

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 March 31, 2002  
 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 (I.R.S. Employer  
 incorporation or organization) 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: 566,060 shares, one class only as of May 10, 2002.

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INDEX TO INFORMATION INCLUDED IN THE QUARTERLY REPORT (FORM 10-Q) TO THE SECURITIES AND EXCHANGE COMMISSION FOR THE THREE NINE MONTHS ENDED MARCH 31, 2002 (UNAUDITED).

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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, 2001	March 31, 2002
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 338,870	\$ 378,361
Marketable equity securities, available for sale	4,600	4,000
Accounts receivable	49,226	35,704
Notes receivable, related parties	16,159	16,893
	-----	-----
	408,855	434,958
	-----	-----
Oil and gas properties, at cost, successful efforts method:		
Proved properties	578,091	578,091
Unproved properties	97,102	97,102
	-----	-----
	675,193	675,193
Accumulated depletion and depreciation	(388,924)	(396,924)
	-----	-----
	286,269	278,269
	-----	-----
Total assets	\$ 695,124	\$ 713,227
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,568	\$ 17,082
Accrued liabilities	5,471	2,439
	-----	-----
	23,039	19,521
	-----	-----
Stockholders' equity:		
Class A Preferred stock, no par value 5,000,000 shares authorized, none issued	-	-
Class B Preferred stock, no par value; 1,000,000 shares authorized, 540,659 shares issued and outstanding	397,085	396,428
Common stock, \$.10 par value; 20,000,000 shares authorized, 629,143 shares issued and outstanding	62,914	62,914
Capital in excess of par value	530,071	530,728
Treasury stock, at cost, 63,083 shares issued and outstanding	(83,151)	(83,151)
Accumulated other comprehensive loss	(1,150)	(1,750)
Accumulated deficit	(193,618)	(170,800)
Notes receivable from directors	(40,066)	(40,663)
	-----	-----
	672,085	693,706
	-----	-----
Total liabilities and stockholders' equity	\$ 695,124	\$ 713,227
	=====	=====

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.  
STATEMENTS OF OPERATIONS  
For the three months ended March 31, 2001 and 2002  
(Unaudited)

	2001	2002
	-----	-----
<b>Revenues</b>		
Oil and gas sales	\$ 122,361	\$ 49,321
Gain on sale of marketable equity securities	-	23,026
Other income	3,026	1,891
	-----	-----
	125,387	74,238
	-----	-----
<b>Expenses</b>		
Lease operating expense including production taxes	46,752	14,014
General and administrative	23,341	23,406
Overhead expense, related party	6,000	6,000
Depletion and depreciation	10,000	8,000
	-----	-----
	86,093	51,420
	-----	-----
Net income	39,294	22,818
Net income (loss) applicable to preferred B shareholders	37,883	(657)
	-----	-----
Net income applicable to common shareholders	\$ 1,411	\$ 23,475
	=====	=====
Basic and diluted net income per common share	\$ .01	\$ .04
	=====	=====
Weighted average common shares outstanding	526,060	566,060
	=====	=====

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.  
 STATEMENTS OF STOCKHOLDERS' EQUITY  
 For the year ended December 31, 2001 and  
 the three month period ended March 31, 2002  
 (Unaudited)

	Preferred B stock		Common stock		Capital in excess of par value	Treasury stock	Accumulated other comprehensive loss	Accumulated deficit
	Shares	Amount	Shares	Amount				
Balance at December 31, 2000	500,659	\$475,359	589,143	\$ 58,914	\$ 415,797	\$(82,951)	\$ -	\$ (255,153)
Stock warrants exercised	40,000	28,000	40,000	4,000	8,000	-	-	-
Purchase of 200 shares of treasury stock	-	-	-	-	-	(200)	-	-
Net unrealized loss on marketable equity securities	-	-	-	-	-	-	(1,150)	-
Net income for the year ended December 31, 2001	-	-	-	-	-	-	-	61,535
Stock reallocation	-	(136,274)	-	-	136,274	-	-	-
Preferred stock reallocation	-	30,000	-	-	(30,000)	-	-	-
Balance at December 31, 2001	540,659	\$397,085	629,143	\$ 62,914	\$ 530,071	\$(83,151)	\$ (1,150)	\$ (193,618)
Net unrealized loss on marketable equity securities	-	-	-	-	-	-	(600)	-
Net income for the three months ended March 31, 2002	-	-	-	-	-	-	-	22,818
Preferred stock reallocation	-	(657)	-	-	657	-	-	-
Balance at March 31, 2002	540,659	\$396,428	629,143	\$ 62,914	\$ 530,728	\$(83,151)	\$ (1,750)	\$ (170,800)

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.  
 STATEMENTS OF CASH FLOWS  
 For the three months ended March 31, 2001 and 2002  
 (Unaudited)

