

CROFF ENTERPRISES INC  
Form PRER14A  
November 26, 2007

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934  
(Amendment No. 3)

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- x Preliminary Proxy Statement  
 o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 o Definitive Proxy Statement  
Definitive Additional Materials  
 x Soliciting Material Pursuant to §240.14a-12

**Croff Enterprises, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- o No fee required.  
 o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- |     |   |
|-----|---|
| (1) | Title of each class of securities to which transaction applies:   |
| (2) | Aggregate number of securities to which transaction applies:  |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |
| (4) | Proposed maximum aggregate value of transaction:  |
| (5) | Total fee paid:   |
- x Fee paid previously with preliminary materials.  
 o

Edgar Filing: GROFF ENTERPRISES INC - Form PRER14A

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

**Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

---

2007 PROXY STATEMENT

SPECIAL MEETING OF SHAREHOLDERS

A Special Meeting of Shareholders of  
Croff Enterprises, Inc.  
will be held at:

**3773 Cherry Creek Drive North**  
Meeting Room, Second Floor, Room 280  
Denver, Colorado  
Telephone: (303) 383-1555

on

\_\_\_\_\_, 2007, at 11:00 A.M.

**GENERAL INFORMATION & INCORPORATION BY REFERENCE**

THIS PROXY STATEMENT IS BEING MAILED ON APPROXIMATELY \_\_\_\_\_, 2007 TO ALL CROFF COMMON AND PREFERRED "B" SHAREHOLDERS OF RECORD IN CONNECTION WITH THE SOLICITATION OF YOUR VOTE BY THE BOARD OF DIRECTORS OF CROFF ENTERPRISES, INC. ("the Company" or "Croff") with regard to a Special Meeting of shareholders to be held on \_\_\_\_\_, 2007 at 11:00 a.m. at 3773 Cherry Creek Drive, North Meeting Room 208, Denver, Colorado 80209, Telephone: (303) 383-1555. This meeting is called to discuss and vote upon the following described transfer of Croff's assets pledged to the preferred "B" shares, (oil and gas assets) to a private corporation to be owned by the preferred "B" shareholders, after the preferred "B" share exchange. Common shareholders also will be asked to vote upon the election of directors and ratification of the auditors in the same manner as at a general shareholder meeting. This Proxy Statement should be reviewed in connection with the copy of the Croff Annual Report filed on SEC Amended Form 10-K/A dated December 31, 2006 and as restated and filed on August \_\_\_, 2007.

**VARIOUS ITEMS OF IMPORTANT INFORMATION AND ACCOUNTING FOR THE COMPANY RELATED TO THIS PROXY STATEMENT, SUCH AS "DESCRIPTION OF THE BUSINESS", ARE SET-OUT IN THE ANNUAL REPORT CONCURRENTLY DELIVERED TO SHAREHOLDERS ON AMENDED FORM 10-K/A. (SEE OTHER INFORMATION PARAGRAPH OF THIS PROXY AT PAGE \_\_\_\_). SUCH DETAILED INFORMATION MAY BE RELEVANT IN REVIEWING THIS PROXY STATEMENT, BUT IS NOT REPEATED IN THIS DOCUMENT. ACCORDINGLY, EACH SHAREHOLDER SHOULD REFER TO THE AMENDED 2006 FORM 10-K/A BEFORE COMPLETING THEIR PROXY BALLOT.**

Proxies voted in accordance with the accompanying ballot form, which are properly executed and received by the Secretary to the company prior to the Special meeting, will be voted. Shareholder Proposals are discussed at Page \_\_\_\_.

## TABLE OF CONTENTS

	<b>Page</b>
General Information & Incorporation by Reference	1
Glossary of Selected Commonly Used Terms	3-5
General Description of Transaction and Proxy	6-11
Common Shareholder Vote & Ballot Form	11-14
Preferred Shareholder Vote & Ballot Form	14-15
Voting Procedures & Terms	15-17
Principal Shareholders and Parties Having a Substantial Interest	17-19
Executive Compensation	19-21
Certain Relationships and Related Transactions	21-22
Management's Stock Rights and Options	22
Corporate Governance	23-25
Corporate Performance Graph	25
Matters Subject to Shareholder Vote:	25
Election of Directors	25
Summary Information as to Directors/Principal Officers	26
Executive Compensation	27-28
Ratification of Appointment of Independent Accountants	29
Vote on Division of Company and Related Items	29-38
Management's Discussion and Analysis of Financial conditions of Result of Operations	39
Croff Financial Analysis	39-42
Tax Considerations	42
Auditors	43-44
Risk Factors	44-47
Dissenting Shareholder Rights	48
Other Matters	49
Stockholder Proposals	49
Section 16(A) Beneficial Ownership Reporting Compliance	49
Other Information	49
Exhibit	

## **GLOSSARY OF SELECTED COMMONLY USED TERMS**

The following terms are frequently used in this Proxy and may be important to you in understanding and interpreting various provisions of the overall Proxy Statement. While your Board has attempted to briefly define each of these terms in the context of where first used, it was believed that a general and centralized glossary of these selected terms as more extensively defined may also be helpful to shareholders in reviewing this proxy information:

### ***Croff & Croff Oil.***

As used herein Croff or the Company, shall mean and include only the public entity known as Croff Enterprises, Inc. Whenever reference is made to the proposed private company which will own the Croff preferred “B” assets, it shall be designated Croff Oil or described as “the private company”.

### ***Croff Majority Shareholders.***

For the purposes of this proxy, the Croff majority common shareholders shall mean and include the common shares held by both the Croff principal shareholders, as defined below, in combination with Mr. Julian D. Jensen, who is an independent director of this company and a holder of approximately 5.7% of the common shares. As to the preferred “B” shares, the principal shareholders, defined below, are also the majority shareholders.

### ***Dissenting Shareholder Rights.***

Dissenting shareholder rights as used in this proxy shall refer to those provisions of Utah law (Utah Code Annot. §16-10a-1301 *et. seq.*) which would require or allow the corporation in certain forms of reorganization or transfer of assets to offer to shareholders an option to “cash-out” their shares for a proffered monetary consideration rather than for them to continue on in the reorganized company as a shareholder. The specific terms of the dissenting shareholder rights as employed in this proxy are separately set-out in the following sections, but will essentially provide a fixed price to be paid to all common and preferred “B” shareholders not wishing to continue on and vote in favor of the current proposed plan of asset transfer and corporate division. The company will offer a fixed redemption price per share and if the shareholder is not satisfied with that price, they can propose an alternative price and see if the company will accept the alternative proposal. If the company and the shareholder do not reach an agreed upon resolution, then Croff will be required to institute an action in a Utah district court seeking a judicial determination of the fair valuation of the shares.

### ***Independent Director.***

Croff, because of its relatively small size and limited trading market, has not been subject to any institutional definition of an independent director by any national securities exchange, such as the New York Stock Exchange or the American Stock Exchange. Further, because the company has a very limited trading market for its shares, it has not deemed itself subject to any mandated definition of an independent director by the National Association of Securities Dealers (NASDAQ). Croff has adopted and applied internally the following definition of an independent director:

A director who is not an officer or employee of the company, is not in a position to exercise control over other directors or shareholders and who holds less than 10% of the voting stock of the company.

***General Notice Requirement to Shareholders.***

The term notice requirement to shareholders is primarily used in this proxy statement in reference to procedures to be followed by the company in attempting to notify shareholders related to their interest as previous preferred “B” shareholders, but now holding common shares pursuant to the anticipated close of the corporate division. The Utah Revised Business Corporation Act (URBCA) provides that the company must continue to provide notice to shareholders for all notice purposes, including notice of meeting and voting, until and unless the company receives back two attempted mailings to such shareholders indicating the address is “undeliverable”. Croff has undertaken by this proxy to attempt to notify all shareholders of record of the present proxy process and the division of the existing Croff Enterprises into two separate entities. The management of the company will attempt, in the normal course of shareholder communications, to notice shareholders that the company has not been able to contact them prior to determining that the company has exhausted its notice requirements to that shareholder under Utah corporate law. In the event that the company is no longer required to attempt notice to any shareholder, it will hold the common shares as converted from preferred “B” shares under the Utah provisions for unclaimed property for a period not to exceed five years and deem that it may tender any unclaimed shares to the state of Utah as unclaimed property, pursuant to Utah Code Annot. §67-4a-208, which also requires providing the last known address of that shareholder. Utah lost or abandoned property procedures, (once stock or other valuable assets are tendered to the state as lost or abandoned property) are relatively complex; but, in short, provide for the state to continue to attempt public notice for a prescribed period of time in an attempt to locate the holder of that property and after a prescribed period of time and series of published notices and public lists, depending on individual circumstances, to deem that such location is not possible and allow the property or proceeds to revert (escheat) to the state of Utah.

