

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 June 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 (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: 526,060 shares, one class only as of July 31, 2001.

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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, 2000	June 30, 2001
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 191,634	\$ 293,337
Marketable equity securities	6,125	5,750
Accounts receivable	91,742	66,384
Note receivable, related party	-	15,062
	-----	-----
	289,501	380,533
	-----	-----
Oil and gas properties, successful efforts method:		
Proved properties	611,960	617,165
Unproved properties	97,102	97,102
	-----	-----
	709,062	714,267
Accumulated depreciation and depletion	(370,391)	(390,391)
	-----	-----
	338,671	323,876
	-----	-----
Total assets	\$ 628,172	\$ 704,409
	=====	=====

See accompanying notes to unaudited condensed financial statements.

CROFF ENTERPRISES, INC.
BALANCE SHEETS
(Unaudited)

	December 31, 2000	June 30, 2001
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10,838	\$ 17,412
Accrued liabilities	5,368	3,898
	-----	-----
	16,206	21,310
	-----	-----
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
Accumulated deficit	(255,153)	(183,820)
Treasury stock, at cost 62,883 and 63,083 shares, respectively	(82,951)	(83,151)
	-----	-----
	611,966	683,099
	-----	-----
Total liabilities and stockholders' equity	\$ 628,172	\$ 704,409
	=====	=====

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,	
2000	2001	2000	2001
-----	-----	-----	-----

Revenues				
Oil and gas sales	\$ 77,604	\$ 93,143	\$145,870	\$215,504
Other income	774	2,768	2,421	5,794
	-----	-----	-----	-----
	78,378	95,911	148,291	221,298
	-----	-----	-----	-----
Expenses				
Lease operating expense	25,812	27,555	45,630	74,307
Depreciation and depletion	10,500	10,000	21,000	20,000
General and administrative	24,092	25,117	49,818	48,458
Rent expense - related party	2,940	1,200	5,880	7,200
	-----	-----	-----	-----
	63,344	63,872	122,328	149,965
	-----	-----	-----	-----
Net income	\$ 15,034	\$ 32,039	\$ 25,963	\$ 71,333
	=====	=====	=====	=====
Net income applicable to				
Class B Preferred stockholders'	\$ 12,800	\$ 29,877	\$ 22,100	\$ 67,760
	=====	=====	=====	=====
Net income applicable to				
Common stockholders'	\$ 2,234	\$ 2,162	\$ 3,863	\$ 3,573
	=====	=====	=====	=====
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 CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	----- 2000 -----	----- 2001 -----
Cash flows from operating activities:		
Net income	\$ 25,963	\$ 71,333
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and depletion	21,000	20,000
Changes in operating assets and liabilities:		
(Increase) decrease in marketable securities	(875)	375
(Increase) decrease in accounts receivable	(7,830)	25,358
(Increase) decrease in other assets	(1,450)	(62)
Increase (decrease) in accounts payable	3,674	6,574
Increase (decrease) in accrued liabilities	456	(1,470)
	-----	-----
Net cash provided by operating activities	40,938	122,108
	-----	-----
Cash flows from investing activities:		
Purchased working interest in proved properties	-	(5,205)
Issuance of short term note receivable	-	(15,000)
	-----	-----
Net cash (used in) investing activities	-	(20,205)
	-----	-----
Cash flows from financing activities:		
Purchase of treasury stock	-	(200)

Net cash (used in) financing activities	----- -	----- (200) -----
Increase in cash and cash equivalents	40,938	101,703
Cash and cash equivalents at beginning of period	57,716	191,634
Cash and cash equivalents at end of period	----- \$ 98,654 -----	----- \$ 293,337 -----

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, 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 June 30, 2001 compared to three months ended June 30, 2000.

Revenues for the second quarter of 2001 totaled \$95,911, a 22% increase from the prior year period. Net income for the second quarter of 2001 totaled \$32,039, an increase of 113% compared to the second quarter of 2000. Oil and gas sales for the second quarter totaled \$93,143, a 20% increase from the prior year period. This increase was primarily attributable to higher oil and gas prices. There were minimal changes in the levels of production. The Company's oil and gas revenues are generally divided equally between royalties and working interest. Other income for the second quarter of 2001 totaled \$2,768, a 258% increase from the prior year period. This increase was due to higher interest and dividend income due to an increase in the value of the Company's cash and cash equivalents as well as marketable securities held.

Lease operating expense, which includes all production related taxes for the second quarter of 2001, totaled \$27,555, an increase of 6% compared to the second quarter of 2000. This increase was due to wells being put back into production, and higher production taxes.

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

General and administrative expense, including rent for the second quarter of 2001 totaled \$26,317, a 3% decrease from the prior year period.

Six months ended June 30, 2001 compared to six months ended June 30, 2000.

Revenues for the six months ended June 30, 2001 totaled \$221,298, a 50%

increase from the prior year period. Net income for the six months ended June 30, 2001 totaled \$71,333, an increase of 175% compared to the prior year period. Oil and gas sales for the six months ended June 30, 2001 totaled \$215,504, a 48% increase from the prior year period. This increase was primarily attributable to higher oil and gas prices. There were only slight increases in the levels of production, primarily from coalbed methane gas in New Mexico. The Company's oil and gas revenues are generally divided equally between royalties and working interest. Other income for the six months ended June 30, 2001, totaled \$5,794, a 139% increase from the prior year period. This increase was due to higher interest and dividend income due to an increase in the value of the Company's cash and cash equivalents as well as marketable securities held.

Lease operating expense, which includes all production related taxes for the six months ended June 30, 2001, totaled \$74,307, an increase of 63% 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 not produced. 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 six months ended June 30, 2001 totaled \$20,000, a 5% decrease from the prior year period.

General and administrative expense, including rent for the six months ended June 30, 2001 totaled \$55,658, compared to \$55,698 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, 2001, the Company had \$704,409 of assets and \$683,099 of stockholders' equity. In the first six months of 2001, net cash provided by operations totaled \$122,108 as compared to \$40,908 for the prior year period. Working capital at June 30, 2001 totaled \$359,223, an increase of 31% compared to \$273,295 at June 30, 2000. The Company's current ratio at June 30, 2001 is approximately 18:1. At June 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 six 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, whose President 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: August 10, 2001
