

## Dear Fellow Shareholder;

As we reach mid-year, I am pleased to report that achieving our 2003 goals of 55% production and 25% reserve growth is within sight. As our inventory of opportunities continues to grow, we are really just getting started. With over a decade of drilling locations already identified in Wyoming and 8 discovered fields in China, our growth story remains enviable.

In the past, I have said that Ultra would grow reserves and production at industry leading rates which would lead to equally impressive growth in earnings and cash-flow. Our results to date clearly indicate that we are performing as promised.

Over the last four years we've grown production almost four fold. This year, we're continuing that record. In the first six months of 2003 Ultra produced 12.3 Bcfe of natural gas, a 73% increase over the same period last year and more than we produced for the entire year 2001. With our 2003 drilling program now expanded and our capital budget increased to \$110 million, we're forecasting that we'll grow this year's production another 55% to 27 Bcfe or almost six times our production in 1999. We've come a long way in the last 4 years.

Our financial performance mirrors this exceptional growth. For the six months ended June 30, 2003, we increased net income 425% to \$15,841,546 or almost double last year's entire earnings. The increase arose from the 73% increase in production as well as a 64% increase in gas prices. Cashflow<sup>1</sup> increased by 232% to \$33,835,203, in excess of our capital expenditures for the period and 40% more than for the entire year 2002. We continue to deliver an industry leading cost structure, with our calculated cashflow breakeven at \$0.83/Mcfe and earnings breakeven at only \$1.56/Mcfe. That means that at any Wyoming gas price over \$1.56 we're generating net income.

We have achieved 100% success in our 2003 Wyoming drilling program to date. By mid-year we drilled and completed 4 new wells. Notable among these were the Warbonnet 13-11 which expanded the recognized productive fairway a mile to the east in the Warbonnet area, and the Mesa 1-33 which set a record for initial production of 20.6 MMcfe/d at over 5000 psi, even with surface constraints. Another 11 wells were drilled and awaiting completion while another 13 were drilling. Subject to the timing of our partners operations, we still plan to participate in over 50 new wells during 2003.

Even after growing reserves sixteen fold over the last four years, the continued success we're enjoying in our Wyoming and China drilling programs has again confirmed our view that we're just starting to reveal the ultimate potential of our two world class assets.

Based on an internal reserve evaluation at mid-year, with only a fraction of our 2003 drilling program completed, we've already reached 775 Bcfe or 43% of the increase needed to meet our year-end reserves target of 875 Bcfe. We've seen performance from existing wells continue to exceed expectations. We estimate that well performance revisions alone replaced

135% of first half production. For example, the Warbonnet 13-11 was not a proved reserve location at year end and carried a pre-drill estimate of only 2.5 Bcfe by our third-party reservoir engineering firm. Our internal estimates were significantly higher. Based on its performance, we estimate it to be an 8 Bcf location. The Mesa 1-33 also wasn't proved and had a third-party engineer's pre-drill estimate of 9.5 Bcf. Based on its performance it looks likely to exceed 15 Bcf, a number closer to our own estimates. We continue to see our new and existing wells meet or exceed our expectations.

Another exciting development over the past few months has been the success enjoyed by other operators in drilling 20 acre test wells in the Jonah field. It now appears likely to us that Jonah will be downspaced to 20 acres per location, with 5 and 10 acre test wells currently being contemplated. As I have said before, we and others view Jonah and Pinedale as the same, only Pinedale is much larger. We think that whatever happens at Jonah will eventually happen at Pinedale. Increasing Pinedale well density to 20 acres per location would double the number of locations and significantly increase the reserves. Needless to say, we will be eagerly awaiting the results of the 20, 10 and 5 acre test wells at Jonah.