***Preferred “B” Assets..***

The preferred “B” assets, which would be assigned to a separate corporation owned by the preferred “B” shareholders, constitute the present oil and gas properties, lease interests and related bank accounts, receivables, production equipment and intangibles and all related liabilities pledged to the preferred “B” shares. These assets are more particularly itemized and set-out in the 2006 Amended 10-K/A report and Schedule A to the Plan of Corporate Division. Upon the close of the corporate division plan, there will be no further oil and gas assets or liabilities left in Croff.

***Plan of Corporate Division and Asset Transfer.***

The plan of corporate division is the principal proposal for which this proxy is being solicited. The plan essentially proposes that all preferred “B” assets of Croff are to be transferred to a new private corporate entity to be known as Croff Oil. Each current preferred “B” shareholder of Croff Enterprises, Inc. would receive one share in Croff Oil for each issued preferred “B” share, which preferred “B” shares would then be cancelled of record. All common shareholders would continue on without change. Croff would essentially become, for an interim period, a shell company with only cash assets, seeking further acquisition or merger opportunities.

***Principal Shareholders.***

The principal shareholders of Croff shall mean and include Mr. Gerald L. Jensen, Jensen Development Company, and CS Finance, LLC. all of which are business entities fully controlled by Mr. Gerald L. Jensen, and which entities collectively own 67.2% of the preferred “B” shares outstanding and approximately 47% of the common stock, as more particularly described in these proxy materials. Mr. Gerald L. Jensen is also the current chairman and president of Croff.

***Public Shareholders.***

Public shareholders of Croff, as used generically in this proxy statement, are meant to include all shareholders who are not defined as part of the principal shareholders; or, except as may be explicitly noted, are not members of the board of directors. The public shareholders presently hold approximately 44% of the issued and outstanding common shares and approximately 32% of the preferred “B” shares.

***Record Date.***

The record date refers to the official date upon which Croff will determine the common and preferred “B” shareholders entitled to vote on the proxy matters in this proxy statement. The record date set-out in these proxy materials is a date thirty days prior to the date upon which the SEC review of the proxy will be completed and the proxy determined effective by the board of directors for mailing purposes to all shareholders of record as of that date. **The actual record date, as determined, will be inserted in this proxy prior to mailing.**

## GENERAL DESCRIPTION OF PROXY

On June 1, 2007, **Croff** officially terminated a proposed Share Exchange plan with **Taiyuan Rongan Business Trading Company Limited** (hereafter "TRBT"). TRBT was engaged in operating retail shopping malls in the People's Republic of China. That exchange, if closed, would have resulted in TRBT owning a preponderant majority of the issued and outstanding shares of Croff and the company assuming the operation of such malls in the People's Republic of China as its principal business. The board terminated this Share Exchange prior to a proxy solicitation to its shareholders due to a failure of performance by TRBT, particularly related to timely providing adequate financial statements.

Subsequent to the termination of the proposed transaction with TRBT, Croff's board of director's appointed an independent committee to review the strategic direction of Croff, including whether to go forward with the transfer of the preferred "B" assets to a new entity and to cancel the preferred "B" shares. The independent committee determined and the full board adopted a plan to "split" the existing Croff into two entities and transfer the Croff preferred "B" assets to the new entity, Croff Oil, and issue one common share in the new entity for each preferred "B" share outstanding. Croff Enterprises would continue as a public company and continue to seek a strategic reorganization through acquisition or merger with an, as yet, undetermined business entity. The oil and gas assets of Croff which are pledged to the preferred "B" shareholders would be transferred, subject to approval of this proxy, to a new private entity to be known as Croff Oil Company, owned by the preferred "B" shareholders.

Each current preferred "B" shareholder would be entitled to one common share of Croff Oil for each Croff Enterprises preferred "B" share presently held of record. It is intended that Croff oil would be operated as a private company with the existing management of Croff Enterprises constituting its initial officers. Croff Oil's initial board of directors would be Mr. Gerald L. Jensen, Mr. Richard Mandel and Mr. Julian Jensen. All preferred "B" shares would be cancelled of record after the exchange to common shares as holder described above. Existing preferred "B" shareholders, not tendering for exchange, would continue to be entitled to the common share exchange right until such time as the exchange common may be surrendered to the state of Utah as lost or abandoned property.

Under the Utah Dissenting Share Rights Statute, any shareholder not approving the division of the company and asset transfer will be afforded an opportunity to tender his, her or its common or preferred shares for cash in lieu of remaining as a shareholder in the public or intended private company. The board has determined to offer \$4.25/share for each preferred "B" share and \$1.00/share for each common share under the dissenting shareholder rights provisions of this proxy. The preferred "B" purchase amounts will be paid by Croff from the preferred "B" accounts or by the Croff principal shareholders, which have agreed to provide all additional amounts needed. The common shares will be purchased from corporate funds. Each shareholder will also have a right under the Utah statute to challenge these offered redemption prices and to require a judicial determination if a compromise is not reached. The specific terms of Utah Dissenting Shareholder Rights are more fully set-out and described under a following section of this proxy headed as such.

The independent committee has determined that the simplified capital structure existing after and in the event of the transfer of oil and gas assets will more likely allow Croff to grow and gain more scalable oil and gas assets and that the company should have greater flexibility and success in going forward to acquire new oil and gas assets or other business opportunities if the existing assets are transferred.



In the event of the conclusion of the corporate division, making a hypothetical assumption that all current public shareholders of Croff will retain their common shares rather than elect the dissenting rights for a cash payment, the public shareholders of Croff would own approximately 44% of the issued and outstanding common shares in Croff and, the Principal Shareholders would own approximately 56% of the issued and outstanding shares, including the shares held by other members of the board of directors.

In the private company, Croff Oil, the Croff principals would hold approximately 67.2% of the common stock and the other prior Croff shareholder's would own 32.8%, assuming no dissenting shareholder rights are exercised.

Croff has determined that if the cash redemption demand for its common shares exceeds \$250,000, then Croff will reserve the right to terminate the plan of corporate division based upon Croff's perception of the minimal amount of capital required by Croff to remain viable.

Croff has determined, through its board of directors, to attempt to continue as an oil and gas company subsequent to the completion of the corporate division, so far as possible, and intends to seek out new oil and gas assets as part of its ongoing business plan. It is anticipated that the nature of oil and gas assets to be acquired in the future by Croff will be more "scalable" in nature, that is that they will be primarily acquired, so far as possible with potential for additional drilling and expansion opportunities.

The proposed plan of corporate division is subject only to an affirmative majority common and preferred shareholder vote at the meeting. Estimates or projections of the effect of the transaction upon the valuation of the Croff shares or stock price of the shares cannot and will not be made by Croff as part of the exchange.

Each shareholder is further advised that the Croff principal shareholders intend to vote in favor of the corporate division and all related matters and hold sufficient Croff common in conjunction with Mr. Julian Jensen, a director, to constitute a common share majority. As to the preferred "B" shares, the principal shareholders currently hold a majority sharehold position. The analysis and basis of the Board's recommendation of each specific proxy proposal will be more fully set-out and explained under the following section on "Specific Matters to be Voted Upon".

