

**Dear Shareholder;**

I am very pleased to provide this update on the most successful and profitable six-month period in the history of Ultra. During this period we have taken significant steps to build shareholder value. We acquired our China assets, became US listed, continued our drilling success in Wyoming and China and delivered the most profits and cash flow in the company's history.

On January 16, 2001, we closed our acquisition of Pendaries Petroleum Ltd., bringing the high impact Chinese oil assets into our portfolio of projects. Through the acquisition we now hold an 18.2% interest in Block 04/36 (454,000 acres), and 15% interest in block 05/36 (233,000 acres) in the highly prospective shallow waters of Bohai Bay, China. There are three fields already discovered and partially appraised on the two blocks as well as world class exploration potential on this lightly explored acreage.

Our 2001 China drilling program commenced shortly after we closed the acquisition. Since then, we have drilled 9 out of 9 successful appraisal and exploration wells on the blocks: Eight field appraisal wells, and one exploration well. We drilled five new wells in the CFD 11-1 field area to appraise the size of the field and provide the data needed for the development plan. The data we collected indicates that commercial quality reservoirs in the field should deliver flow rates of up to 4,000 BOPD/well at production startup. We expect to submit a development plan by year-end, with first production currently proposed for late 2003.

On the 12-1 field, we have drilled 3 appraisal wells and expect to drill several more this year to gather the data needed to prepare the development plan on this field. In addition to further delineating the field, we have discovered additional productive horizons in the Dongying formation that greatly enhances our ultimate reserve potential in this area and opens new and exciting exploration plays on both blocks.

On the CFD 11-2 structure, we drilled the CFD 11-2-1 discovery well which tested a combined 2,400 BOPD from multiple Guantao and Dongying horizons, confirming and extending the results of an earlier Chinese well on this structure. Later this year, we will

drill an appraisal well on the CFD 11-2 discovery and drill an exploration well on the CFD 10-1 structure to confirm the results of another old Chinese well. We plan on having drilled up to 15 wells in total during this year's drilling campaign.

Proved reserves to our interest on the China blocks at year-end 2000, prior to this years drilling successes, was 12.7 MMBbbls, with another 14.6 MMBbbls of probable reserves. We have targeted ultimate proved reserves of 50 MMBbbls from our China properties and the results from this year's drilling has increased our confidence in being able to reach this target over the next four years.

In Wyoming, we have participated in a total of seventeen wells in both the Jonah Field and Pinedale Anticline areas with 100% success since the beginning of the year. Eight of these successful wells were low-risk in-fill locations in Jonah and thus were expected to be successful. More importantly to the future of the company, nine of the wells were drilled as step-outs on the Pinedale Anticline and their success points to the extraordinary potential of this asset, which we are just beginning to unlock.

Our drilling results in the Warbonnet area of the Pinedale Anticline, in particular, have been very encouraging. The Warbonnet 5-23 well, which had initial production of 10.5 mmcf/d from about two thirds of the pay, appears to be one of the best wells drilled to date on the Anticline. This location was not included in year-end 2000 reserves and this success impacts very positively the potential reserves of adjacent locations. The Warbonnet area is not subject to winter big game habitat restrictions and so is available for year round drilling. While not commencing until early summer due to the winter restrictions, our drilling program in the Mesa area of the Pinedale Anticline has been equally encouraging, with as many as eight rigs running over the last several months. The Mesa wells that have reached TD to date have either confirmed or improved our view of reserves in this area. We plan to drill up to another 16 wells on the Pinedale Anticline through the end of the year.

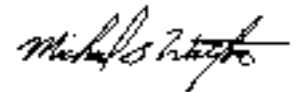
Our operations success, combined with strong natural gas prices, has driven our financial success. During this six-month period, earnings increased sixteen-fold to \$15,804,685 or \$0.22 per share and cash flow

increased eight-fold to \$19,158,929 or \$0.26 per share. Our borrowing base with Bank One increased to \$43 million from \$18 million based on our successful drilling in Wyoming. The combination of cash flow and the credit facility position us to aggressively pursue drilling opportunities in both of our core areas and deliver on our promised growth in reserves, production, cash flow and earnings.