In Bohai Bay, we continue to make great progress. During the first half of 2003, we participated in the drilling and testing of eight wells, five appraisals of existing discoveries and three wildcats. Of note, we made one new field discovery with our CFD 11-5-1 well just to the south of the 11-3 field and successfully continued the appraisal of the CFD 11-3, 12-1 and 12-1S fields. In fact, the CFD 12-1-7 well was drilled approximately 5 kilometers southwest of the 12-1-1 well, the western most well in the field. This well found significantly thicker pays in the Guantao as well as additional Minghuazhen pays in a structurally high position. This data suggests that the CFD 12-1 field may be as much as twice as large as originally thought. We are currently following up that success with two more appraisal wells even farther west to better define the extension of this structure and its potential.

The CFD 11-1 and 11-2 field development is on schedule and on budget, with two production platforms set in place in July of this year. We will start development drilling in the next few months anticipating the scheduled delivery of the FPSO (currently under construction) at the end of the third quarter, 2004. First oil production should commence shortly thereafter and is expected to build to a gross rate of 50,000 Bopd during 2005. We are currently proceeding with the initial steps for development plans for the next group of already discovered fields providing additional production growth from 2005 and beyond.

In 2002 we faced weak Rocky Mountain gas prices, congested gathering systems and a lack of interstate takeaway capacity. So far this year, we have seen these issues abating. While natural gas prices across the country have improved significantly, we have enjoyed the added boost to Rockies prices delivered by the 900 MMcf/d Kern River pipeline expansion in May, 2003. Not only can we now move all of our gas out of the Rockies to the booming markets in Las Vegas, Phoenix and Los Angeles, we are receiving significantly less of a discount

relative to the national average. In fact, natural gas prices in Wyoming jumped by over \$1.00/Mcfe between April 30th and May 1st when Kern started deliveries from the Opal, Wyoming hub. Additionally, the owners of the gathering systems which transport our gas from the wellhead to Opal see the growth at Pinedale coming and are again expanding their systems to handle the additional production. Last year, they spent \$60 million on expansion projects and are currently executing \$110 million of additional expansions which will add another 500 Mmcf per day of incremental gathering capacity for our production.

With the additional takeaway capacity and improved Rockies prices, we've started hedging our 2004 production to protect next year's capital program. As of the end of August, we have over 15 Bcf, or about 40 Mmcf per day, of next year's gas production hedged at an average price of over \$4.40 per Mcf, locking in over \$66 million of revenue. During the second quarter, our bank group increased our borrowing base by 30% to \$155 million. At mid-year we only had \$72 million borrowed under our facility, giving us \$83 million of additional borrowing capacity. The banks will take another look at the facility in October and we expect they may again increase it, providing additional capital to fuel our growth into 2004.

Over the past 4 years our growth has been extraordinary and in many ways unparalleled. We have continued this growth during the first half of this year. With hundreds and most likely thousands of low risk drilling locations in Wyoming and eight discoveries in China, our growth over the past four years is only a glimpse of what's to come. We remain positioned for growth in our assets, cash flow, earnings and shareholder value.