***General Meeting Agenda.***

In addition to the special items to be voted upon as generally described above, the board will present the current directors, and new director, as nominees for re-election and the ratification of the reappointment of the current independent auditor for Croff for an annual term by the common shareholders as part of general meeting agenda. These matters are more fully discussed below:

***Summary of the Plan of Corporate Division and Asset Transfer.***

The primary terms of the plan of corporate division and asset transfer are as set-out below. However, each shareholder, or other interested party, is encouraged to review the complete plan as previously outlined and the availability of which is set-out in the forepart of this proxy statement.

- The essential terms of the plan simply provide for the transfer, without other consideration, of all oil and gas assets of Croff Enterprises to the newly created Utah corporation known as Croff Oil Company. The shareholders of Croff Oil will be the current “B” preferred shareholders of Croff Enterprises who will receive one restricted common share in Croff Oil in exchange for each preferred “B” share currently held. The preferred “B” shares subsequently will be cancelled of record. The transferred assets constitute approximately \$1,500,000 of the total approximate \$1,800,000 book value of Croff and will constitute the sole assets of the new private entity. Croff Enterprises would essentially continue as a shell corporation with a book value of approximately \$320,000 almost all of which would be in cash or cash equivalents. All preferred “B” shares would be cancelled of record and all “B” shareholders would be issued one share of restricted common stock in the private entity, Croff Oil Company, for each preferred “B” share previously held in Croff.
- The common shares to be issued in the new entity, Croff Oil, would be restricted securities in a private company. That is, the shares would not be registered under federal or state securities laws or regulations for distribution or trading; and, therefore, would not be free trading, but could only be resold upon the consent of counsel for the issuer. The exemption from registration claims are subsequently discussed herein at page 38. Croff Oil Company intends to repurchase any shares offered for sale, except for private sales between shareholders at a price to be subsequently determined based upon a projected value of the company at the time of purchase. It is believed this procedure prevents a further distribution of the Croff Oil stock. As a result, there will be some decrease in liquidity with reference to the new restricted common shares of Croff Oil versus the preferred “B” shares in Croff Enterprises. However, it should be noted there is, at present, no active trading market for the preferred “B” shares. Croff is of the opinion, based upon the advice of its counsel, that the restricted shares may be repurchased by the Company without the company engaging in a registration or distribution of shares, since the only parties allowed to participate in the exchange would be those who are already restricted shareholders of record in the Issuer. The potential reduction in liquidity, as discussed above, along with other Risk Factors, are more fully treated at page \_\_\_\_ of this proxy.
- It is intended that the board of directors of Croff Oil would be three members of the existing board of directors of Croff, as identified above, will be submitted pursuant to this proxy for reelection in Croff. Each shareholder should understand, however, that they may propose on the common ballot form, as supplied with this proxy, alternative nominees and cast their votes in favor of such alternative nominees as part of the ballot process. Because majority shareholders have indicated their intent to vote for the present board members, it is deemed that the present proposed board nominees will be elected as part of the reorganization.

- Croff Oil will continue managing the existing oil and gas assets, presently under management in Croff, and will attempt to build or expand those assets for the benefit of the shareholders. It is possible, though not warranted, that the board may consider future dividends to shareholders in Croff Oil Company.
- Croff will continue as a publicly held company with the same common shareholders as presently exists prior to the proposal of corporate division as set-out in this proxy statement. It is anticipated that Croff will be, for an interim period, essentially a shell corporation with approximately \$325,000 of capitalization and will continue to seek opportunities including merger or acquisition possibilities with individuals and/or entities to advance its business purposes. The company intends primarily, though not exclusively, to focus upon various oil and gas opportunities which may result in new assets being acquired which are more expandable and more readily fit into the model of a public corporation. It should be understood that in these anticipated endeavors, the public company will have limited financial resources presently available and may not be able to fully implement a plan of acquisition and growth without further capitalization, either from subsequent equity or debt financing. Neither equity or debt financing is anticipated at this time. This limited capitalization is more further explained under the Risk Factor Section of this proxy.
- Croff will, as a condition of the plan of division and asset transfer closing, amend its Articles of Incorporation to cancel all preferred “B” shares outstanding. All “B” preferred shares will be cancelled and terminated of record. Croff will distribute common shares in the new subsidiary, Croff Oil Company, with one common shares issued to each former “B” shareholder in Croff. Any subsequent presentation of “B” preferred shares will entitle the holder to receive a common share for each “B” share for which the holder has not previously been delivered common shares. Preferred “B” shareholders who cannot be located under applicable notice provisions of the Utah Revised Business Corporation Act (“URBC”), essentially being defined as those whose address on the company records are designated as “undeliverable” after two consecutive mailing efforts, may subsequently have any unclaimed common shares to which they would otherwise be entitled tendered to the State of Utah as unclaimed property. Typically, common shares issued but which remain unclaimed, may be deemed lost or abandoned and tendered to the state of Utah if still unclaimed after a period of five years. Upon the closing of the plan of corporate division, Croff will have outstanding and issued only common shares. The state of Utah provides various notice and public listing procedures to owners of unclaimed property after delivery to the state before the property or proceeds of sale can be tendered (escheat) to the state. These procedures and requirements are beyond the scope of this disclosure, but are set out in Utah Code Annot. §67-4a-101 et.seq.
- Since Croff is essentially dividing the assets of the Company between its preferred “B” and common shareholders, there is no change of value for the “B” shareholders. For any dissenting preferred “B” or common shareholders, the company has valued such shares for dissenting shareholder rights purposes at \$4.25 per each preferred “B” share and \$1.00 per common share, based upon the company’s analysis of a reasonable value as discussed subsequently.

- The company will amend its Articles of Incorporation to increase the authorized class of Preferred "A" shares, no par, from five million shares to ten million shares to facilitate potential future funding by Croff. No preferred "A" shares are presently issued and no distribution is contemplated.
- Croff does not believe there are or will be any anti-takeover implications of increasing the authorized class of preferred "A" shares. In point of fact, the number of such shares authorized was directed by the board to actually enhance the capacity of the company to complete a merger or acquisition by having a more "reasonable" number of such shares available for these purposes. There are no special rights or terms attached to such shares which would discourage the issuance or holding of such shares by any party seeking to gain control of Croff. It should be noted that certain shares in security transactions by unrelated parties have at times been created and authorized in such a manner that their issuance would discourage potential take-overs by creating special cash payments or stock options to existing officers, directors and/or affiliates upon issuance (so called "golden parachutes") or which issuance may cause excessive dilution by triggering other stock rights or entitlement by the issuance of other shares or cash payments to existing management to discourage take-over offers (so called "poison pills"). No such right or devices exist as to the proposed increased authorized shares and the company's general orientation is to encourage acquisition opportunities upon a reasonable basis.
- The company will amend its Articles of Incorporation to increase the authorized Common shares, \$0.10 par, from twenty million shares to fifty million shares to facilitate potential future funding by Croff.
- There are no anti-takeover rights or devices associated with the proposed increase in the common stock as discussed in the preceding section.
- It should be noted that the current principal shareholder, Mr. Gerald L. Jensen, and a co-director, Mr. Julian Jensen, hold and intend to vote a majority block of common shares in favor of the exchange plan. Mr. Gerald L. Jensen, individually and through his controlled entities, owns a majority of the preferred B shares which he also intends to vote in favor of the exchange plan.

The foregoing is only intended to be a general description of the primary terms of the plan of corporate division. Any interested party should review carefully the following sections of this proxy more fully describing the proposal, as well as the actual plan of corporate division and exchange attached as Exhibit "A" to this Proxy.

#### ***Analysis of Plan of Corporate Division and Asset Exchange.***

The preferred "B" shares were created by board authorization and shareholder approval in 1996. The purpose was to create a class of preferred shares which would preserve to all shareholders, prorata, their interest in the oil and gas assets of the company while allowing management to more easily consider diversification opportunities. Since 1996 most, but not all, subsequently acquired oil and gas assets have been acquired with assets and proceeds belonging to the preferred "B" shares and pledged to those shares. A more particular itemization of these oil and gas assets is attached as an Exhibit to the plan which can be reviewed by any interested shareholder as outlined above. The plan fully preserves preferred "B" shareholder interest and valuation in the preferred "B" assets. Valuation should only be an issue to shareholders considering dissenting rights. The company does obtain annual reserve reports of its oil and gas interests and has made informal internal projections of the possible range of value for its oil and gas assets based upon those reserve reports which are included, in summary form, as part of Croff's annual 10-K reports. It should be noted, however, that potential oil and gas recovery valuations do not directly correspond to possible "selling prices" or actual "market valuations" for oil and gas assets.

