



# **A NEW SEASON**

**UNIT CORPORATION**

**2009 ANNUAL REPORT**

**BOARD OF DIRECTORS**

**John G. Nikkel**  
Chairman of the Board

**J. Michael Adcock**  
Chairman of the Board of Arvest Bank  
Trustee, Don Bodard Trust  
Shawnee, Oklahoma

**Gary R. Christopher**  
Investments  
Tulsa, Oklahoma

**Steven B. Hildebrand**  
Investments  
Tulsa, Oklahoma

**King P. Kirchner**  
Co-founder, Unit Corporation  
Tulsa, Oklahoma

**William B. Morgan**  
Attorney and Investments  
Chandler, Arizona

**Larry D. Pinkston**  
President and Chief Executive Officer

**Robert J. Sullivan, Jr.**  
Manager of Sullivan and Company LLC  
Tulsa, Oklahoma

**John H. Williams**  
Investments  
Tulsa, Oklahoma

**OFFICERS**

**John G. Nikkel**  
Chairman of the Board

**Larry D. Pinkston**  
President and  
Chief Executive Officer

**Mark E. Schell**  
Senior Vice President,  
General Counsel and Secretary

**David T. Merrill**  
Chief Financial Officer  
and Treasurer

**NOMINATING & GOVERNANCE COMMITTEE**

**William B. Morgan**  
Chairman

**J. Michael Adcock**

**Robert J. Sullivan, Jr.**

**John H. Williams**

**AUDIT COMMITTEE**

**Steven B. Hildebrand**  
Chairman

**Gary R. Christopher**

**William B. Morgan**

**J. Michael Adcock**

**COMPENSATION COMMITTEE**

**J. Michael Adcock**  
Chairman

**William B. Morgan**

**John H. Williams**

**Steven B. Hildebrand**

# WINNING TOGETHER

Winning teams are greater than the sum of their parts. It's true in baseball and it's true of Unit Corporation. Our diversified operations are a source of strength during the good times and they help us emerge faster and stronger during inevitable slumps in the industry.

As we leave winter behind, we look with anticipation toward this spring, to the opportunities that await us when we are prepared, when we work hard, when we work together. We will win.

Play ball.

“*The way a team plays as a whole determines its success. You may have the greatest bunch of individual stars in the world, but if they don't play together, the club won't be worth a dime.*”

**- BABE RUTH**

## **ANNUAL SHAREHOLDERS MEETING**

Our annual meeting of stockholders will be held at 11:00 a.m. Central Time on May 5, 2010, in the Tulsa Room, in the Bank of Oklahoma Tower, 9th floor, in Tulsa, Oklahoma.

# A SEASON OF OPPORTUNITY

## A LETTER TO OUR SHAREHOLDERS

### *Most people who know me, know I'm a baseball fan.*

I enjoy the intricacies of the game and the competition. And I also enjoy the poetry of the game, its powerful reminder of the cycle of the seasons and the opportunity for renewal.

As I look back on 2009 and plan the year ahead for 2010, I'm reminded of how our industry also experiences cycles. The uncertainty of commodity prices and limited availability of capital have put our industry in a slump. After several years of steadily improving performance, there is no doubt about it, Unit Corporation's numbers were down in 2009.

But I know from experience that slumps are temporary. What then is the difference between the All Star and the also-ran, or the team that is a surprise contender and the one that expects to go to the World Series? The answer is sound fundamentals, teamwork, and a clear game plan.

### *Our fundamentals are sound.*

First and foremost is the expertise of our people, whose collective experience has guided us through the uncertainty.

Second is our financial strength. We made several decisions during the early stages of the 2009 downturn that helped reduce our costs and left us in a stronger position. Among these measures were:

- An aggressive hedging program that locked in pricing, creating almost \$100 million in cash flow during 2009 and offering some stability in a volatile market for 2010.
- Efforts to minimize or eliminate a number of our capital commitments either through negotiation or cancellation.
- Focusing on cost reductions throughout all areas of our operations.

“No matter how good you are, you’re going to lose one-third of your games. No matter how bad you are you’re going to win one-third of your games. It’s the other third that makes a difference.”