	2001	2002
	-----	-----
Cash flows from operating activities:		
Net income	\$ 39,294	\$ 22,818
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and depreciation	10,000	8,000
Realized (gain) loss on marketable equity securities	375	(23,026)
Changes in operating assets and liabilities:		
Accounts receivable	(1,817)	13,522
Accrued interest on notes receivable	-	(1,331)
Other assets	(5,205)	-
Accounts payable	6,120	(486)
Accrued liabilities	(1,476)	(3,032)
	-----	-----
Net cash provided by operating activities	47,291	16,465
	-----	-----
Cash flows from investing activities:		
Purchase of marketable equity securities	-	(165,502)
Proceeds from sale of marketable equity securities	-	188,528
	-----	-----
Net cash provided by investing activities	-	23,026
	-----	-----
Cash flows from financing activities:		
Purchase of treasury stock	(200)	-
	-----	-----
Net Cash used in financing activities	(200)	-
	-----	-----
Net increase in cash and cash equivalents	47,091	39,491
Cash and cash equivalents at beginning of period	191,634	338,870
	-----	-----
Cash and cash equivalents at end of period	\$ 238,725	\$ 378,361
	=====	=====

Supplemental disclosure of non-cash investing and financing activities:

During the three month period ended March 31, 2002, the Company had unrealized losses on available for sale securities in the amount of \$600.

See accompanying notes to unaudited condensed financial statements.

Basis of preparation

The condensed financial statements for the three month periods ended March 31, 2002 and 2001 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 information in footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America 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, 2001, 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

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operation are based upon financial statements, which have been prepared in accordance with accounting principles generally adopted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The Company analyzes its estimates, including those related to oil and gas revenues, oil and gas properties, marketable securities, income taxes and contingencies. The Company bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its financial statements and the uncertainties that it could impact our results of operations, financial condition and cash flows. The Company accounted for its oil and gas properties under the successful efforts method of accounting. The Company periodically evaluates its oil and gas properties for possible impairment. Impairments are recorded when management believes that a property's net book value is not recoverable based on current estimates of expected future cash flows. The Company provides for depreciation and depletion of its investment in producing oil and gas properties on the unit-of-production method, based upon estimates of recoverable oil and gas reserves from the property.

## Results of Operations

Three months ended March 31, 2002 compared to three months ended March 31, 2001.

Revenues for the first quarter of 2002 totaled \$74,238, a 41% decrease from the prior year period. Net income for the first quarter of 2002 totaled \$22,818, a decrease of 42% compared to the first quarter of 2001. Oil and gas sales for the first quarter totaled \$49,321, a 60% decrease from the prior year period. The major factor in this decrease in revenue was the combination of price and production for oil and natural gas. The average sale price of oil in 2002 for the Company was approximately \$17 compared to \$25 in 2001. The average sale price of natural gas in 2002 for the Company was \$1.80 per Mcf, compared to \$5.80 per Mcf in 2001. Production of both oil and gas decreased during the first quarter of 2002 compared to the first quarter of 2001 as the operators of the Company's wells slowed production due to low prices and reduced demand. During 2002, the Company realized a gain on the sale of marketable equity securities totaling \$23,026.

Lease operation expense, which includes all production related taxes for the first quarter of 2002, totaled \$14,014 compared to the first quarter of 2001, which totaled \$46,752. This decrease was attributable to the decrease in oil and gas production and lower taxes for 2002.

Depreciation and depletion expense for the first quarter of 2002 totaled \$8,000, a 20% decrease from the prior year period, which totaled \$10,000.

General and administrative expense, including rent for the first quarter of 2002 totaled \$29,406, which is comparable to the prior year period.

### Financial condition and capital resources

At March 31, 2002, the Company had \$713,227 of assets and \$693,706 of stockholders' equity. In the first three months of 2002, net cash provided by operations totaled \$16,465 as compared to \$47,291 for the prior year period. Working capital at March 31, 2002 totaled \$415,437, an increase of 8% compared to \$385,816 at December 31, 2001. The Company had a favorable current ratio at March 31, 2002 of approximately 22:1. For the remainder of 2002, the Company expects to continue to operate at a positive cash flow and intends to resume purchasing oil and natural gas leases. The Company has no short-term or long-term debt at this time.

Because the Company's revenues are based primarily on the commodity price of oil and natural gas, and, because the Company does not have significant operating expenses, inflation, generally, is favorable to the Company.

PART II. OTHER INFORMATION

ITEM 5 OTHER INFORMATION

On June 15, 2001, the Company loaned \$15,000 to Reef Energy Corporation, a company in which Croff's President owns approximately a one-fourth interest. This short-term secured note bears interest at 10% per annum. In December 2001, the Company loaned three of its Directors a total of \$40,000 associated with the exercise of their stock warrants. The fully recourse notes due December 31, 2002 bear interest at 6% per annum.

ITEM 6(B) REPORTS ON FORM 8-K

The registrant has filed no reports on Form 8-K for the quarter ended March 31, 2002.

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

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Gerald L. Jensen  
Chief Executive Officer

By: /s/ Stuart D. Kroonenberg

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Stuart D. Kroonenberg  
Chief Financial Officer

Dated: May 14, 2002

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