The board took no position on valuation or making a recommendation in 2005 incident to the tender offer for preferred "B" shares at \$3.00 per share by Mr. Gerald Jensen, the president, and certain entities controlled by him.

In the event of the closing of the plan of corporate division and asset exchange, the remaining assets in Croff on its books and the separated Preferred "B" Book Value is shown on Exhibit A to the Plan of Corporate Division.

***Summary Description of Matters to be Voted Upon***

The following constitutes a general description and analysis of the matters to be voted upon by both the common and preferred "B" shareholders with the reason for the Board's recommendation as to each item. Each shareholder is reminded that the current Croff majority shareholders hold a majority of both the common and preferred "B" stock with regard to the matters outlined for voting purposes; and, therefore, are believed to have sufficient votes to insure that the following matters are approved by majority shareholder vote at the meeting to which this proxy pertains. However, the Board, rather than simply providing an Information Statement, has deemed it is in the interest of shareholders to review and be entitled to vote upon these matters or to exercise dissenting rights if not voting in favor of the proposal. Further, the election of directors cannot be accomplished by a majority shareholder consent resolution.

It is believed the preferred "B" shareholders are only entitled under the Articles of Incorporation of Croff to vote upon the transfer of assets to Croff Oil, but are also voting upon the termination of the "B" shares by the direction of the board.

The following is a summary outline of the items presented in this proxy statement for voting purposes. **A more detailed analysis of the items to be voted commences on page \_\_\_ of this proxy:**

**ITEMS TO BE VOTED UPON BY COMMON SHAREHOLDERS**

The common shareholders will vote upon the following matters:

***Special Meeting Items***

1. Item 1 – Approval of Plan of Corporate Division and Asset Exchange. You will be asked to vote upon the plan of corporate division which transfers the Croff oil and gas assets and liabilities into Croff Oil in exchange for common shares. Details of the plan of corporate division are outlined in the preceding section and are more fully discussed subsequently in this proxy statement with a complete copy of the plan of corporate division attached hereto as Exhibit "A" as previously filed by the company as an exhibit to the 10-Q for the nine months ending September 31, 2007. A copy may also be viewed through the SEC online EDGAR filing system at [www.sec.gov](http://www.sec.gov). A copy may also be reviewed on the company website [www.croff.com](http://www.croff.com). The board recommends the approval of the plan of corporate division for essentially the following reasons:

- In prior discussions and proposals with other potential merger or acquisition companies dating back to 2005, each of the entities discussing some type of merger or acquisition transaction with Croff indicated that they had no interest in the existing oil and gas assets of Croff and would request their elimination from the company, along with the class "B" preferred shares, as part of the overall merger or acquisition transaction. This position was also true in discussing transactions with companies in related oil and gas development or marketing activities.
- The entire board has determined for some period of time that the present oil and gas assets of Croff, which consist of very small royalties or non-operated working interests scattered over a significant geographically diverse number of states, is difficult to value or develop independently as part of a public company structure. In particular, even with additional funding, the company would have little or no control over expanding or creating additional oil and gas interest relevant to these existing assets which are essentially small non-operated interests in leases or wells. As a result, the board is convinced the future growth potential of the company, whether it be in alternative oil and gas development activities or unrelated business activities, would be enhanced by the sale and disposal of these assets and the elimination of the preferred "B" shares which were solely created to represent the ownership interest in these oil and gas assets as part of an earlier restructuring effort.



- The board of directors feels that the interest of shareholders is significantly safeguarded under the plan, because the interest of all shareholders in the preferred “B” assets remains unchanged. Further, any shareholder not wishing to be a shareholder in a private company holding the preferred “B” assets will have dissenting shareholder rights under a Utah law to accept a cash payment as outlined in this proxy for those shares; or, alternatively, to suggest an alternative evaluation requiring the company to agree or seek a judicial valuation of the shares.
- The board of directors determined that the cost of obtaining a formal independent appraisal of these types of oil and gas assets would not be cost effective for the company or to its shareholders since it would only be relevant to the dissenting shareholder nor would it likely produce a highly reliable evaluation based upon the diverse nature of the oil and gas assets involved and their relatively limited aggregate value.
- The board also determined that because the Sarbanes-Oxley Act, Section 404 would apply to the company beginning in 2008, that the company’s net income is estimated to drastically decline as a result of the increased costs of compliance, based on the diverse small assets of the company and its small size and small total revenues. The only source of paying these new expenses would be the income from the preferred “B” assets, thus substantially lowering the value of the preferred “B” shares if the company is not divided.

For all of the foregoing reasons, the board of directors has agreed to adopt, subject to majority shareholder review and approval of both the common and the class B shares, the plan of corporate division, as well as the proposal for dissenting shareholder rights.

Board of Directors’ Position on Item 1. The board urges your vote in favor of the plan of corporate division and asset exchange. The board believes, but cannot warrant, that the approval of the plan may subsequently enhance shareholder value and result in enhanced capacity of the company to complete a subsequent merger or acquisition. The potential reduction in liquidity and other “Risk Factors” are discussed beginning at page \_\_\_\_ of this proxy statement.

2. Item 2 – Increase of Authorized Common Shares. It will be proposed as part of this proxy solicitation and as part of the plan of corporate division and asset exchange, that the company’s common stock be increased from the existing 20,000,000 to 50,000,000 shares at \$0.10 par value to provide increased possibility for future funding and potential reorganization activities by Croff. The board of directors believes that this change is appropriate and in the best interest of Croff going forward to have potential capitalization that may be necessary to complete proposed merger or other reorganization possibilities. Each shareholders should understand in this regard that the mere increase in the authorized capital will not in any way affect the issued and outstanding shares which will remain the same immediately after the completion of the plan of corporate division and asset exchange and that the board has an ongoing responsibility to ensure no shares are issued other than for a fair and adequate consideration in the opinion of the Croff board of directors. There are no anti-takeover provisions associated with this proposal as previously discussed.



Board of Directors' Position on Item 2. The board urges your vote in favor of this proposal, because it is believed beneficial to future potential funding or reorganization efforts. There is no present intent to issue additional common shares.

3. Item 3 – Increase in the Number of Authorized Preferred “A” Shares. It will be proposed that the current class of non-voting preferred “A” shares, no par, be increased from 5 million to 10 million shares. The board believes it may enhance future funding or reorganization efforts to have a larger potential class of preferred “A” shares. No “A” shares have been issued or are presently contemplated to be issued. There are no anti-takeover provisions associated with this proposal as previously discussed.

Board of Directors' Position on Item 3. The board is recommending your approval of Item 3 to provide a broader number of preferred “A” shares for future financing or reorganization purposes consistent with the proposed increase in authorized common shares. There is no present intent to issue any preferred “A” shares.

### ***General Meeting Items***

4. Item 4 – Election of Board. The present board believes that it would be extremely difficult, if not impossible, to solicit and adequately retain and pay independent management, for Croff following the assignment of the preferred “B” assets. As a result, the four present board of directors of Croff Enterprises have agreed to submit their nomination for reelection as directors of Croff Enterprises for shareholder vote as part of this proxy solicitation. Three members of the current board have agreed to serve on the new board of Croff Oil Company, Gerald L. Jensen, Richard Mandel and Julian Jensen. Present management believes it is in the best interest of the company for shareholders to vote in favor of three members of the existing board of Croff Enterprises to also act as the board of directors of Croff Oil for the reasons that the existing board has experience and knowledge of the assets and business operations being transferred to the private company, as well as a willingness to serve for the same minimal compensation presently received for their services to Croff Enterprise. It is also anticipated that the new Croff Oil board would most likely appoint, on an interim basis, the same executive officers to operate Croff Oil as are presently serving Croff.