- **TOMMY LASORDA**

### ***Our team’s diversity is what differentiates us and keeps us as contenders.***

As commodity markets have begun to rebound, demand for exploration is increasing and our drilling segment is poised ready to take advantage of the increasing demand. Our E&P segment has increased its level of drilling activity to take advantage of the lower drilling and completion costs. And our midstream operations have several projects in different stages of development that could result in a record year of growth for that segment.

Finally, we have developed a strong game plan for the coming year. Our plan includes:

- Continuing to take advantage of low drilling costs by increasing the number of wells our E&P segment plans to drill by 84% to 175 wells.
- Adjusting the focus of our E&P operations away from dry gas wells and towards more lucrative oil and rich BTU gases.
- Refurbishing 8-10 rigs to transition more of our rig fleet into the horizontal well market.
- Focus on growing our mid-stream operations including a greater emphasis on fee-based projects instead of commodity-based projects.

As investors and potential investors in Unit Corporation, you also have an opportunity to be part of our game plan. I thank you for your confidence in our leadership and our vision for our organization.

Sincerely,

Larry D. Pinkston

*President and Chief Executive Officer*

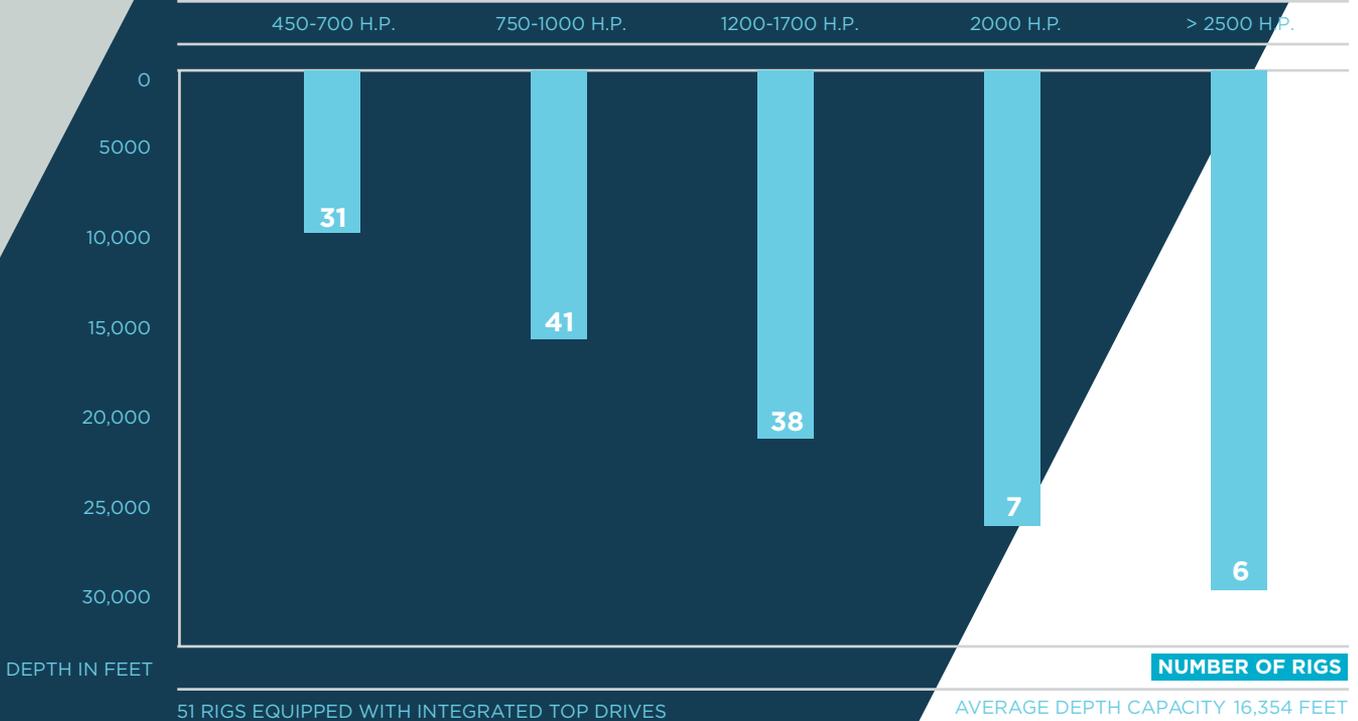
*February 23, 2010*



# THE VETERAN

OUR CONTRACT DRILLING OPERATIONS

## UNIT RIG FLEET DEPTH CAPACITY



*“Progress always involves risks. You can’t steal second base and keep your foot on first.”*

**- FREDERICK B. WILCOX**

### **2009 proved to be a tough season for our contract drilling segment.**

We really felt the impact of low commodity prices and the expiration of long-term contracts resulting in significant reductions in our day rates and rig utilization. The bottom line: our drilling revenues decreased 62% to \$236.3 million, while average day rates decreased 9% to \$16,713 per day. Contract drilling operating margins decreased to 41% for the year, compared to 50% for 2008.

