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

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934 For the period ended June 30, 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 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: 566,060 shares, one class only as of August 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 AND SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED).

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

ITEM 1. UNAUDITED FINANCIAL STATEMENTS

CROFF ENTERPRISES, INC.
BALANCE SHEETS
(Unaudited)

	December 31, 2001	June 30, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 338,870	$ 247,267
Marketable equity securities, available for sale	4,600	72,920
Accounts receivable	49,226	34,702
Notes receivable, related parties	16,159	16,893
	408,855	371,782
Oil and gas properties, at cost, successful efforts method:		
Proved properties	578,091	627,676
Unproved properties	97,102	97,102
	675,193	724,778
Accumulated depletion and depreciation	(388,924)	(404,924)
	286,269	319,854
Total assets	$ 695,124	$ 691,636
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 17,568	$ 14,837
Accrued liabilities	5,471	2,136
	23,039	16,973
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	412,414
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	514,742
Treasury stock, at cost, 63,083 shares	(83,151)	(83,151)
Accumulated other comprehensive loss	(1,150)	(36,803)
Accumulated deficit	(193,618)	(154,177)
Notes receivable from directors	(40,066)	(41,276)
	672,085	674,663
Total liabilities and stockholders' equity	$ 695,124	$ 691,636

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2002	2001	2002
Revenues				
Oil and gas sales	$ 93,143	$ 65,537	$215,504	$114,858
Gain on sale of marketable equity securities	-	-	-	23,026
Other income	2,768	1,465	5,794	3,356
	95,911	67,002	221,298	141,240
Expenses				
Lease operating expense including production taxes	27,555	14,571	74,307	28,585
General and administrative	20,317	21,808	43,658	45,214
Overhead expense, related party	6,000	6,000	12,000	12,000
Depreciation and depletion	10,000	8,000	20,000	16,000
	63,872	50,379	149,965	101,799
Net income	$ 32,039	$ 16,623	$ 71,333	$ 39,441
Net income applicable to Class B Preferred stockholders'	$ 29,877	$ 15,986	$ 67,760	$ 15,329
Net income applicable to Common stockholders'	$ 2,162	$ 637	$ 3,573	$ 24,112
Basic and diluted net income per common share	*	*	$ .01	$ .04

*-Less than $.01 per share

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
For the year ended December 31, 2001 and
the six month period ened June 30, 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	-	-	-	-	-	-	(35,653)	-
Net income for the six months ended June 30, 2002	-	-	-	-	-	-	-	39,441
Preferred stock reallocation	-	15,329	-	-	(15,329)	-	-	-
Balance at June 30, 2002	540,659	$412,414	629,143	$ 62,914	$ 514,742	$(83,151)	$ (36,803)	$ (154,177)

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.
STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2001 and 2002
(Unaudited)

	2001	2002
Cash flows from operating activities:		
Net income	$ 71,333	$ 39,441
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and depreciation	20,000	16,000
Realized (gain) loss on marketable equity securities	375	(23,026)
Changes in operating assets and liabilities:		
Accounts receivable	25,358	14,524
Accrued interest on notes receivable	-	(1,944)
Other assets	(62)	-
Accounts payable	6,574	(2,731)
Accrued liabilities	(1,470)	(3,335)
Net cash provided by operating activities	122,108	38,929
Cash flows from investing activities:		
Purchase of marketable equity securities	-	(269,475)
Proceeds from sale of marketable equity securities	-	188,528
Purchased working interest in proved properties	(5,205)	(49,585)
Issuance of short-term note receivable	(15,000)	-
Net cash used in investing activities	(20,205)	(130,532)
Cash flows from financing activities:		
Purchase of treasury stock	(200)	-
Net Cash used in financing activities	(200)	-
Net increase (decrease) in cash and cash equivalents	101,703	(91,603)
Cash and cash equivalents at beginning of period	191,634	338,870
Cash and cash equivalents at end of period	$ 293,337	$ 247,267

Supplemental disclosure of non-cash investing and financing activities:

During the six month period ended June 30, 2002, the Company had unrealized losses on available for sale securities in the amount of $35,653.

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 six month periods ended June 30, 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 reclassifications have been made to the prior year's condensed financial statements to conform to the 2002 presentation. 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.

ITEM 2. 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 accepted 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 June 30, 2002 compared to three months ended June 30, 2001.