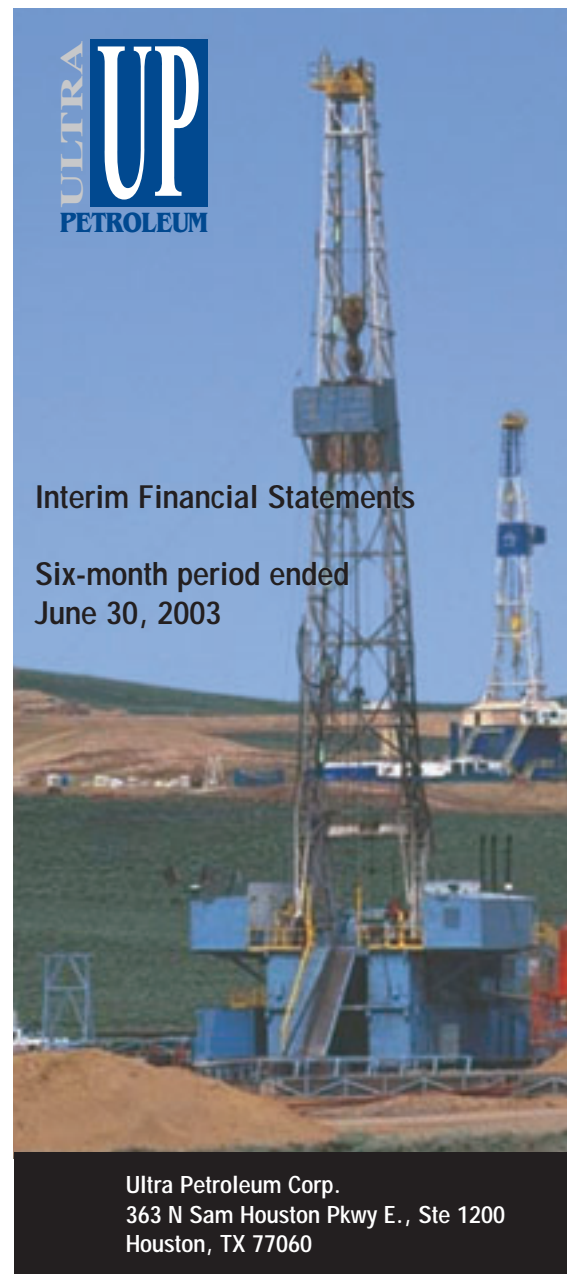
Sincerely,



Michael D. Watford  
Chairman, President and CEO

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We may use certain terms in this document, relating to reserves and/or production that the SEC's guidelines strictly prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 10-K available from us at 363 North Sam Houston Parkway E., Suite 1200, Houston, TX 77060. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

This document includes "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. The opinions, forecasts, projections or other statements, other than statements of historical fact, are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, they can give no assurance that such expectations will prove to have been correct. Certain risks and uncertainties inherent in the Company's businesses are set forth in their filings with the Securities and Exchange Commission. Full details regarding the selected financial information provided above will be available in the Company's annual report and in the Annual Information form to be filed under the cover of Form 10-K.



**ULTRA**  
**UP**  
**PETROLEUM**

**Interim Financial Statements**

**Six-month period ended**  
**June 30, 2003**

**Ultra Petroleum Corp.**  
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Listing: American Stock Exchange  
Listing: Toronto Stock Exchange  
Symbol: (AMEX) UPL, (TSX) UP

**CONSOLIDATED**  
**Balance Sheets**

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

	30-Jun-03	31-Dec-02
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 655,547	\$ 1,417,711
Restricted cash	210,032	209,306
Accounts receivable	11,963,478	11,398,483
Prepaid expenses and other current assets	2,708,022	474,279
<b>Total current assets</b>	<b>15,537,079</b>	<b>13,499,779</b>
Oil and gas properties, using the full cost method of accounting	230,388,300	207,362,408
Capital assets	1,300,843	1,011,699
	231,689,143	208,374,107
<b>Total Assets</b>	<b>\$247,226,222</b>	<b>\$221,873,886</b>
<b>Liabilities and shareholder's equity</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 31,126,279	\$ 17,914,860
Long-term debt	72,000,000	86,000,000
Deferred income taxes	18,314,596	10,033,174
Other long-term obligations	6,100,988	3,858,810
<b>Stockholders' Equity:</b>		
Share Capital	96,834,371	95,098,690
Treasury stock	(1,193,650)	(1,193,650)
Other comprehensive loss	(2,613,785)	(653,875)
Retained earnings	26,657,423	10,815,877
	119,684,359	104,067,042
<b>Total liabilities and shareholders' equity</b>	<b>\$247,226,222</b>	<b>\$221,873,886</b>

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.

