UNITED ENERGY CORP /NV/
Form 10-Q
November 14, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2001

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to ________

Commission File No. 000-30841

UNITED ENERGY CORP.
(Exact name of registrant as specified in its charter)

NEVADA	22-3342379
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
600 Meadowlands Parkway, Secaucus, N.J.	07094
(Address of principal executive offices)	(Zip Code)

(201) 842-0288
(Registrant's telephone number, including area code)

Indicate by check mark whether the Issuer (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 Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

The number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

UNITED ENERGY CORP.

Class	Outstanding as of November 1, 2001
Common Stock, $.01 par value	16,080,270 shares

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UNITED ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2001 (Unaudited) AND MARCH 31, 2001 (Revised)

	September 30, 2001
ASSETS	(Unaudited)
CURRENT ASSETS:	
Cash and cash equivalents	$ 118,295
Accounts receivable, net of allowance for doubtful accounts of $10,885 and $71,656, respectively	467,937
Inventory	138,528
Prepaid expenses	31,934
Total current assets	756,694
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of $21,268 and $19,847, respectively	14,464
OTHER ASSETS:	

Goodwill, net of accumulated amortization of $13,924 and $11,935, respectively	72,599	
Patent, net of accumulated amortization of $24,849 and $19,545, respectively	134,207	
Other assets	1,385	
Total assets	$ 979,349	$

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 321,201	$
Accounts payable to shareholders	--	
Related party loans payable	78,392	
Short-term bank loan and revolving line of credit	100,000	
Total current liabilities	499,593	
STOCKHOLDERS' EQUITY (DEFICIT):		
Common stock; 100,000,000 shares authorized of $0.01 par value, 16,080,270 and 15,830,270 shares issued and outstanding as of September 30 and March 31, 2001, respectively	160,802	
Additional paid-in capital	4,514,552	
Stock subscription receivable	(25,000)	
Accumulated deficit	(4,170,598)	
Total stockholders' equity	479,756	
Total liabilities and stockholders' equity	$ 979,349	$

The accompanying notes are an integral part of these consolidated balance sheets.

UNITED ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED
SEPTEMBER 30, 2001 AND 2000 (Unaudited)

	For the Three Months Ended September 30, 2001	2000	For t Ended 2001
		(Revised)	(Revised)
	(Unaudited)		(
REVENUES, net	$ 92,595	$ 736,763	$ 682,287
COST OF GOODS SOLD	21,640	524,896	350,917
Gross profit	70,955	211,867	331,370

OPERATING EXPENSES:			
General and administrative	390,525	158,053	585,828
Executive services contributed by management	62,500	62,500	125,000
Depreciation and amortization	4,579	4,385	8,713
Total operating expenses	457,604	224,938	719,541
Loss from operations	386,649	13,071	388,171
OTHER (EXPENSE) INCOME, net:			
Interest income	437	--	1,019
Interest expense	(1,659)	(3,995)	(3,028
Total other expense, net	(1,222)	(3,995)	(2,009
Net loss	$ 387,871	$ 17,066	$ 390,180
BASIC AND DILUTED LOSS PER SHARE	$ 0.02	$ 0.00	$ 0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, basic and diluted	16,080,270	15,830,270	15,961,418

The accompanying notes are an integral part of these consolidated statements.

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UNITED ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED
SEPTEMBER 31, 2001 AND 2000 (Unaudited)

	For the Six Months Ended September 30,	
	2001 (Revised)	2000 (Revised)
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(390,180)	$ (98,227)
Adjustments to reconcile net income to net cash used in operating activities-		
Depreciation and amortization	8,713	8,770
Executive services contributed by management	125,000	125,000
Changes in operating assets and liabilities-		
Decrease in accounts receivable, net	502,496	78,852
Increase in inventory	(16,775)	(140,316)
Increase in prepaid expenses	(31,934)	(200)

Decrease in other assets	200	201
Decrease in accounts payable and accrued expenses	(315,553)	(125,815)
Net cash used in operating activities	(118,033)	(151,735)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed asset acquisitions	(8,750)	--
Net cash used in investing activities	(8,750)	--
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on line of credit	100,000	160,000
Payments on bank loan	--	(3,475)
Proceeds from loans payable to related party	48,383	--
Net cash provided by financing activities	148,383	156,525
Net increase in cash and cash equivalents	21,600	4,790
CASH AND CASH EQUIVALENTS, beginning of period	96,695	46,008
CASH AND CASH EQUIVALENTS, end of period	$ 118,295	$ 50,798
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period-		
Interest	$ 3,240	$ 3,682
Income taxes	$ 720	$ 720

The accompanying notes are an integral part of these consolidated statements.

