEMENTS, Continued

9. Disclosures About Oil and Gas Producing Activities, Continued:

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves (Unaudited), Continued:

Future net cash flows were computed using year-end prices and costs, and year-end statutory tax rates with consideration of future tax rates already legislated (adjusted for permanent differences that related to proved oil and gas reserves).

Principal sources of change in the standardized measure of discounted future net cash flow are as follows:

| | Thousands of Dollars | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Sales and transfers of oil and gas produced, net of production costs .................. | $(17,590) | $ (9,486) | $ (6,487) |
| Net changes in prices and production costs ... | 58,959 | 29,172 | (10,019) |
| Extensions, discoveries and improved recovery Less related costs ....................... | 8,474 | 294 | 2,098 |
| Purchases of minerals in place .............. | 345 | 3,373 | -- |
| Sales of minerals in place .................. | (2,623) | (959) | -- |
| Changes in estimated future development costs | (484) | (3,033) | 2,630 |
| Revisions of previous quantity estimates ..... | 5,792 | 23,747 | (4,495) |
| Accretion of discount ....................... | 6,337 | 2,521 | 3,558 |
| Net change in income taxes .................. | (21,573) | (15,204) | 3,315 |
| Changes in production rates (timing) and other | (2,179) | (6,441) | 3,303 |
| | $ 35,458 | $ 23,984 | $ (6,097) |

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURES:

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF COMPANY

The information contained under the headings Election of Directors and Continuing Directors and Executive Officers contained on pages 2 and 4 in the definitive proxy statement to be filed in connection with the Company's annual meeting on May 9, 2001 is incorporated herein by reference in answer to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information contained under the heading Executive Compensation on pages 7 through 10 in the definitive proxy statement to be filed in connection with the Company's annual meeting on May 9, 2001 is incorporated herein by reference in answer to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained under the headings Security Ownership of Management and Voting Securities & Principal Holders Thereof, contained on pages 5 and 12 in the definitive proxy statement to be filed in connection with the Company's annual meeting on May 9, 2001 is incorporated herein by reference in answer to this item.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.



PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K:

(3) Exhibits

(3) (i) Restated Articles of Incorporation. Incorporated by reference from the annual report on Form 10-K for the year ended December 31, 1995.

(ii) Amended By-Laws. Incorporated by reference from the annual report on Form 10-K for the year ended December 31, 1997.

(10) Material Contracts

(i) Change in Control Compensation Agreements for Russell V. Florence. Change in Control Compensation Agreements for Paul M. Dougan, James B. Larson, and Clay Newton, Incorporated by reference from the annual report on Form 10-K for the year ended December 31, 1997.

(ii) Loan agreement between Equity Oil Company and Bank One Texas, N.A. Incorporated by reference from the quarterly report on Form 10-Q for the period ended September 30, 1999.

(21) Subsidiaries. Incorporated by reference from the annual report on Form 10-K for the year ended December 31, 1995.

(23) Consent of Independent Accountants. Consent of PricewaterhouseCoopers LLP regarding Form S-8 Registrations.

(b) Reports on Form 8-K

None.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

EQUITY OIL COMPANY

By Paul M. Dougan
-------------------
President
Chief Executive Officer

By Clay Newton
--------------------
Treasurer
Chief Financial Officer
Principal Accounting Officer

Date: January 31, 2001

--------------------

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| | |
|---|---|
| Douglas W. Brandrup | Joseph C. Bennett |
| Director | Director |
| January 31, 2001 | January 31, 2001 |
| Date | Date |
| William D. Forster | Philip J. Bernhisel |
| Director | Director |
| January 31, 2001 | January 31, 2001 |
| Date | Date |
| Randolph G. Abood | W. Durand Eppler |
| Director | Director |
| January 31, 2001 | January 31, 2001 |
| Date | Date |
| William P. Hartl | |
| Director | |
| January 31, 2001 | |
| Date | |