The present nominees and currently serving board members for Croff Enterprises are as follows with their biographical and other information as set-out subsequently in this proxy material:

- Gerald L. Jensen
- Richard H. Mandel, Jr.
- Harvey Fenster
- Julian D. Jensen

Board of Directors' Position on Item 4. The current board serving Croff has nominated itself for reelection and as a result, we would urge your vote in support of those nominees. You should also understand that voting for those nominees that you would essentially be voting for appointment of the same persons to serve as the initial board of directors of Croff Oil which the board believes advisable for the reasons set-out above. The proxy ballot will provide each voting shareholder the right to nominate and vote for alternative members for board positions.

5. Item 5 – Ratification of Independent Auditor. As part of the general meeting provisions, the board of directors has appointed Mr. Ronald C. Chadwick, P.C. of 2851 South Park Rd., Suite 720, Aurora, CO 80014 as the independent Certified Public Accountant for the company for the calendar year ending December 31<sup>st</sup>, 2008 subject to shareholder ratification. Mr. Chadwick has served the company for the past year after an interim appointment for the calendar year 2007. The board as well as the audit committee have been pleased with the cooperation and services provided by Mr. Chadwick and would recommend ratification of this appointment. If the shareholders fail to ratify Mr. Chadwick, then the board will seek appointment of an alternative independent auditor for the company based upon recommendations and nominations of the independent audit committee of the board. The present audit committee supports the nomination of Mr. Chadwick for the reasons set-out by this paragraph.

Board of Directors' Position on Item 5. The board of directors, including the audit committee of the board, recommends the reappointment of Mr. Chadwick as the independent auditor for the company based upon his past performance, fees and services and urges your vote in favor of this ratification.

The foregoing items 4 & 5 constitute all of the general meeting matters in which the board intends to bring before the shareholder meeting being noticed by this proxy. The board has received no further or additional written request for other matters to be considered at the board of directors meeting and therefore, has not scheduled or included within this proxy any shareholder proposals. See section on Shareholder Proposals at page \_\_\_\_\_. Should any other matters come before the meeting, they will be considered if appropriately brought in accordance with the requirements of the By-laws of the corporation. No such shareholder or other proposal is known or anticipated at the shareholders meeting.

#### **ITEMS TO ALSO BE VOTED UPON BY PREFERRED “B” SHAREHOLDERS**

The transfer of preferred “B” assets to a separate company for share consideration is deemed to require the vote of the majority of the preferred “B” shareholders. The board has also determined that preferred “B” shareholders should vote upon the conversion of all preferred “B” shares to common shares in the new company and subsequent cancellation of the preferred “B” class of shares. The current preferred “B” principal shareholders of Croff plan to vote their majority position in favor of these proposals, along with the common shareholder matters outlined above.

The preferred “B” shareholders will vote on the following:

Item 1 - Vote to Transfer Oil and Gas Assets. The Preferred B shareholders hold non-voting shares, except as to the sale or exchange of oil and gas assets pledged to the “B” shares which requires majority approval of the preferred “B” shares. The Preferred B shares were created under the amendment to the Articles of Incorporation of Croff in 1996 which afforded voting rights for any transfer of oil and gas assets pledged to the class B shares. As a result, all preferred “B” shareholders will be eligible to vote on the transfer of the oil and gas assets for the cash and share consideration as outlined above.

Item 2 – Conversion of Preferred “B” Shares to Common Shares. It should also be understood that under the transfer agreement, if approved and after the transfer of oil and gas assets and pursuant to the Amendment of the Articles of Incorporation, the preferred B shares will be cancelled and thereafter constitute the right to one common share of Croff Oil for each cancelled “B” share held. Because the Board believes this proposal is inextricably tied to the transfer of oil and gas assets and fundamentally affects the preferred “B” shareholder, they are also being asked to vote on this conversion item.

Again, you are reminded that the present majority shareholders of Croff as to the common shares and the principal shareholders, alone, as to preferred “B” shares hold sufficient shares to insure the approval of the foregoing proposals. The “B” shares will not vote upon any other matters outlined above for common shareholders and the conversion of common shares to the B shareholders will occur prior to the closing.

Board of Directors’ Position as to “B” Shareholders - Items 1 & 2. The Board urges your vote in favor of these two related proposals, because they are an integral part of the corporate reorganization, and integral to its completion as previously discussed. The board notes that it believes the situation of prior “B” shareholders will be little affected by the reorganization since they will simply own the same relative percentage of the same assets in a new private entity, but with voting rights. Further, any “B” shareholder who does not approve the plan will still be entitled to exercise dissenting shareholder rights

## **VOTING PROCEDURES & TERMS**

### ***Effective Date/Closing Date***

The effective date for all matters voted upon will be the closing date which will occur as soon as possible after the anticipated approval of all matters to be voted upon in this proxy solicitation, but in no event later than 30 days after the shareholder approval. The closing date will be deemed the effective date for all transaction described by this proxy.

***Record Date and Notice Date***

The Utah Revised Business Corporation Act (URBCA) provides in §16-10a-707 that the company shall establish a “record” date for determining from the official shareholder list a date certain for certifying the shareholders entitled to vote at any shareholder meeting. The foregoing statute provides that such date should be determined in accordance with the corporate by-laws; or, absent a specific by-law provision, by the board but no more than seventy (70) days prior to the meeting date under the proxy. The Croff by-laws provide for determination by its board, but require a record date within fifty (50) days of the vote date. As a consequence, your board has determined to set the record date at or around the nearest business day occurring thirty (30) days prior to the meeting date, but which date cannot be finally set prior to the completion of the SEC proxy review process and final determination of a meeting date. The board anticipates setting a meeting date in the final proxy, as approved, within thirty (30) days of the mailing date of the proxy and a “record date” to determine shareholders entitled to vote at the closest month’s end at least, thirty (30) days prior to such mailing date. The mailing date will be fixed within two days of receiving final comments on the proxy from the SEC and will be noted in the final version of this proxy.

Utah law (URBCA, §16-10a-705) provides that notice of the meeting in which votes are solicited must occur not more than 60 days or less than 10 days prior to such meeting as the company may determine. Your board has determined to notice the meeting for the closest legal weekday not more than thirty (30) days after the proxy is determined effective, which date will be included in the definitive version of this proxy statement as mailed.

***Revocability of Proxy***

A shareholder returning the enclosed proxy ballot has the power to revoke it at any time before it is exercised and may do so by written notice to the Secretary of the company at the address set forth above, effective upon receipt of such written notice prior to the close of voting, or by voting in person at the special meeting. Attendance at the special meeting, in and of itself, will not constitute revocation of a proxy.

***Solicitation and Voting Procedures***

The record date for the determination of shareholders entitled to vote at the Special meeting is currently expected to be the close of business on \_\_\_\_\_, 2007. There were issued, outstanding and entitled to vote on such date one class of Common Shares, each of which is entitled to one vote. Croff does not have cumulative voting. Accordingly, each shareholder must vote all of his shares on each separate ballot proposal or nominee, or abstain from voting on that item or person. The company will bear all costs of this proxy solicitation.

Croff has two classes (“A” & “B”) of generally non-voting preferred shares as discussed previously. No “A” shares have been issued, nor is there any present proposal, plan or intention, written or oral, to issue preferred “A” shares.

Each holder of common stock, as of 1996, was issued one share of “B” preferred stock for each common share owned. At the same time, the company pledged all of its oil and gas assets existing at that time to the “B” preferred stock. In 2005, the Croff principals tendered for the balance of the preferred “B” shares and now hold 67.2% of the issued and outstanding preferred “B” shares. The preferred “B” shares are non-voting as to general corporate matters, but are entitled to vote upon, and will be counted separately in this proxy solicitation, as to the disposition of the preferred “B” assets of the company.

