

FORM 10-Q. QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934
 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549
 FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934 For the period ended September 30, 2001
 or
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _____ to _____
 Commission File Number: 100 _____

CROFF ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Utah 87-0233535

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

621 17th St., Suite 830, Denver, Colorado 80293

(Address of principal executive offices) (Zip Code)
 (303) 383-1555

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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 has required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED
 IN BANKRUPTCY PROCEEDINGS DURING
 THE PRECEDING FIVE YEARS:

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date: 526,060 shares, one class only as of October 31, 2001.

INDEX

INDEX TO INFORMATION INCLUDED IN THE QUARTERLY REPORT (FORM 10-Q) TO THE SECURITIES AND EXCHANGE COMMISSION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001(UNAUDITED).

Page Number

PART I. UNAUDITED FINANCIAL INFORMATION

Balance Sheets as of December 31, 2000 and September 30, 2001	3,4
Statements of Operations for the three and nine months ended September 30, 2000 and 2001	5
Statements of Stockholders' Equity for the year ended December 31, 2000 and the nine months ended September 30, 2001	6
Statements of Cash Flows for nine months ended September 30, 2000 and 2001	7
Notes to Unaudited Condensed Financial Statements	8
Management's Discussion and Analysis of Financial Condition and Results of Operations	8

PART II. OTHER INFORMATION

ITEM 6(B) REPORTS ON FORM 8-K	10
Signatures	10

Forward-looking statements in this report, including without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties; including without limitation to, the following: (i) the Company's plans, strategies, objective, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth and inventory (iii) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission. Neither the Securities and Exchange Commission nor any other regulatory body takes any position as to the accuracy of forward-looking statements.

PART I. UNAUDITED FINANCIAL INFORMATION

CROFF ENTERPRISES, INC.
BALANCE SHEETS
(Unaudited)

	December 31, 2000	September 30, 2001
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 191,634	\$ 269,246
Marketable equity securities	6,125	62,892
Accounts receivable	91,742	53,724
Note receivable, related party	-	15,446
	-----	-----
	289,501	401,308
	-----	-----
Oil and gas properties, successful efforts method:		
Proved properties	611,960	633,665
Unproved properties	97,102	97,102
	-----	-----
	709,062	730,767
Accumulated depreciation and depletion	(370,391)	(400,391)
	-----	-----
	338,671	330,376
	-----	-----
Total assets	\$ 628,172	\$ 731,684
	=====	=====

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.
BALANCE SHEETS
(Unaudited)
(Continued)

	December 31, 2000	September 30, 2001
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10,838	\$ 14,419
Accrued liabilities	5,368	17,848
	-----	-----
	16,206	32,267
	-----	-----
Stockholders' equity:		
Class A Preferred stock, no par value; 5,000,000 shares authorized, none issued or outstanding	-	-
Class B Preferred stock, no par value; 1,000,000 shares authorized, 500,659 shares issued and outstanding	475,359	475,359
Common stock, \$.10 par value 20,000,000 shares authorized, 589,143 shares issued and outstanding	58,914	58,914
Capital in excess of par value	415,797	415,797
Treasury stock, at cost 62,883 and 63,083 shares, respectively	(82,951)	(83,151)
Accumulated other comprehensive income	-	3,700
Accumulated deficit	(255,153)	(171,202)
	-----	-----
	611,966	699,417
	-----	-----
Total liabilities and stockholders' equity	\$ 628,172	\$ 731,684
	=====	=====

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2000	2001	2000	2001
Revenues				
Oil and gas sales	\$ 91,586	\$ 71,073	\$237,456	\$286,577
Other income	2,399	2,022	4,821	7,816
	93,985	73,095	242,277	294,393
Expenses				
Lease operating expense	23,472	23,827	69,101	98,134
Depreciation and depletion	10,500	10,000	31,500	30,000
General and administrative	20,323	23,050	70,141	71,508
Rent expense - related party	2,940	3,600	8,820	10,800
	57,235	60,477	179,562	210,442
Net income	\$ 36,750	\$ 12,618	\$ 62,715	\$ 83,951
Net income applicable to Class B Preferred stockholders'	\$ 35,794	\$ 11,243	\$ 57,894	\$ 79,003
Net income applicable to Common stockholders'	\$ 956	\$ 1,375	\$ 4,821	\$ 4,948
Basic and diluted net income per common share	*	*\$.01	\$.01

*-Less than \$.01 per share

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 (Unaudited)

	Preferred Stock		Common Stock		Capital in excess of par Value	Treasury stock	Accumulated other comprehensive income	Accumulated deficit	Total
	Shares	Amount	Shares	Amount					
Balance, December 31, 1999	500,659	\$350,359	589,143	\$ 58,914	\$540,797	\$(82,286)	\$ -	\$(386,821)	\$480,353
Purchase of 55 shares of treasury stock	-	-	-	-	-	(55)	-	-	(55)
Net income for the year ended December 31, 2000	-	-	-	-	-	-	-	131,668	131,668
Preferred stock reallocation	-	125,000	-	-	(125,000)	-	-	-	-
Balance, December 31, 2000	500,659	475,359	589,143	58,914	415,797	(82,951)	-	(255,153)	611,966
Purchase of 200 shares of treasury stock	-	-	-	-	-	(200)	-	-	(200)
Unrealized gain on marketable equity securities	-	-	-	-	-	-	3,700	-	3,700
Net income for the nine months ended September 30, 2001	-	-	-	-	-	-	-	83,951	83,951
Balance, September 30, 2001	500,659	\$475,359	589,143	\$ 58,914	\$415,797	\$(83,151)	\$ 3,700	\$(171,202)	\$699,417