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UNITED ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by Generally Accepted Accounting Principles for complete financial statements. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments necessary for a fair presentation of the Company's financial position at September 30, 2001 and March 31, 2001 and the results of its operations for the three months and the six months ended September 30, 2001 and 2000 and cash flows for the six months ended September 30, 2001 and 2000. All such adjustments are of normal recurring nature. Interim financial statements are prepared on a basis consistent with the Company's annual financial statements. Results of operations for the three-month and for the six-month periods ended September 30, 2001 are not necessarily indicative of the operating results that may be expected for the year ending March 31, 2002.

The consolidated balance sheet as of March 31, 2001 has been derived from the audited financial statements at that date but does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in the Company's Registration statement on Form 10 filed with the Securities and Exchange Commission on June 20, 2001.

2. NET LOSS PER SHARE OF COMMON STOCK

The Company computes net loss per share of common stock in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128"). Under the provisions of SFAS No. 128, basic net loss per share ("Basic EPS") is computed by dividing net loss by the weighted average number of shares of common stock outstanding. Diluted net loss per share is calculated by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for potentially dilutive securities.

3. STOCK OPTION PLAN

On August 22, 2001, the Company's shareholders approved the 2001 Equity Incentive Plan (the "2001 Plan"). Under the 2001 Plan, the Company is authorized to grant stock options, the exercise of which would allow up to an aggregate of 2,000,000 shares of the Company's common stock to be acquired by the holders of said awards. The awards can take the form of Incentive Stock Options ("ISOs") or Nonstatutory Stock Options ("NSOs"). ISOs and NSOs are to be granted in terms not to exceed ten years. The exercise price of the ISOs will be no less than the market price of the Company's common stock on the date of grant.

The Company has no options outstanding.

4. EXCLUSIVE DISTRIBUTION AGREEMENT

On September 22, 2000 the Company and Alameda Company entered into an exclusive Distribution agreement (the "Agreement"), whereby Alameda will purchase from the Company various products from the graphic arts division (meeting certain minimum purchase requirements) at guaranteed fixed prices through December 31,2002 and distribute these products exclusively throughout

the USA, Canada, Puerto Rico, Mexico, Central America, South America and the Caribbean.

No products were shipped and no revenue was recognized under the Alameda Agreement prior to October 2000.

5. CREDIT LINE AGREEMENT

In June 2000, the Company obtained a $1,000,000 line of credit from Fleet Bank. Borrowings under the credit line bear interest at prime. Interest is payable monthly. Amounts outstanding under the line of credit are subject to repayment on demand and are secured by accounts receivable, inventory, furniture and fixtures, machinery and equipment and a pledge of 750,000 shares of the Company's common stock held in escrow. The line is also secured by the personal guarantee of a shareholder of the Company.

The line of credit is subject to certain covenants, including financial covenants to which the Company must adhere on a quarterly or annual basis. Borrowings under the line of credit must be reduced to zero for a period of 30 consecutive days in any twelve-month period.

6. SEGMENT INFORMATION

Under the provision of SFAS No.131 the Company's activities fall within two operating segments: Graphic Arts and Specialty Chemicals. The following tables set forth the Company's industry segment information for the three and Six months ended September 30, 2001 and 2000:

The Company's total revenues, net loss and identifiable assets by segment for the three months ended September 30, 2001, are as follows:

	Graphic Arts	Specialty Chemicals	Corporate	T
Revenues	$ 2,964	$ 89,631	$ --	$
Gross profit	$ 1,148	$ 69,807	$ --	$
General and administrative	51,691	128,101	210,733	3
Executive services	--	--	62,500	
Depreciation and amortization	--	4,498	81	
Interest expense	1,659	--	(437)	
Net (loss)	$ (52,202)	$ (62,792)	$(272,877)	$(3
Cash	$ --	--	$ 118,295	$ 1
Accounts receivable, net	417,022	50,915	--	4
Inventory	57,068	81,460	--	1
Prepaid Expenses	--	31,734	200	
Fixed assets, net	--	--	14,464	
Goodwill, net	--	72,599	--	
Patent, net	--	134,207	--	1
Other assets	--	--	1,385	
Total assets	$ 474,090	$ 370,915	$ 134,344	$ 9