Common shares and preferred "B" shares entitled to vote will be determined based upon the official shareholder record of September 30, 2007. Actual votes cast will be determined by the physical counting of votes in person or proxy by the Inspector of Elections to be appointed prior to the meeting by the Board of Directors. Any dispute as to votes or entitlement to vote will be decided by majority vote of the Board of Directors. Abstentions and broker non-votes will not be counted for either quorum or ballot purposes.

As to each item to be voted upon in this proxy, a numerical majority of the issued and outstanding shares must be present or voted by proxy at the meeting. Each proposal to be voted upon will only be adopted by a majority vote of shares voted at the meeting, provided a quorum is present. That is, a quorum will be established by the presence in person or by proxy of 275,622 common shares and 270,330 preferred "B" shares. Each item will be adopted by an affirmative vote of a majority of the common shares present in person or by proxy, as determined by the Inspector of Elections. Provided, however, the proposal dealing with the sale and transfer of the preferred "B" assets will also require majority approval of the outstanding preferred "B" shares.

There are no matters to be voted upon as described by this Proxy upon which management will proceed absent majority shareholder approval as described above.

#### ***Dissenting Shareholders Rights***

Any dissenting shareholder's rights of Croff shareholders are deemed to arise under Utah Law. In essential terms, dissenting shareholder rights afford minority shareholder's the right to "dissent" from certain corporate actions approved by the majority of shareholders if they do not believe the economic treatment they are to receive from such company actions are fair or equitable. In most cases this would involve situations where the shareholder is receiving compensation derived from or for the shareholder's shares as a result of a merger, share exchange, or sale of assets. The dissenting shareholder rights are more fully discussed at page \_\_\_\_.

As to the matters to be voted upon in this Special Meeting, each common and preferred "B" shareholder will be given dissenting shareholder rights as more fully discussed under that section of this Proxy Statement.

**This Proxy is solicited on behalf of Board of Directors who urge your vote in favor of the matters proposed.**

#### **PRINCIPAL SHAREHOLDER AND PARTIES HAVING A SUBSTANTIAL INTEREST**

The company knows of no person or group, except the following, which as of the date of this Proxy Statement beneficially owns and has the right to vote more than 5% of the Croff's common stock or holds shares as a director or officer. The following principal shareholders, as well as principal officers and directors, as of September 30, 2007 should be deemed to be persons who have a substantial interest and influence as to the matters proposed in this Proxy:

COMMON SHARES

Names and Address of Beneficial Owner	Beneficially Owned	Percent of Class
1. Jensen Development Company (1) 3773 Cherry Creek Drive North #1025 Denver, Colorado 80209	132,130	24.0%
2. Gerald L. Jensen 3773 Cherry Creek Drive North #1025 Denver, Colorado 80209	126,748	23.1%
3. Julian D. Jensen 311 S. State Ste. 380 Salt Lake City, UT 84111	31,663	5.7%
4. Richard Mardel, Jr. 3773 Cherry Creek Drive North #1025 Denver, Colorado 80209	18,100	3.2%
5. Harvey Fenster 3773 Cherry Creek Drive North #1025 Denver, Colorado 80209	0	0%
Directors as a Group	307,641	56%

(1) Includes shares held by Jensen Development Corporation (132,130) which is wholly owned by Gerald L. Jensen.

*Summary Information as to Current Directors/Principal Officers*

NAME	Director Since	Compensation	Terms
Gerald L. Jensen Chairman of the Board President	1985	Salary as President: \$54,000 - Inside Director Compensation - See Executive Compensation Below	Elected in annual meeting in December 2006 to serve until next regular meeting or resignation
Richard Mandel, Jr. Independent Director	1985	Outside Director Stipend Only (See Executive Compensation Below)	Elected in annual meeting in December 2006 to serve until next regular meeting or resignation
Julian D. Jensen	1990	Outside Director Stipend Only	

Independent Director	(See Executive Compensation Below)	Elected in annual meeting in December 2006 to serve until next regular meeting or resignation
Harvey Fenster Independent Director	Dec. 2006 Outside Director Stipend Only (See Executive Compensation Below)	Elected December, 2006 to serve until next regular meeting or resignation

**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth the beneficial ownership of common stock and preferred B stock of the Company as of March 1, 2007 by (a) each person who owned of record, or beneficially, more than five percent (5%) of the Company's \$.10 par value common stock, its common voting securities, and (b) each director as of March 1, 2007 and all directors and officers as a group.

Owners & Addresses	Shares of Common Class Owned Legally/Beneficially	Percentage S t o c k Owned C o m m o n Stock	Shares of Preferred B Class B Owned Beneficially	Percentage Stock Owned Preferred B Stock
Gerald L. Jensen 3773 Cherry Creek Drive N, #1025 Denver, CO 80209	258,878 <sup>(1)</sup>	47.1%	363,535 <sup>(1)</sup>	67.2%
Richard H. Mandel, Jr. 3333 E. Florida #94 Denver, Colorado 80210	18,100	3.2%	8,000	1.5%
Julian D. Jensen 311 South State Street, Suite 380 Salt Lake City, Utah 84111	31,663	5.7%	0	0%
Harvey Fenster <sup>(4)</sup>  3773 Cherry Creek Drive N, #1025 Denver, CO 80209	-	-	-	0%
Directors as a Group	308,641	56%	371,535	68.7%

<sup>(1)</sup>Includes 132,130 shares of Common held by Jensen Development Company and 363,535 shares of preferred B held by CS Finance LLC and Jensen Development Company which companies are owned by Gerald L. Jensen.

**EXECUTIVE COMPENSATION****Summary of Compensation**

Certain additional information concerning remuneration, other compensation and ownership of securities by the directors and officers of Croff is set-out in the annual report on Form 10-K/A for 2006 concurrently being delivered to shareholders with this proxy information and incorporated by this reference. Directors currently receive \$350 for each half-day session of meetings of the Board and \$500 for each full day meeting. The Audit Committee Chairman receives \$500 per quarter and each member receives \$350 per quarter. The company has only one compensated principal officer, its president and CEO, Mr. Gerald L. Jensen, who is currently paid at the rate of \$54,000 per year.



***Compensation Discussion and Analysis***

In the sections and tables that follow, Croff has attempted to clearly delineate the present compensation structure to existing management. As a preparatory section to the actual compensation disclosure, we will discuss management's analysis of compensation under the following heading:

- **Objectives of Croff Compensation Program.** Historically, and currently, Croff has only had one compensated principal officer, its president, CEO and chairman of the board, Mr. Gerald L. Jensen. Mr. Jensen serves the company utilizing a substantial amount of his time, but also is an officer in various private companies, and thus is essentially a part-time officer. As a result, an independent majority of the board on an annual basis have reviewed the compensation to Mr. Jensen. Independent members of the board have determined since 2003 that \$54,000 as an annual compensation salary for the services rendered by Mr. Jensen were a reasonable and adequate salary based upon the size and nature of the company, the size of its revenues and income, and the part-time nature of the position. Within these considerations, it was also determined that there should be no collateral benefits or indirect compensation extended to the president or the board members, except that the board did agree to make an annual IRA (Individual Retirement Account) contribution in the amount of \$1,620 per year for the periods subsequent to 2003, to the president. There have been no stock options to directors since they were last exercised or expired in 2002. Croff currently does not have a Chief Financial Officer (CFO), but employs a chief accounting officer. This employee is paid on a part-time basis through a third party contract arrangement.
- **Services to be Rewarded.** Historically, the Croff board had determined that the chief executive officer should be given a salary to reward him for the day-to-day management and operation of the oil and gas business of the company and completing other administrative duties and governmental filings. As subsequently noted, the chief executive officer in the existing management structure also had the responsibilities to do initial reviews and screening of any merger or other acquisition proposals and to determine what, if any, of those proposal would be suitable for further board review and due diligence. As also noted previously, an independent majority of the board, excluding Mr. Gerald L. Jensen, determined and set the salary for the president and believes that the compensation is reasonable for the size and the nature of the company and the services performed. The board also determined, acting as a committee of the whole, that no annual compensation would be paid to board members as such; but that they would be reimbursed for meeting attendance as previously described. Further, there has been no stock rights, warrants or other options granted as part of compensation for management in any capacity or for other purposes, since the last exercised options in 2002.
- **Elements of Compensation.** As noted above, as to historical management there were no stock options, rights, benefits, or other collateral benefits paid to the single compensated officer of the corporation or to any director since 2002. In addition to the base salary, the company did pay a small annual IRA contribution as outlined above to the president. The board of directors are compensated only for meeting on a stipend basis. This compensation pattern and the absence of any collateral or indirect compensation is fully set-out in the summary compensation below.
- **Compensation After Corporate Division.** Mr. Gerald L. Jensen has agreed to serve both Croff and Croff Oil as their respective president with all compensation being paid by Croff Oil.