But we have reason to be excited about the 2010 season, because by late 2009 demand for our rigs increased and the upward trend is continuing. As of this report, we have a total of 62 of our rigs contracted. The majority of the increased demand has been in the horizontal drilling market, which requires rigs in the 750 to 1500 horsepower range. We currently have 79 rigs within this range.

### **We’re also making our fleet better.**

We are completing the sale of eight idle mechanical rigs, which will provide about \$23.9 million in cash with an estimated gain of \$6.1 million. The proceeds from this sale will be used to refurbish and upgrade more of our existing rigs allowing them to play in the horizontal drilling league. In early 2010 we also placed into service in our Rocky Mountain division a new 1500 horsepower diesel electric rig. With this new rig and after the completion of the sale of our eight idle rigs, our total rig fleet will be 123 rigs.

Our capital expenditure budget for 2010 is currently \$76 million. The majority will be spent on refurbishing certain of our rigs to better compete in the horizontal drilling market.

We’re excited about the increases in demand and are in a great position to take advantage of the upswing in activity. We managed to retain key players during the market slump, so we are ready to capitalize on a more active rig fleet for 2010. The prospects look good for our drilling operations.

# THE FRANCHISE PLAYER

## OUR OIL AND NATURAL GAS OPERATIONS

*It was an up and down year for our oil and natural gas segment.*

Down because of the rapid decrease in commodity prices in late 2008 which reduced drilling activities to almost a standstill. Up because by mid-year 2009, with the cost to drill and complete wells decreasing (in some regions by as much as 50%) we began to increase our exploration efforts. We ended the 2009 season with an active drilling program and intend to continue that program into 2010. During 2010 we plan to drill 175 wells compared to 95 in 2009. Our preliminary annual production guidance for 2010 is approximately 66.0 to 67.0 Bcfe, an increase of 9-10% over 2009.

At year end 2009, our total reserves hit a record 577.0 billion cubic feet equivalent (Bcfe), consisting of 11.7 million barrels of oil, 14.7 million barrels of natural gas liquids (NGLs) and 419.1 Bcf of natural gas – a 1% equivalent Bcf increase. These results include negative revisions of about 38 Bcfe resulting from the significantly lower commodity prices under the new SEC rules for pricing oil and natural gas reserves.

We replaced 175% of our 2009 production (excluding the 38 Bcfe of negative revisions) or 113% when those revisions are taken into account.

Total equivalent production decreased 4% to 60.7 Bcfe. Of the total, we produced 44.1 Bcf of natural gas, a 7% decrease; 1.3 million barrels of oil, a 2% increase; and 1.5 million barrels of NGLs, a 7% increase over 2008.