The Company's total revenues and net income by segment for the six months ended September 30, 2001 (Revised), are as follows:

	Graphic Arts	Specialty Chemicals	Corporate	Total

Revenues	$ 519,522	$ 162,765	$ --	$ 682,287
Gross profit	$ 226,556	$ 104,814	$ --	$ 331,370
General and administrative	105,349	164,611	315,868	585,828
Executive services	--	--	125,000	125,000
Depreciation and amortization	--	8,551	162	8,713
Interest expense	3,028	--	(1,019)	2,009
Net income/(loss)	$ 118,179	$ (68,348)	$(440,011)	$(390,180)

The Company's total revenues and net loss by segment for the three months ended September 30, 2000 (Revised), are as follows:

	Graphic Arts	Specialty Chemicals	Corporate	Total
Revenues	$ 644,058	$ 92,705	$ --	$ 736,763
Gross profit	$ 171,791	40,076	$ --	$ 211,867
General and administrative	31,172	28,852	98,029	158,053
Executive services	--	--	62,500	62,500
Depreciation and amortization	--	4,020	365	4,385
Interest expense	3,995	--	--	3,995
Net income / (loss)	$ 136,624	$ 7,204	$(160,894)	$ (17,066)

The Company's total revenues and net income by segment for the six months ended September 30, 2000 (Revised), are as follows:

	Graphic Arts	Specialty Chemicals	Corporate	Total
Revenues	$ 1,446,575	$ 126,520	$ --	$ 1,573,095
Gross profit	$ 453,295	$ 48,574	$ --	$ 501,869
General and administrative	129,278	61,563	270,556	461,397
Executive services	--	--	125,000	125,000
Depreciation and amortization	--	7,888	882	8,770
Interest expense	4,929	--	--	4,929
Net Income / (loss)	$ 319,088	$ (20,877)	$ (396,438)	$ (98,227)

7. New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations

initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt SFAS 142 effective January 31, 2002. The Company is currently evaluating the effect that adoption of the provisions of SFAS 142 that are effective January 1, 2002 will have on its results of operations and financial position.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 will be effective for financial statements of fiscal years beginning after December 15, 2001. We do not anticipate that it will have a material impact on the Company's financial results.

8. REVISION OF CONSOLIDATED FINANCIAL STATEMENTS

Subsequent to the issuance of its March 31, 2001 financial statements, the Company recorded compensation for the executives' services that were contributed by management in the amount of $250,000 for each fiscal year (or $62,500 for each fiscal quarter) commencing in 1996. Previously, no compensation expense was reflected, as none was paid. Generally Accepted Accounting Principles require that the fair value of these services be reflected as an expense with the offset reflected in additional paid-in-capital. Such expense has now been reflected retroactively to 1996.

Accordingly, the March 31, 2001 Consolidated Balance Sheet has been revised for the above. The Company also recorded additional non-cash compensation expense for stock given to outside consultants during fiscal 2000 and 1999, amounting to $48,210 and $103,750, respectively. The Company recorded a $325,000 gain for the fair value of the receipt of 400,000 shares of the Company's stock received in connection with the settlement of claims arising in the discontinuance of the equipment division in fiscal year 1998 and recorded $75,000 in expense relating to fiscal year 1996, for the issuance of 50,000 shares in connection with the SciTech acquisition. The amounts have been included in the accumulated deficit balance of March 31, 2001 on the Consolidated Balance Sheets. None of the above impacted working capital or total stockholders' equity at March 31, 2001.

Accordingly, the Consolidated Statement of Operations for the three and six months ended September 30, 2000 and the six months ended September 30, 2001 has been revised for the effect of the $62,500 executive services contributed by management in each quarter. The above resulted in losses per share of $.00 and $.01 for the three and six months ended September 30, 2000 and $.02 for the six months ended September 30, 2001.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Report on Form 10-Q contains certain forward-looking statements concerning, among other things, the Company's plans and objectives for future operations, planned products and services, potential expansion into new markets, and anticipated customer demand for our existing and future products and services. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage the inclusion of prospective information so long as those statements are accompanied by meaningful cautionary statements identifying factors that could cause actual results to differ materially. Among the factors that could cause actual results, performance or achievement to differ materially from those described or implied in the forward-looking statements are: potential marketplace or technology changes, rendering existing products and services obsolete, changes in or the lack of anticipated changes in the regulatory environment in various countries, including potential legislation increasing our exposure to content distribution and intellectual property liability and changes in customer purchasing policies and practices.