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the nine months ending September 30,	
	2000	2001
Cash flows from operating activities:		
Net income	\$ 62,715	\$ 83,951
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and depletion	31,500	30,000
Changes in operating assets and liabilities:		
(Increase) decrease in marketable securities	(1,875)	-
(Increase) decrease in accounts receivable	(9,394)	38,018
(Increase) decrease in other assets	(1,797)	(446)
Increase (decrease) in accounts payable	982	3,581
Increase (decrease) in accrued liabilities	454	12,480
Net cash provided by operating activities	82,585	167,584
Cash flows from investing activities:		
Purchased working interest in proved properties	-	(21,705)
Purchase of marketable equity securities	-	(53,067)
Issuance of short-term note receivable	-	(15,000)
Net cash used in investing activities	-	(89,772)
Cash flows from financing activities:		
Purchase of treasury stock	(55)	(200)
Net cash used in financing activities	(55)	(200)
Increase in cash and cash equivalents	82,530	77,612
Cash and cash equivalents at beginning of period	57,716	191,634
Cash and cash equivalents at end of period	\$ 140,246	\$ 269,246

See accompanying notes to unaudited condensed financial statements

CROFF ENTERPRISES, INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

Basis of preparation

The condensed financial statements for the three and nine month periods ended September 30, 2001 and 2000 in this report have been prepared by the Company without audit pursuant to the rules and regulations of the Securities and Exchange Commission and reflect, in the opinion of the management, all adjustments necessary to present fairly the results of the operations of the interim periods presented herein. Certain reclassifications have been made to the prior year's condensed financial statements to conform to the 2001 presentation. Certain information in footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes the disclosures presented herein are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, which report has been filed with the Securities and Exchange Commission, and is available from the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three months ended September 30, 2001 compared to three months ended September 30, 2000.

Revenues for the third quarter of 2001 totaled \$73,095, a 22% decrease from the prior year period. Net income for the third quarter of 2001 totaled \$12,618, a decrease of 66% compared to the third quarter of 2000. Oil and gas sales for the third quarter totaled \$71,073, a 22% decrease from the prior year period. This decrease was attributable to declines in both oil and natural gas prices as well as lower demand for natural gas. The Company's oil and gas revenues are generally divided approximately equally between royalties and working interest. Other income for the third quarter of 2001 totaled \$2,022, a 16% decrease from the prior year period. This decrease is primarily a result of lower rates of return earned on the Company's money market investments.

Lease operation expense, which includes all production related taxes for the third quarter of 2001, totaled \$23,827, approximately equal with the third quarter of 2000, which totaled \$23,472.

Depreciation and depletion expense for the third quarter of 2001 totaled \$10,000, a 5% decrease from the prior year period, which totaled \$10,500.

General and administrative expense, including rent for the third quarter of 2001 totaled \$26,650, a 15% increase from the prior year period. This increase is attributable to the fact that costs associated with the Company's annual report were incurred in the third quarter this year verses the second quarter last year.

Nine months ended September 30, 2001 compared to nine months ended\ September 30, 2000.

Revenues for the nine months ended September 30, 2001 totaled \$294,393, a 22% increase from the prior year period. Net income for the nine months ended September 30, 2001 totaled \$83,951, an increase of 34% compared to the prior year period. Oil and natural gas sales for the nine months ended September 30, 2001 totaled \$286,577, an 21% increase from the prior year period. This increase was primarily attributable to higher oil and natural gas prices. The Company's oil and gas revenues are divided approximately equally between royalties and working interest. Other income for the nine months ended September 30, 2001, total \$7,816, a 62% increase from the prior year period. The Company earned higher interest and dividend income due to an increase in the value of the Company's cash and cash equivalents.

Lease operating expense, which includes all production related taxes for the nine months ended September 30, 2001, totaled \$98,134, an increase of 42% compared to the prior year period. The primary reason for this increase was the expenditure of \$22,000 incurred in a five percent participation in an unsuccessful new well in Oklahoma. The well was completed but has produced a minimal amount. The remaining increase was due to higher production taxes due to higher prices and inflation in oil field costs.

Depreciation and depletion expense for the nine months ended September 30, 2001 totaled \$30,000, a 5% decrease from the prior year period.

General and administrative expense, including rent for the nine months ended September 30, 2001 totaled \$82,308, compared to \$78,961 from the prior year period. The Company expects general and administrative costs to remain stable this year.

Financial condition and capital resources

At September 30, 2001, the Company had \$731,684 of assets and \$699,417 of stockholders' equity. In the first nine months of 2001, net cash provided by operations totaled \$167,584 as compared to \$82,585 for the prior year period. Working capital at September 30, 2001 totaled \$369,041, an increase of 100% compared to \$184,857 at September 30, 2000. The Company's current ratio at September 30, 2001 is approximately 12:1. At September 30, 2001, there were no significant commitments for capital expenditures. The Company is currently accumulating cash and liquid assets to prepare for a possible reverse merger of the Company. The Company expects to continue to operate at a positive cash flow for the remainder of this year and resume buying producing oil and natural gas properties.

In the first nine months 2001, the Company repurchased 200 shares of its common stock for \$200.

On June 15, 2001, the Company loaned \$15,000 to a related party corporation, the President of which is also the President of the Company. This short-term secured note bears interest at 10% per annum.

PART II. OTHER INFORMATION

ITEM 6(B) REPORTS ON FORM 8-K

The registrant has filed no reports on Form 8-K for the quarter ended June 30, 2001.

SIGNATURES

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

REGISTRANT: CROFF ENTERPRISES, INC.

By: /s/ Gerald L. Jensen

Gerald L. Jensen
Chief Executive Officer and Chief Financial Officer

By: /s/ Stuart D. Kroonenberg

Stuart D. Kroonenberg
Chief Accounting Officer

Dated: November 14, 2001