Within the context of the foregoing discussion and analysis of current and prospective compensation, this information is also set-out in tabular format as follows for all current and prospective executive officers. The board has agreed it will continue paying directors for attendance at board meetings on a per diem basis at the current rate. Further, the board has asked the president to investigate the cost and procedures for obtaining liability insurance for board members.

**SUMMARY EXECUTIVE COMPENSATION TABLE  
CURRENT MANAGEMENT 1**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Mr. Gerald L. Jensen: President, CEO and Chairman of the Board	2004	\$54,000	None	None	None	None	None	Annual IRA	\$55,620
	2005	\$54,000	None	None	None	None	None	Contribution \$1,620	\$55,620
	2006	\$54,000	None	None	None	None	None	For Each Year	\$55,620
	2007 <sup>1</sup>	\$54,000	None	None	None	None	None		\$55,620

<sup>1</sup> Compensation would terminate as of closing date if plan of division is approved, with final payments prorated through the closing month.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Historically, as well as will be the situation after the effective date of the closing of the proposed corporate division and resulting reorganization, there has existed and will continue to exist various control relationships in Croff which have resulted in transactions which cannot be considered as true “arm’s-length” transactions between fully independent parties. Historically, Mr. Gerald L. Jensen and affiliated entities have been the majority and controlling shareholder of Croff. While the board has independently passed upon various proposals and transactions related to Mr. Jensen and related entities, as previously reported, these transactions could not be considered as fully independent arm’s length transactions between independent parties in all situations.

Present management cannot foresee or predict all potential conflicts or related party transactions that may arise in the future, but believe that the following may constitute some of the more significant historical and potential future related party conflict transactions, as well as procedures which have been developed to limit the impact of such conflicts or potential conflicts:

- Historically, the Board has adopted a policy that as to any proposal or transaction which involves any interest of a director or officer, such proposal or transaction must be independently reviewed and adopted, with or without modification, or rejected by a majority of independent board members. After presentation, such review is conducted and a determination made outside the presence of the interested party. This same procedure has been followed in considering management compensation. The board is not aware of any incidence where shareholder ratification was believed required or sought relative to this procedure.



- During 2005, pursuant to a tender offer and required public filings, Mr. Gerald L. Jensen and related entities (principal shareholders) acquired in a tender offer to all preferred “B” shareholders approximately 110,344 additional “B” shares or an additional 20.4% of the preferred “B” shares at \$3.00 per share bringing their total holdings to 67.2 % or 363,535 shares. There was no independent fairness opinion obtained and Croff’s Board of Directors (absent Mr. Gerald Jensen) acting as an independent committee referred such terms and conditions to the shareholders without recommendation. It should be understood that no independent determination of fairness by a fully independent individual or group was employed due to cost considerations and the board’s independent determination of the unreliability of such estimates for the type of assets held by Croff.
- As to the aspects of the present transfer agreement dealing with the proposed corporate division and transfer of assets, there has been no independent fairness opinion or review. The company’s board believes that such terms are reasonable based upon the fact that each present ‘B’ shareholder will receive the same relative interest in the current Croff oil and gas assets in the new company but with voting rights. From the basis of its annual reserve report and current prices of oil and gas, the company believes a price of \$4.25/share for each preferred “B” share is fair for those dissenting shareholders seeking a cash settlement. The common redemption price at \$1.00/share is more subjectively projected as the maximum perceived value of Croff as a public shell, and approximates the current limited trading range. However, each shareholder exercising dissenter’s rights should consider the lack of such independent fairness opinion or review as an essential risk factor as it pertains to this or any related party transaction.
- Mr. Gerald Jensen’s compensation has been determined and set by the other board members voting independently.
- Historically, Croff has employed a policy and procedure that all non-operated oil and gas production opportunities known to any member of the board will be first made available for consideration by the Croff board before being privately pursued for development.
- Historically, Croff has reported other related party transactions as part of its current 10-K/A filing which is incorporated by this reference; but does not believe such disclosures relevant to its ongoing activities following the plan of division.

#### **MANAGEMENT'S STOCK RIGHTS AND OPTIONS**

As previously noted, there are no and will be no remaining stock options, warrants or other stock rights held by existing as of the closing of the transfer agreement. However, as noted above, in the future management may determine and create various forms of executive stock rights or options with or without shareholder approval and subject only to public disclosure.

## CORPORATE GOVERNANCE

### *Audit Committee.*

Prior to 2004, Croff did not have an Audit Committee. However, under existing statutory requirements, the company implemented, as of January 1, 2004, an audit committee believed to be compliant with the requirements of the Sarbanes-Oxley Act. From 2004 through his resignation on December 12, 2006, Mr. Dilworth Nebeker acted as Chairman of this committee and Mr. Ed Peiker served as the other member on the audit committee. After December 5, 2006, Mr. Harvey Fenster, an independent board member, was appointed as Chairman and Mr. Richard Mandel as an independent board member. The audit committee has met three times during 2007.

### *Board of Directors & Conflict Avoidance.*

The company is governed by its board of directors consisting of Mr. Gerald L. Jensen who is also the President of the company. The other current directors are deemed independent directors, as that term has been previously defined in these proxy materials, and include: Mr. Richard Mandel, Jr., Mr. Julian D. Jensen, who is the brother of the president, and Mr. Harvey Fenster who was recently appointed in December, 2006 after the resignation of Mr. Dilworth A. Nebeker and Mr. Edwin W. Peiker, Jr. Further information as to each of these directors and the sole executive officer of the company will be set-out in these proxy materials, including compensation and sharehold positions, and are further described in the enclosed and incorporated Form 10-K/A information.

Mr. Harvey Fenster and Mr. Richard Mandel currently constitute the two members of the audit committee for the corporation.

Potential conflicts that may exist between Mr. Gerald L. Jensen as the sole executive officer and the company and due to his majority shareholder position have been set-out and treated in the preceding section on Potential Conflicts and Related Party Transactions. Potential conflicts are further treated as part of the enclosed and disseminated 10-K/A materials. At all times in setting Mr. Jensen's compensation or considering any transaction or proposal in which he had an interest, the other board members would consider and decide such matters without the participation of Mr. Gerald L. Jensen.

### *Independent Board Members.*

As noted previously, all of the directors, except Mr. Gerald L. Jensen, are deemed to be independent based upon the definition employed by the company as previously described in the glossary; which essentially provides for determination of independence if the director is not a principal officer or employee of the company, is not in a position to exercise actual control over the board or the company and if such person holds less than 10% of the issued and outstanding voting stock. All of the directors, other than Mr. Gerald L. Jensen, are believed to meet this criteria. Even though Mr. Julian D. Jensen is a brother of the president, Mr. Gerald L. Jensen, Mr. Julian D. Jensen and the other members of the board believe that he acts in an independent capacity and has not, and does not, act under direction, authority or control of Mr. Gerald L. Jensen. The definition of independent director, as adopted by the company and as stated above, has also been posted on the company's website.

***Attendance at Meetings.***

During calendar year 2007 to date, there have been seven board meetings of the company, the company records reflect that of these board meetings, each were attended either in person or by telephone by each of the directors. The audit committee met on three occasions and was attended by each of its members on each occasion. The audit committee submitted two reports to the board of directors. The independent committee of the board met three times. The company does not, at present, have any formal policy on attendance at board of directors meetings, but would anticipate that any director who is not able to attend on a consistent basis would so inform the board and consider resigning his position if his other responsibilities did not allow a consistent attendance.