Overview

United Energy considers its primary focus to be the development, manufacture and sale of environmentally safe specialty chemical products. The Company considers its leading product in terms of future earnings potential to be its KH-30(R) oil and gas well cleaning product.

KH-30(R) is an environmentally-safe, non-petroleum based product that is non-toxic and will biodegrade. Moreover, the use of KH-30(R) in the well has additional beneficial effects "downstream" resulting in cleaner flow lines and holding tanks. KH-30(R) has also been tested to be refinery compatible in that it contains no materials that are harmful to the refining process. This product has yet to achieve any significant market penetration.

One of United Energy's specialty chemical products is a photo-sensitive coating that is applied to paper to produce what is known in the printing industry as proofing paper or "blue line" paper. The Company developed this formulation over several years of testing. The Company's patent attorneys have informed the Company that the formulation is technically within the public domain as being within the scope of an expired duPont patent. However, the exact formulation utilized by the Company has not been able to be duplicated by others and is protected by the Company as a trade secret. The product is marketed under the trade name UNIPROOF(R).

The Company introduced its UNIPROOF(R) proofing paper in June of 1999. By March of 2000, sales of the product had increased to more than $200,000 per month and amounted to a total of $1,724,695 during the fiscal year ended March 31, 2000. Sales of UNIPROOF(R) for the fiscal year ended March 31, 2001 totaled $2,921,345. UNIPROOF(R) sales for the six months ended Septenber 30, 2001 were $496,567.

The Company's business plan is to use UNIPROOF(R) proofing paper sales to provide the cash flow to support world wide marketing efforts for its KH-30(R) oil well cleaner and, to a lesser extent, the other specialty chemical products developed by the Company.

In order to provide working capital to build UNIPROOF(R) sales, in June 2000 the Company entered into a $1,000,000 Line of Credit Agreement with Fleet Bank, N.A.

On September 22, 2000 the Company entered into an agreement with the

Alameda Company of Anaheim California which grants Alameda exclusive distribution rights in the Western Hemisphere (North, South and Central America and the Caribbean) for UNIPROOF(R) proofing paper. As part of the arrangement Alameda bought all existing UNIPROOF(R) inventory for $798,100. The Company has turned over to Alameda all existing customers within the above territory.

The contract with Alameda covers the years 2001 and 2002 and is renewable annually thereafter provided they meet certain minimum product purchase levels. To maintain exclusivity for 2001 and 2002 they must purchase a total of 13,394,641 sq. ft ($3,348,660) in 2001 and 16,073,568 sq. ft. ($4,018,392) in 2002. Future minimums and prices are to be agreed upon. For more information, please see our agreement with Alameda which is included as an exhibit to our report on Form 10-Q for the quarter ended September 30, 2000.

RESULTS OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

Revenues Revenues for the second quarter of fiscal 2002 were $92,595, a $644,168 or 87% decrease from revenues of $736,763 in the second quarter of fiscal 2001. The decrease in revenues was primarily due to a decrease in UNIPROOF(R) sales.

Cost of Goods Sold Cost of goods sold decreased to $21,640 or 23% of revenues, for the quarter ended September 30, 2001 from $524,896 or 71% of sales, for the quarter ended September 30, 2000. The numerical and percentage decreases were

primarily due to decreased production of UNIPROOF(R) proofing paper, which has a lower profit margin.

Gross Profit. Gross profit for the September 30 quarter of fiscal year 2002 was $70,955, a $140,912 or 67% decrease from $211,867 in the corresponding period of fiscal 2001. This 67% decrease was primarily attributable to decreased sales of UNIPROOF(R) proofing paper.

Operating Costs and Expenses

General and Administrative Expenses. General and administrative expenses increased to $390,525, or 422% of revenues for the quarter ended September 30, 2001 from $158,053, or 21% of revenues for the quarter ended September 30, 2000. The increases in the 2001 period were the result of a number of small expenses which aggregated in the second quarter, expenses related to the annual meeting of shareholders, the continuing expense of SEC reporting and an unusual expense related to the commencement of an evaluation and advertising program for the Company's marine repellant products, compounded in percentage terms by the very low revenue in the quarter

Executive Services Contributed by Management

Senior Executives of the Company contributed $62,500 of services in the quarters ended September 30, 2000 and 2001 which was recorded as an expense.