**CONSOLIDATED**  
**Statements of Income**

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

Six-month period ended June 30	2003	2002
<b>Revenues:</b>		
Natural gas sales	\$45,123,812	\$15,862,228
Oil sales	3,012,936	1,387,478
<b>Total Revenues</b>	<b>48,136,748</b>	<b>17,249,706</b>
<b>Expenses:</b>		
Production expenses and taxes	10,175,404	4,581,129
Depletion and depreciation	7,057,740	3,853,588
General and administrative	2,741,475	2,059,263
Stock Compensation	1,018,220	796,165
	20,992,839	11,290,145
<b>Other Income:</b>		
Interest expense	(1,404,434)	(1,206,217)
Interest income	19,768	12,336
	(1,384,666)	(1,193,881)
<b>Income for the period, before income tax provision</b>	<b>25,759,243</b>	<b>4,765,680</b>
<b>Income tax provision - deferred</b>	<b>9,917,697</b>	<b>1,747,376</b>
<b>Net income for the period</b>	<b>15,841,546</b>	<b>3,018,304</b>
<b>Retained earnings, beginning of period</b>	<b>10,815,877</b>	<b>2,734,356</b>
<b>Retained earnings, end of period</b>	<b>26,657,423</b>	<b>5,752,660</b>
<b>Income per common share - basic</b>	<b>\$0.21</b>	<b>\$0.04</b>
<b>Income per common share - fully diluted</b>	<b>\$0.20</b>	<b>\$0.04</b>
<b>Weighted average common shares outstanding - basic</b>	<b>74,115,066</b>	<b>73,634,564</b>
<b>Weighted average common shares outstanding - fully diluted</b>	<b>78,121,136</b>	<b>77,523,856</b>

**CONSOLIDATED**  
**Statements of Cash Flows**

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

Six-month period ended June 30	2003	2002
<b>Cash Provided by (Used In):</b>		
<b>Operating Activities</b>		
Net income for the period	\$15,841,546	\$3,018,304
Add (deduct)		
Items not involving cash:		
Depletion and depreciation	7,057,740	3,853,588
Deferred income taxes	9,917,697	1,747,376
Stock compensation	1,018,220	884,765
Net changes in non-cash working capital:		
Restricted cash	(726)	(1,299)
Accounts receivable	(564,995)	806,481
Prepaid expenses and other current assets	(2,233,743)	937,041
Accounts payable and accrued liabilities	9,615,237	(4,868,729)
Other long-term obligations	2,242,178	(50,000)
	42,893,154	6,327,527
<b>Investing Activities</b>		
Oil & gas property expenditures	(29,596,381)	(23,527,232)
Purchase of capital assets	(533,884)	(590,407)
	(30,130,265)	(24,117,639)
<b>Financing activities</b>		
Long term debt	(14,000,000)	18,000,000
Repurchased shares	-	(1,133,750)
Proceeds from exercise of options	474,947	893,280
	(13,525,053)	17,759,530
Increase in cash during the period	(762,164)	(30,582)
Cash and cash equivalents, beginning of period	1,417,711	1,379,462
<b>Cash and cash equivalents, end of period</b>	<b>\$ 655,547</b>	<b>\$1,348,880</b>
<b>Six-month period ended June 30</b>	<b>2003</b>	<b>2002</b>
Reconciliation of cash flow from operations before change in net working capital.		
Net cash provided by operating activities	\$42,893,154	\$6,238,927
Accounts payable and accrued liabilities	\$ (9,615,237)	\$4,868,729
Prepaid expenses and other current assets	\$ 2,233,743	\$ (937,041)
Accounts receivable	\$564,995	\$ (806,481)
Restricted cash	\$726	\$1,299
Other long-term obligations	\$ (2,242,178)	\$50,000
(1) Cash flow from operations before change in net working capital	\$33,835,203	\$9,415,533

ULTRA PETROLEUM CORP

**Six-Month Highlights**

- Net income up 425%
- Cashflow up 232%—35% higher than all of 2002
- Production up 73%
- 100% Success in Wyoming drilling program
- Record Setting Pinedale well: 20.6 MMcfe/d Initial Production
- China development on schedule and budget—First oil in 2004
- Additional Field discovery in China