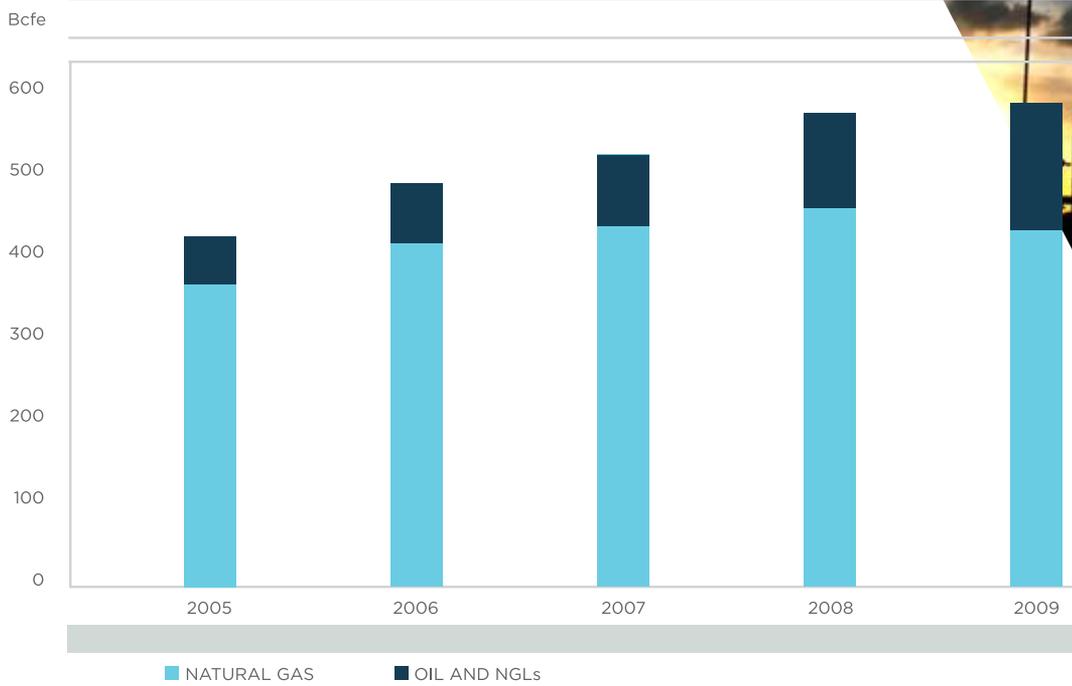
Our 2009 oil and natural gas revenues decreased 35% to \$357.9 million. The price we received for our natural gas including our hedges averaged \$5.59 per Mcf, a 27% decrease over 2008, while our average oil price decreased 40% to \$56.33 per barrel. Our NGL price averaged \$22.81 per barrel, down 52% from 2008.

Our current capital expenditure budget for 2010 is \$365 million, with \$319 million allocated for exploration and development drilling. In the Granite Wash play in the Texas Panhandle we plan to participate in approximately 9 gross (4 net) vertical wells and 31 gross (14 net) horizontal wells at a total estimated net cost of approximately \$70 million.

*“It’s not what you did last year. It’s what you’re going to do this year. That’s more important.”*

**- ALBERT PUJOLS**

## RESERVE GROWTH



In the Segno Wilcox play in Southeast Texas we have expanded our Segno prospect by entering into a joint exploration agreement with an unaffiliated third party allowing us access to the use of a proprietary 3-D seismic survey covering approximately 151 square miles. By drilling and operating certain wells, we will earn an interest in the wells, the oil and gas leases (covering about 29,000 gross acres), and a license to the 3-D data. For 2010, we plan to drill 23 gross (17.5 net) wells at an approximate total net cost of \$48 million.

In the Haynesville Shale play of East Texas, we plan to participate in five horizontal wells and two vertical wells at an approximate total net cost of \$31 million.

In the Marcellus Shale play in Somerset County, Pennsylvania, we participated with a 25% working interest in three vertical wells and two horizontal wells at a total net cost of \$7.3 million during 2009. Our 2010 game plan for this play will be determined when we have the flow test results from the two horizontal wells.

As the techniques of the game change, we're also changing. Our planned drilling schedule for 2010 includes a significant increase in the number of horizontal wells with approximately 70% of our 2010 drilling budget allocated to horizontal wells as compared to approximately 10% in 2009. Our focus for 2010 will continue to be on prospects that have a high liquids content, either high BTU natural gas prospects or oil prospects. We've outlasted last year's slump and we're coming out swinging.

# THE HOT PROSPECT

## OUR MID STREAM OPERATIONS

### NATURAL GAS PROCESSED

MMBtu / day



*Despite the broader industry downturn, the strong momentum with which our mid-stream operations ended 2009 has continued into 2010. Serving a strong customer base of mostly independent producers, our mid-stream operations are located in Oklahoma, Texas, Kansas and Pennsylvania.*

In 2009, we connected an additional 37 new wells to our gathering systems. We also added 69 miles of pipeline - an approximate 9% increase in total pipeline miles. This brings our current asset base to three natural gas treatment plants, eight operated natural gas processing plants, 33 gathering systems and approximately 839 miles of pipeline.