Interest Expense, Net of Interest Income. The Company had net interest expense of $1,222 for the quarter ended September 30, 2001 compared with net interest expense of $3,995 in the corresponding 2000 period. The decrease was the result of lower borrowings under the credit line obtained in June 2000 which were offset by funds on deposit.

Net Loss. For the quarter ended September 30, 2001, our net loss was $387,871, compared to a loss of $17,066 for the quarter ended September 30, 2000. The increased loss of $370,805 was almost totally attributable to the lack of UNIPROOF(R) sales. UNIPROOF(R) sales are expected to improve significantly during the remainder of the fiscal year.

SIX MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

Revenues Revenues for the first six months of fiscal 2002 were $682,287, a $890,808 or 57% decrease from revenues of $1,573,095 in the first six months of fiscal 2001. The decrease in revenues was primarily due to a decrease in UNIPROOF(R) sales.

Cost of Goods. Sold Cost of goods sold decreased to $350,917 or 51% of sales, for the six months ended September 30, 2001 from $1,071,226 or 68% of sales, for the six months ended September 30, 2000. The numerical and percentage decreases were primarily due to decreased production of UNIPROOF(R) proofing paper which has a lower profit margin.

Gross Profit. Gross profit for the first six months of fiscal year 2002 was $331,370 a $170,499, or 34% decrease from $501,869 in the corresponding period of fiscal 2001. This decrease was primarily attributable to decreased UNIPROOF(R) sales.

Operating Costs and Expenses

General and Administrative Expenses. General and administrative expenses increased to $585,828, or 86% of revenues for the six months ended September 30, 2001 from $461,397, or 29% of revenues for the six months ended September 30, 2000. The increases were almost entirely the result of the higher expenses in the second quarter, compounded by lower revenues.

Executive Services Contributed By Management

During the six month periods ended September 30, 2000 and 2001, senior executives of the Company contributed services valued at $125,000 which was recorded as an expense.

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Interest Expense, Net of Interest Income. The Company had net interest expense of $2,009 for the first six months ended September 30, 2001 compared with interest expense of $4,929 in the corresponding 2000 period. The change was due to lower borrowings under the Company's credit line.

Net Loss. For the six months ended September 30, 2001, our net loss was $390,180 as compared to a net loss of $98,227 for the six months ended September 30, 2000. The greater net loss is primarily the result of lower UNIPROOF(R) sales and higher general and administrative expenses in the second quarter.

Liquidity And Capital Resources. Historically, the Company has financed its operations through equity contributions from principals and from third parties supplemented by funds generated from its business. As of March 31, 2001, we had $96,695 in cash, accounts receivable of $970,433 and inventories of $121,753. As of September 30, 2001 we had $118,295 in cash, accounts receivable of $467,937 and inventory of $138,528. The high receivables and low inventory figures at March 31, 2001 reflect the delivery of a substantial amount of UNIPROOF(R) to the Alameda Company just before fiscal year end. The declines from March 31 through September 30 are primarily the result of the decline in UNIPROOF(R) sales and the decision not to resume production until the Alameda Company committed to take more product.

Cash used in Operating Activities. Cash used in operating activities was $118,033 for the six month period ended September 31, 2001 compared to $151,735 for the year earlier period.

Cash Provided by Financing Activities. Cash provided by financing activities decreased to $148,383 for the six month period ended September 30, 2001 from $156,525 for the period ended September 30, 2000, a net decrease of $8,142.

Inventories at March 31, 2001 were $121,753, and increased to $138,528 at September 30, 2001 due primarilly to lower UNIPROOOF(R) sales.

Accounts receivable decreased from $970,433 on March 31, 2001 to $467,937 on September 30, 2001.

Capital expenditures were negligible during the six months ended September 30, 2001 and during the corresponding period of 2000. United Energy has no material commitments for future capital expenditures.

In June 2000, the Company obtained a $1.0 million revolving credit facility with Fleet Bank, N.A. The credit line, which is collaterialized by substantially all of the assets of the Company, accrues interest at a rate equal to the prime rate. As of September 30, 2001, $100,000 was outstanding under the credit line, the same amount as at June 30, 2001.