***Director Compensation.***

The compensation to directors has been determined by a committee of the whole of the board. Because directors are only paid a flat stipend and any required per diem for attendance at meetings, the company has felt there was no reason to have an independent compensation committee for directors or officers to this point.

***Audit Committee Charter.***

The audit committee as formed in December, 2002 adopted an audit committee charter basically establishing procedures to deal independently with the company's auditors and to report to or receive independent reports from the auditors as required under the Sarbanes-Oxley Act. The charter also contains ethical standards to avoid conflicts of interest.

***Code of Ethics.***

The company has not to date adopted a formal code of ethics, though the board periodically reviews and discusses the necessity of observing fidelity and fiduciary standards to the company and its shareholders, avoiding conflicts and apparent conflicts, avoiding any form of insider dealing, trading or favoritism, or violating the corporate opportunity doctrine.

***Other Committees.***

The company does not have other standing committees, including a nominating or compensation committee, a diversity committee or an executive committee. The company believes that such independent committees are presently unnecessary due to the extremely small size of the company and its board of directors; and, because, on any material matter involving acquisitions, compensation or nomination, the disinterested members of the board have met as committee of the whole.

***Nominating Process.***

Because of the small size of the company the board of directors simply acts as a committee of the whole for nominating purposes. The company does not have any prescribed criteria for qualification of those sitting on the board of directors, but believes that its present board is qualified to act upon the matters and areas in which the company presently operates. The board would entertain any outside nomination for a directorship and would attempt to propose for nomination the best qualified applicant. To date, there have been no outside nominees.

***Shareholder Information.***

Croff is aware of the general rules and regulations of the Securities and Exchange Commission regarding shareholder comments and proposals. In all prior proxy statements, Croff has included direction to shareholders in each annual

proxy for, at least, the past five years generally outlining their right and the procedures to file any shareholder statements or proposed resolutions. Historically, Croff has not received any shareholder proposals or suggested resolutions and does not anticipate any shareholder proposals related to the present proxy matters at issue.



## **CORPORATE PERFORMANCE GRAPH**

Normally contained in this section would be a graph comparing the company's common stock performance to the performance of the general market on which it trades, as well as comparisons to the relevant industry segment of that market. However, because during the last year, Croff had only a very limited trading market on the Electronic Bulletin Board, it is deemed such presentation could be potentially misleading. Croff continues to have very limited trading activity. The trading range during the last year has ranged from approximately \$1.40 per share to \$3.00 per share.

## **MATTERS SUBJECT TO SHAREHOLDER VOTE**

### **I.**

#### **ELECTION OF DIRECTORS**

The current Croff Board and nominee consist of Gerald L. Jensen, Richard H. Mandel, Jr., Harvey Fenster and Julian D. Jensen. Please review particularly the following biographical information on nominees and the sections on Potential Conflicts and Related Party Transactions and Risk Factors.

#### **GERALD L. JENSEN, 67, PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS**

President of Croff Oil Company since October 1985. Mr. Jensen has been an officer and director of Jenex Petroleum Corporation, a private oil and gas company, for over ten years, and an officer and director of other subsidiary or related companies. In 2000, Mr. Jensen became Chairman of Provisor Capital Inc., a private finance company. Mr. Jensen was a director of Pyro Energy Corp., a public company (N.Y.S.E.) engaged in coal production and oil and gas, from 1978 until it was sold in 1989. Mr. Jensen is also an owner of private real estate, finance, and oil and gas companies.

#### **RICHARD H. MANDEL, JR., 78, DIRECTOR**

Mr. Mandel has been a director of Croff Enterprises, Inc. since 1986. Since 1982, Mr. Mandel has been President and a Board Member of American Western Group, Inc., an oil and gas producing company in Denver, Colorado. From 1977 to 1984, he was President of Universal Drilling Co., Denver, Colorado. Prior to 1977, Mr. Mandel worked for The Superior Oil Co., Honolulu Oil Co., and Signal Oil and Gas Co. as engineer and in management.

#### **JULIAN D. JENSEN, 59, DIRECTOR**

Mr. Jensen is the brother of the Company's president and has served as legal counsel to the Company for the past eight years. Mr. Jensen has been a director since 1991. Mr. Jensen has practiced primarily in the areas of corporate and securities law, in Salt Lake City, Utah, since 1975. Mr. Jensen is currently associated with the firm of Jensen, Duffin & Dibb L.L.P., which acts as legal counsel for the Company.

## HARVEY FENSTER, 66, DIRECTOR

Mr. Harvey Fenster has been a director since 2006. Mr. Fenster currently is the President of BA Capital Company, a financial advisory services company. From 1991 to 1994, he served as Senior Vice President and Chief Financial Officer of The Katz Corporation, a public international media representation firm. Previously, Mr. Fenster was Executive Vice President and Chief Financial Officer of Pyro Energy Corp., a New York Stock Exchange listed public company engaged in coal mining, oil and gas exploration and development. Mr. Fenster has also served as a director of Uranium Resources, Inc., a public company engaged in uranium exploration and production. Mr. Fenster, a Certified Public Accountant is retired from public practice.

**SUMMARY INFORMATION AS TO DIRECTORS/PRINCIPAL OFFICERS**

NAME	Director Since	Compensation
Gerald L. Jensen (1)	1985	Salary as President: \$54,000 - Inside Director Compensation - See Below*
Richard Mandel, Jr.	1985	Outside Director Stipend Only (See Below)
Julian D. Jensen	1991	Outside Director Stipend Only (See Below)
Harvey Fenster	2006	Outside Director Stipend Only (See Below)

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND DIRECTORS

The following table sets forth the beneficial ownership of common stock and preferred B stock of the Company as of September 30, 2007 by (a) each person who owned of record, or beneficially, more than five percent (5%) of the Company's \$.10 par value common stock, its common voting securities, and (b) each director and nominee and all directors and officers as a group.

Owners	Shares of Common of Class of Beneficially	Percentage Stock Owned C o m m o n Stock	Shares of Preferred B of Class B Beneficially	Percentage P r e f e r r e d Stock
Gerald L. Jensen 3773 Cherry Creek Drive N, #1025 Denver, CO 80209	258,878*	47.1%	363,535*	67.2%
Richard H. Mandel, Jr. 3333 E. Florida #94 Denver, Colorado 80210	18,100	3.2%	8,000	1.5%
Julian D. Jensen 311 South State Street, Suite 380 Salt Lake City, Utah 84111	31,663	5.7%	0	0%
Harvey Fenster 25 Oak Meadow Evansville, IN 47725				
Directors as a Group	308,641	56%	371,535	68.7%

\* Includes 132,130 shares of Common and 132,130 shares preferred B held by Jensen Development Company which is owned by Gerald L. Jensen.

**At present there are no management or director stock options or rights.**

## EXECUTIVE COMPENSATION

Certain additional required information concerning remuneration, other compensation and ownership of securities by the Directors and Officers is set-out in the enclosed 10-K/A Report and incorporated by this reference. Directors currently received \$350 for each half-day session of meetings of the Board. The Audit Committee Chairman receives \$500 per quarter and each member receives \$350 per quarter.

## Remuneration

During the fiscal year ended December 31, 2005, there were no officers, employees or directors whose total cash or other remuneration exceeded \$80,000.

Summary Executive Compensation Table  
2003-2006 Compensation Gerald L. Jensen, President. (No other executive salaries)

<u>YTD</u>	2003	2004	2005	2006
<u>Annual Compensation</u>				
Salary	\$ 54,000	\$ 54,000	\$ 54,000	\$ 54,000
Bonus	\$ 0	\$ 0	\$ 0	\$ 0
Other Annual Compensation	\$ 0	\$ 0	\$ 0	\$ 0
<u>Long Term Compensation</u>				
Awards				
Restricted Stock Awards	\$ 0	\$ 0	\$ 0	\$ 0