Revenues for the second quarter of 2002 totaled $67,002, a 30% decrease from the prior year period. Net income for the second quarter of 2002 totaled $16,623, a decrease of 48% compared to the second quarter of 2001. Oil and gas sales for the second quarter totaled $65,537, a 30% decrease from the prior year period. The major factor in this decrease in revenue was primarily a large drop in the price for oil and natural gas. The average sale price of oil in 2002 for the Company was approximately $22 compared to $25 in 2001. The average sale price of natural gas in 2002 for the Company was approximately $2.45 per Mcf, compared to $5.80 per Mcf in 2001. The secondary reason for the drop was that 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. The Company's oil and gas revenues are approximately divided equally between royalties and working interest. Other income for the second quarter of 2002 totaled $1,465, a 47% decrease from the prior year period.

Lease operation expense, which includes all production related taxes for the second quarter of 2002, totaled $14,571, a decrease of 47% compared to the second quarter of 2001, which totaled $27,555. This decrease was attributable primarily to the decrease in oil and gas prices, which lowered production 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 overhead, related party for the second quarter of 2002 totaled $27,808, which is comparable to the prior year period.

Six months ended June 30, 2002 compared to six months ended June 30, 2001.

Revenues for the six months ended June 30, 2002 totaled $141,240, a 36% decrease from the prior year period. Net income for the six months ended June 30, 2002 totaled $39,441, a decrease of 45% compared to the same period in 2001. Oil and gas sales for the six months ended June 30, 2002 totaled $114,858, a 47% decrease from the same period in 2001. The major factor in this decrease in revenue was the combination of price and production for oil and natural gas. The Company's oil and gas revenues are approximately divided equally between royalties and working interest. During 2002, the Company realized a gain on the sale of marketable equity securities totaling $23,026. Other income for the six months ended June 30, 2002, total $3,356, a 42% decrease from the prior year period. The decrease in other income is attributable to the Company's increased investments in marketable equity securities and decreased investment in interest bearing money market accounts.

Lease operating expense, which includes all production related taxes for the six months ended June 30, 2002, totaled $28,585, a decrease of 62% compared to the $74,307 spent in the same period in 2001. In 2001, the Company spent approximately $22,000 on an unsuccessful well and production taxes were also higher in 2001. The remaining decrease was due to lower production taxes due to lower prices and less production.

Depreciation and depletion expense for the six months ended June 30, 2002 totaled $16,000, a 20% decrease from the same period in 2001.

General and administrative expense, including overhead, related party for the six months ended June 30, 2002 totaled $57,214, compared to $55,658 from the prior year period. The Company expects general and administrative costs to remain stable this year.

Financial condition and capital resources

At June 30, 2002, the Company had $691,636 of assets and $674,663 of stockholders' equity. In the first six months of 2002, net cash provided by operations totaled $38,929 as compared to $122,108 for the prior year period. Working capital at June 30, 2002 totaled $354,809, and is comparable to the December 31, 2001 working capital, which totaled $385,816. The Company's current ratio at June 30, 2002 is approximately 22:1. At June 30, 2002, there were no significant commitments for capital expenditures. In June 2002, the Company purchased working interests in producing leases in Michigan and Texas, investing a total of $49,585. 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 continue buying producing oil and natural gas properties. The Company has no short-term or long-term debt at this time. However, on June 11, 2002, the Company entered into a one-year variable rate revolving line of credit agreement whereby the Company could borrow up to $100,000 for working capital support to fund investments in oil and gas properties. The variable rate is based on Prime plus 1.5%, subject to a floor of 7% and a ceiling of 12%.

EXHIBIT 99.1 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350; AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

EXHIBIT 99.2 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350; AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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 EXHIBITS AND REPORTS ON FORM 8-K

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

Date: August 14, 2002 By: /s/ Gerald L. Jensen
Gerald L. Jensen
Chief Executive Officer

Date: August 14, 2002 By: /s/ Stuart D. Kroonenberg
Stuart D. Kroonenberg
Chief Financial Officer

Exhibit 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Croff Enterprises, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart D. Kroonenberg, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stuart D. Kroonenberg
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Stuart D. Kroonenberg
Chief Financial Officer
August 14, 2002

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Croff Enterprises, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gerald L. Jensen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Gerald L. Jensen
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Gerald L. Jensen
Chief Executive Officer
August 14, 2002