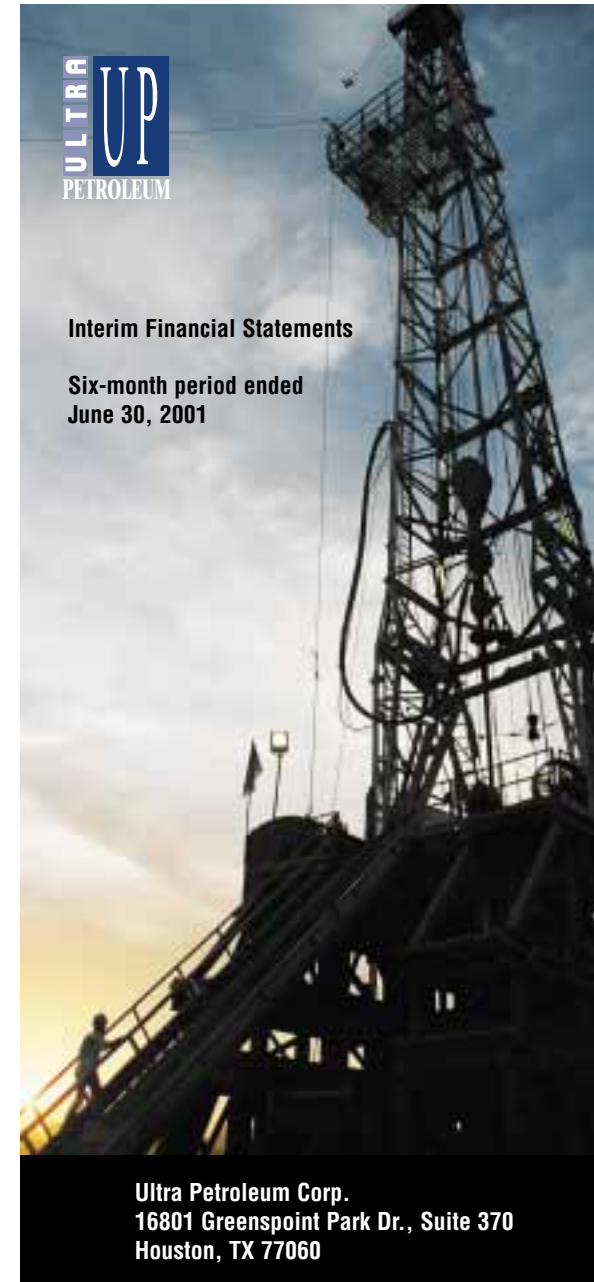
On January 17th, Ultra began trading on the American Stock Exchange under the ticker UPL. Since this transition took place, our exposure to the US institutional investment community has greatly increased, with several U.S. analysts initiating coverage on Ultra Petroleum with buy or strong buy recommendations. Correspondingly, our market value has increased significantly as more institutional investors have become aware of the successes and ultimate potential of our company.

We are well on the way to meeting our goals of doubling reserves to at least 300 bcfe and doubling annual production to 11.7 bcfe. Although commodity prices are always volatile, we are very confident that 2001 will be another record year, both operationally and financially. And with our incredible property base, we are uniquely positioned to deliver industry-leading growth over the next several years and in the process increase the value of our company dramatically. I look forward to reporting our successes going forward and achieving our goals for growth.

Sincerely,



Michael D. Watford  
Chairman, President and CEO



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Listing: American Stock Exchange  
Listing: Toronto Stock Exchange  
Symbol: (AMEX) UPL, (TSE) UP

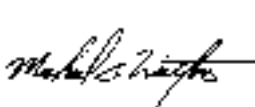
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**Balance Sheets**

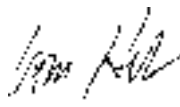
(unaudited – prepared internally by management)  
Expressed in U.S. dollars.

	30-June-01	31-Dec-00
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 3,431,542	\$ 1,143,591
Restricted cash	204,240	200,126
Accounts receivable	4,099,733	8,278,538
Prepaid expenses		
and other current - assets	826,066	839,892
Note receivable	-	2,530,976
<b>Total current assets</b>	<b>8,561,581</b>	<b>12,993,123</b>
Oil and gas properties, using the full cost method of accounting	118,683,349	59,728,715
Capital assets	553,186	455,448
	119,236,535	60,184,163
<b>Total Assets</b>	<b>\$ 127,798,116</b>	<b>\$ 73,177,286</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 14,116,111	\$ 12,752,483
<b>Total current liabilities</b>	<b>14,116,111</b>	<b>12,752,483</b>
Long Term Liabilities:		
Deferred Revenue	150,000	200,000
Notes payable	20,832,217	24,530,612
<b>Total long term liabilities</b>	<b>20,982,217</b>	<b>24,730,612</b>
<b>Shareholders' Equity:</b>		
Share Capital	92,039,577	50,838,663
Retained Earnings	660,211	(15,144,472)
<b>Total shareholders' equity</b>	<b>92,699,788</b>	<b>35,694,191</b>
Total liabilities and shareholders' equity	\$ 127,798,116	\$ 73,177,286

Approved by the Board



Michael D. Watford  
Director



Dr. W. Charles Helton  
Director

The above statements have not been audited and are subject to year-end adjustments.