Revenues for our mid-stream operations decreased 40% in 2009 to \$108.6 million. During the year, the natural gas liquids we sold increased 24% over 2008 to 243,492 gallons per day, while our processed natural gas volumes increased 12% to 75,908 MMBtu per day. The natural gas volumes we gathered decreased 7% from 2008 to 183,989 MMBtu per day.

We believe the prospects for drafting additional existing pipelines and plants is beginning to strengthen.

For 2010, we have budgeted capital expenditures of \$53 million, a 435% increase over last year.

We are evaluating several new prospects for 2010. In Appalachia, several potential pipeline projects related to Marcellus Shale drilling activity are in various stages of negotiation. We hope to have agreements signed and pipelines under construction by the second half of 2010.

We will also be constructing a new 50 MMcf per-day turbo-expander style processing plant in the Texas panhandle to process Granite Wash production from our E&P segment, as well as third party producers. Successful horizontal drilling as well as continued strong pricing for NGL's is expected to result in increasing quantities of natural gas available for processing in the panhandle.

**UNIT CORPORATION**

**Year Ended December 31, 2009 2008 2007 2006 2005**  
*(Dollars and shares in thousands except per share and average price amounts)*

**Statement of Income Data:**

Revenues:					
Contract drilling	\$ 236,315	\$ 622,727	\$ 627,642	\$ 699,396	\$ 462,141
Oil and natural gas	357,879	553,998	391,480	357,599	318,208
Gas gathering and processing	108,628	181,730	138,595	101,863	100,464
Other revenues	7,076	(362)	1,037	3,527	4,795
<b>Total revenues</b>	<b>\$ 709,898</b>	<b>\$ 1,358,093</b>	<b>\$ 1,158,754</b>	<b>\$ 1,162,385</b>	<b>\$ 885,608</b>

Net income (loss)	\$ (55,500) (1)	\$ 143,625	\$ 266,258	\$ 312,177	\$ 212,442
-------------------	-----------------	------------	------------	------------	------------

Net income (loss) per common share:

Basic	\$ (1.18)	\$ 3.08	\$ 5.74	\$ 6.75	\$ 4.62
Diluted	\$ (1.18)	\$ 3.06	\$ 5.71	\$ 6.72	\$ 4.60

Shares outstanding:

Basic	46,990	46,586	46,366	46,228	45,940
Diluted	46,990	46,909	46,653	46,451	46,189

**Balance Sheet Data:**

Total assets	\$2,228,399	\$ 2,581,866	\$ 2,199,819	\$ 1,874,096	\$ 1,456,195
Other long-term liabilities	\$ 81,126	\$ 75,807	\$ 59,115	\$ 55,741	\$ 41,981
Long-term debt	\$ 30,000	\$ 199,500	\$ 120,600	\$ 174,300	\$ 145,000
Total debt-to-book capital ratio	2%	11%	8%	13%	15%
Shareholders' equity	\$ 1,565,810	\$ 1,633,099	\$ 1,434,817	\$ 1,158,036	\$ 836,962

**Statement of Cash Flows Data:**

Net cash provided by operating activities	\$ 490,475	\$ 689,913	\$ 577,571	\$ 506,702	\$ 317,771
Capital expenditures, including acquisitions (cash basis)	\$ 316,660	\$ 808,161	\$ 517,450	\$ 546,343	\$ 390,863

(1) Included in the results is a \$281.2 million (\$175.1 million after tax, or \$3.70 per diluted share) non-cash ceiling test write down that occurred in the first quarter.

**Year Ended December 31, 2009 2008 2007 2006 2005**  
*(Dollars and shares in thousands except per share and average price amounts)*

Contract Drilling Operations Data:

Number of rigs at year end	130	132	129	117	112
Wells drilled	409	1,028	996	1,033	980
Total footage drilled (feet in 1,000's)	4,627	11,734	10,453	11,461	10,815
Average number of rigs used	38.9	103.1	99.4	109.0	102.1
Average use	30%	79%	80%	96%	97%

Oil and Natural Gas Operations Data:

Proved oil and natural gas reserves discounted at 10% (before income taxes)	\$ 775,358	\$ 892,559	\$ 1,481,604	\$ 984,123	\$ 1,312,962
Proved oil and natural gas reserves discounted at 10% (after income taxes)	\$ 546,335	\$ 624,471	\$ 990,331	\$ 684,895	\$ 863,683