The credit line is further secured by a pledge of 750,000 shares of the Company's common stock held in treasury and by the guarantee of a shareholder of the Company.

United Energy believes that its existing cash and credit facility will be sufficient to enable it to meet its foreseeable future capital needs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

United Energy does not expect its operating results, cash flows, or credit available to be affected to any significant degree by a sudden change in market interest rates. Furthermore, the Company does not engage in any transactions involving financial instruments or in hedging transactions with respect to its operations.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the opinion of management, there are no material legal proceedings in process against the Company and none are threatened.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On June 26, 2001, the Company issued 250,000 shares of the Company's common stock to complete financing transactions entered into during fiscal 2000. The funds from the sale of the shares when received were used for general corporate purposes and were initially carried on the books of the Company as a loan. The loan was converted to equity when the shares were issued.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

At the Annual Meeting of Shareholders of the Company held on August 22, 2001 shareholders voted to elect the five individuals who had been nominated by the company to serve as directors by the votes set forth below:

	For	Authority Withheld
1. Reginald L. Babcock	15,048,966	133,650
2. Martin Rappaport	15,048,966	133,650
3. Robert L. Seaman	15,075,666	106,950
4. Thomas F. Spencer	15,050,966	131,650
5. Ronald Wilen	15,073,666	108,950

The Company's shareholders also approved a proposed amendment to the Articles of Incorporation to limit the liability of the Company's directors pursuant to state law. The vote approving this item was 14,603,562 votes in favor and 350,459 votes against, with 228,595 abstentions.

The Company's shareholders also approved the United Energy Corporation 2001 Equity Incentive Plan. The vote approving this proposal was 8,700,775 votes in favor and 789,079 votes against, with 10,342 abstentions.

The Company's shareholders also ratified the Board of Directors' selection of Arthur Andersen, LLP to serve as the Company's independent auditors for fiscal year 2002. The vote ratifying such selection was 14,773,531 votes in favor and 407,075 votes against, with 2010 abstentions.

ITEM 5. OTHER INFORMATION

(1) Stock Option Plan

On August 22, 2001 the Company's Shareholders approved the 2001 Equity Incentive Plan (the "2001 Plan"). Under the 2001 Plan, the Company is authorized to grant stock options, the exercise of which would allow up to an aggregate of 2,000,000 shares of the Company's common stock to be acquired by the holders of such awards. The awards can take the form of Incentive Stock Options ("ISOs") or Nonstatutory Stock Options ("NSOs"). ISOs and NSOs are to be granted for terms not to exceed ten years. The exercise price of ISOs will be no less than the market price of the Company's common stock on the date of grant.

The Company has no options currently outstanding. The full text of the 2001 Equity Incentive Plan is included as an Exhibit to this report on Form 10-Q.

(2) Amendment to Articles of Incorporation to Limit Directors' and Officers' Liability

On August 22, 2001 the Company's Shareholders approved a proposal to limit the liability of the Company's directors by amending the Company's Articles of Incorporation pursuant to the law of the state of incorporation.

The amendment to the Company's Articles of Incorporation limits the personal monetary liability of directors and officers to the Company and its shareholders. The full text of new Article Tenth comprising the amendment is set forth as an Exhibit to this report on Form 10-Q.

United Energy is incorporated under the laws of Nevada which permits a corporation to include in its Articles of Incorporation a provision eliminating the monetary liability that its directors and officers may incur for breach of the "duty of care" owed by them to their corporation and its shareholders. The "duty of care" relates to unintentional errors, including gross negligence, in acts or omissions of directors and officers. Thus, the principal effect of the amendment on shareholders' rights will be to eliminate potential monetary damage actions against directors for breach of the fiduciary "duty of care," including possible gross negligence in business decisions involving takeover matters.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit Number	Description	Method of Filing
(1)	Amendment to Articles of Incorporation (August 22, 2001)	Filed with this document
(2)	United Energy Corporation 2001 Equity Incentive Plan (August 22, 2001)	Filed with this document

Reports on Form 8-K: None

United Energy Corp.
FORM 10-Q
September 30, 2001

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED ENERGY CORPORATION

Dated: November 14, 2001

By: \s\ Robert Seaman

Robert L. Seaman,
Executive Vice President and Principal Financial Officer