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**Statements of Operations and Deficit**

(unaudited – prepared internally by management)  
Expressed in U.S. dollars.

	Six-month period ended June 30	2001	2000
<b>Revenues:</b>			
Oil revenue	\$ 1,520,840	\$ 410,072	
Gas revenue	25,274,136	4,598,472	
<b>Total Revenues</b>	<b>26,794,976</b>	<b>5,008,544</b>	
<b>Operating Costs and Expenses:</b>			
Operating expenses	607,224	316,013	
Taxes	2,999,603	506,986	
Gathering	1,467,503	463,215	
Depreciation, depletion and amortization	3,354,244	1,028,344	
General and administrative	2,112,821	1,397,611	
Interest	667,940	316,480	
<b>Total direct expense</b>	<b>11,209,335</b>	<b>4,028,649</b>	
<b>Other income:</b>			
Interest	88,702	6,251	
Other	130,340	-	
<b>Total other income</b>	<b>219,042</b>	<b>6,251</b>	
<b>Net Income (Loss) for Period</b>	<b>15,804,683</b>	<b>986,146</b>	
<b>Income (Loss) per Common Share - Basic</b>	<b>0.22</b>	<b>0.02</b>	
<b>Income (Loss) per Common Share - Diluted</b>	<b>0.21</b>	<b>0.02</b>	
<b>Weighted Average Common Shares - Basic</b>	<b>71,446,112</b>	<b>56,751,125</b>	
<b>Weighted Average Common Shares - Diluted</b>	<b>74,762,941</b>	<b>58,124,438</b>	

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**Statements of Cash Flows**

(unaudited – prepared internally by management)  
Expressed in U.S. dollars.

	Six-month period ended June 30	2001	2000
<b>Cash Provided by (Used in):</b>			
<b>Operating Activities</b>			
Income (Loss) for period	\$ 15,804,683	\$ 986,146	
Add (Deduct)			
Items not involving cash:			
Depreciation, depletion and amortization	3,354,244	1,028,344	
Stock compensation	353,241	-	
Net changes in non-cash working capital			
Restricted cash	(4,114)	394,995	
Accounts receivable	4,178,805	706,421	
Prepaid expenses	13,826	(36,480)	
Note receivable	(683,137)		
Accounts payable and accrued liabilities	4,845,496	(254,965)	
Deferred revenue	(50,000)	(50,000)	
	27,813,044	2,774,461	
<b>Investing Activities</b>			
Oil and gas property expenditures	(22,536,102)	(1,432,250)	
Purchase of capital assets	(163,984)	(179,391)	
Cash received from acquisition	312,365	359,764	
	(22,387,721)	(1,251,877)	
<b>Financing activities</b>			
Increase (decrease) in long term debt	(3,698,395)	(829,117)	
Issuance of share capital	561,023	-	
	(3,137,372)	(829,117)	
Increase (decrease) in cash during the period	2,287,951	693,467	
Cash position, beginning of period	1,143,591	401,691	
Cash position, end of period	\$ 3,431,542	\$1,095,158	
<b>Supplemental Statements of Cash Flows Information</b>			
Supplemental schedule of noncash investing activities:			
Acquisitions			
Fair value of assets acquired	\$ 43,950,263	\$ -	
Less: liabilities assumed	(4,225,978)	-	
Cash acquired	312,365	-	
Fair value of stock issued	\$ 40,036,650	\$ -	

ULTRA PETROLEUM CORP

- Six-month earnings increase sixteen-fold to \$15.8 million
- Six-month cash flow increase eight-fold to \$19.2 million
- Production for six-month period increases 235% to 5.7 Bcfe
- Acquisition of Pendaries Petroleum on Jan 16, 2001
- Begins trading on AMEX Jan 17, 2001 TICKER: UPL
- 100% success in Wyoming and China drilling
- 2001 reserve target of 300+ Bcfe
- 2001 Production target of 11.7 Bcfe