Total estimated proved reserves:

Natural gas (MMcf)	419,061	450,135	419,616	406,400	352,841
Oil (MBbl)	11,669	9,699	9,676	9,357	8,052
Natural Gas Liquids (MBbl)	14,653	10,171	6,149	2,226	1,819
Equivalent (MMcfe)	576,990	569,353	514,569	475,899	412,066

Production:

Natural gas (MMcf)	44,063	47,473	43,464	44,169	34,058
Oil (MBbl)	1,286	1,261	1,091	1,012	847
Natural Gas Liquids (MBbl)	1,488	1,388	785	441	237
Equivalent (MMcfe)	60,709	63,368	54,720	52,889	40,565

Average price:

Natural gas (per Mcf)	\$ 5.59	\$ 7.62	\$ 6.30	\$ 6.17	\$ 7.64
Oil (per Bbl)	\$ 56.33	\$ 93.87	\$ 70.61	\$ 63.39	\$ 54.47
Natural Gas Liquids (per Bbl)	\$ 22.81	\$ 47.42	\$ 45.03	\$ 36.08	\$ 34.69
Equivalent (Mcfe)	\$ 5.81	\$ 8.62	\$ 7.06	\$ 6.66	\$ 7.75

Gross operated wells	1,518	1,523	1,409	1,369	1,208
Wells drilled	95	278	253	244	192
Wells completed	89	245	220	216	179
Success rate	94%	88%	87%	89%	93%

Oil and natural gas wells producing or capable of producing at end of year:

	2009		2008		2007		2006		2005	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Natural gas	2,655	409.33	5,015	1,151.84	4,855	1,077.38	4,659	1,007.8	3,719	830.0
Oil	5,048	1,160.98	2,665	418.27	2,612	392.99	2,784	492.9	2,746	428.9
Total	7,703	1,570.31	7,680	1,570.11	7,467	1,470.37	7,443	1,500.7	6,465	1,258.9

Mid-Stream Operations Data:

Natural gas gathered (MMBtu/day)	183,989	197,367	219,635	247,537	142,444
Natural gas processed (MMBtu/day)	75,908	67,796	50,350	31,833	30,613
Liquids sold (gallons/day)	243,492	195,837	129,421	66,902	61,665



*The Tulsa Drillers Double-A minor league baseball team will christen a new ballpark in downtown Tulsa in 2010.*

The petroleum industry and baseball have a long history in Tulsa dating back to the Tulsa Oilers in 1905.

The new stadium is part of a major revitalization effort of downtown that promises to continue to bring activity and excitement to our headquarter city.

Unit Corporation congratulates the city and the people of Tulsa on the completion of this community investment and wishes the team the best of luck in 2010 and beyond.

**TRANSFER AGENT & REGISTRAR**

Communications concerning the transfer of shares, lost certificates and changes of address should be directed to:

American Stock Transfer & Trust Co.  
59 Maiden Lane, Plaza Level  
New York, NY 10038  
800.710.0929  
amstock.com

**STOCK LISTING**

Our common stock trades on the New York Stock Exchange under the symbol: "UNT." During 2009, our average daily trading volume on the NYSE was 341,973 shares. Approximately 47.5 million shares were outstanding at the end of 2009.

**SHAREHOLDER PROFILE**

We had 1,232 shareholders of record at year-end 2009.

**INVESTOR RELATIONS**

The Form 10-Q reports are available in May, August and November. The Form 10-K and Form 10-Q are available for viewing on our web site at [www.unitcorp.com](http://www.unitcorp.com). Copies of the Forms 10-K, 10-Q and Annual Report, filed with the Securities and Exchange Commission, are available without charge on written request to:

Linda Baugher  
Investor Relations Department  
7130 South Lewis Avenue, Suite 1000  
Tulsa, Oklahoma 74136  
918.493.7700

**INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

PricewaterhouseCoopers LLP  
Tulsa, Oklahoma

**INDEPENDENT PETROLEUM ENGINEERS**

Ryder Scott Company, L.P.  
Houston, Texas



**UNIT CORPORATION**

7130 South Lewis Avenue, Suite 1000  
Tulsa, Oklahoma 74136 | 918.493.7700  
[www.unitcorp.com](http://www.unitcorp.com)