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CREDO PETROLEUM CORP  
Form 10QSB  
March 16, 2004

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934.

For Quarter Ended January 31, 2004

Commission File Number 0-8877

CREDO PETROLEUM CORPORATION

Colorado  
(State of Incorporation)

84-0772991  
(IRS Employer Identification)

1801 Broadway, Suite 900  
Denver, Colorado  
(Address of principal executive office)

80202  
(Zip Code)

303-297-2200  
(Telephone Number)

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 was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, net of treasury stock, as of February 29, 2004: Common stock, \$.10 par value - 4,012,121  
Preferred stock, no par value - None issued

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CREDO PETROLEUM CORPORATION

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For Quarter Ended January 31, 2004

PART I - FINANCIAL INFORMATION

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(a) Exhibits

- 31.1 Certification by Chief Executive Officer under  
Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification by Chief Financial Officer under  
Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification by Chief Executive Officer and  
Chief Financial Officer under Section 906 of  
the Sarbanes-Oxley Act (18 U.S.C. Section 1350)

(b) Reports on Form 8-K

On January 7, 2004 CREDO Petroleum Corporation filed a  
current report on Form 8-K reporting under Item 9 pursuant to  
Item 12 that we had issued a press release announcing our  
fiscal 2003 financial results.

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The accompanying unaudited consolidated financial statements  
have been prepared in accordance with U. S. generally accepted  
accounting principles for interim financial information and with  
the instructions for Form 10-QSB and Article 10 of  
Regulation S-X. Accordingly, they do not include all of the  
information and footnotes required by U. S. generally accepted  
accounting principles for complete financial statements. In the  
opinion of management, the consolidated financial statements  
contain all adjustments (consisting of normal recurring accruals)  
considered necessary for a fair presentation of the company's  
results for the periods presented. These consolidated financial  
statements should be read in conjunction with the company's  
Form 10-KSB for the fiscal year ended October 31, 2003.

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CREDO PETROLEUM CORPORATION  
Consolidated Balance Sheets

A S S E T S	January 31, 2004	October 31, 2003
	----- (Unaudited)	-----
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,444,000	\$ 1,885,000
Short term investments	5,535,000	4,778,000
Receivables:		
Trade	467,000	410,000
Accrued oil and gas sales	1,684,000	1,256,000
Other	31,000	234,000
	-----	-----
Total current assets	10,161,000	8,563,000
	-----	-----
<b>OIL AND GAS PROPERTIES, net, at cost, using full cost method:</b>		
Unevaluated	2,081,000	2,075,000
Evaluated	12,494,000	11,986,000
	-----	-----
Net oil and gas properties	14,575,000	14,061,000
	-----	-----
<b>EXCLUSIVE LICENSE AGREEMENT, net of amortization of \$239,000 in 2004 and \$221,000 in 2003</b>		
	460,000	478,000
<b>OTHER, net</b>		
	166,000	470,000
	-----	-----
	\$ 25,362,000	\$ 23,572,000
	=====	=====
<b>L I A B I L I T I E S   A N D   S T O C K H O L D E R S '   E Q U I T Y</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 2,115,000	\$ 1,776,000
Income taxes payable	277,000	210,000
	-----	-----
Total current liabilities	2,392,000	1,986,000
	-----	-----
<b>DEFERRED INCOME TAXES, net</b>		
	3,720,000	3,358,000
<b>EXCLUSIVE LICENSE OBLIGATION, less current obligations of \$53,000</b>		
	355,000	355,000
<b>ASSET RETIREMENT OBLIGATION</b>		
	264,000	238,000
<b>COMMITMENTS</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, without par value, 5,000,000 shares authorized, none issued	-	-
Common stock, \$.10 par value,		

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20,000,000 shares authorized,		
4,334,000 shares issued in 2004 and 2003	433,000	433,000
Capital in excess of par value	12,664,000	12,664,000
Retained earnings, net of \$6,277,000 related to 20% stock dividend in 2003	6,227,000	5,062,000
Other comprehensive income (loss)	(183,000)	180,000
Treasury stock, at cost, 322,000 shares in 2004 and 378,000 shares in 2003	(510,000)	(704,000)
	-----	-----
Total stockholders' equity	18,631,000	17,635,000
	-----	-----
	\$ 25,362,000	\$ 23,572,000
	=====	=====

See accompanying notes.

### CREDO PETROLEUM CORPORATION Consolidated Statements of Earnings And Changes in Retained Earnings - Unaudited

	Three Months Ended January 31	
	2004	2003
	-----	-----
REVENUES:		
Oil and gas sales	\$ 2,605,000	\$ 1,589,000
Operating	137,000	126,000
Investment income and other	108,000	76,000
	-----	-----
	2,850,000	1,791,000
	-----	-----
COSTS AND EXPENSES:		
Oil and gas production	460,000	327,000
Depreciation, depletion and amortization	429,000	321,000
General and administrative	331,000	278,000
Interest	12,000	13,000
	-----	-----
	1,232,000	939,000
	-----	-----
INCOME BEFORE INCOME TAXES AND ACCOUNTING CHANGE	1,618,000	852,000
INCOME TAXES	(453,000)	(239,000)
	-----	-----
INCOME BEFORE ACCOUNTING CHANGE	1,165,000	613,000
CUMULATIVE EFFECT ON PRIOR YEARS OF SFAS 143-ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS (NET OF TAXES OF \$28,000)	-	72,000
	-----	-----

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NET INCOME	1,165,000	685,000
RETAINED EARNINGS, BEGINNING OF PERIOD	5,062,000	8,209,000
	-----	-----
RETAINED EARNINGS, END OF PERIOD	\$ 6,227,000	\$ 8,894,000
	=====	=====
BASIC INCOME PER SHARE BEFORE ACCOUNTING CHANGE	\$ .29	\$ .15
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	-	.02
	-----	-----
BASIC NET INCOME PER SHARE	\$ .29	\$ .17
	=====	=====
DILUTED INCOME PER SHARE BEFORE ACCOUNTING CHANGE	\$ .28	\$ .15
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	-	.02
	-----	-----
DILUTED NET INCOME PER SHARE	\$ .28	\$ .17
	=====	=====

See accompanying notes.

CREDO PETROLEUM CORPORATION  
Consolidated Statements of Cash Flows - Unaudited

	Three Months Ended January 31	
	2004	2003
	-----	-----
OPERATING ACTIVITIES:		
Net income	\$ 1,165,000	\$ 685,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	429,000	321,000
Deferred income taxes	362,000	79,000
Cumulative effect of change in accounting principle	-	(72,000)
Other	-	2,000
Changes in operating assets and liabilities:		
Proceeds from short term investments	176,000	724,000
Purchase of short term investments	(933,000)	(880,000)
Trade receivables	(57,000)	(119,000)
Accrued oil and gas sales	(428,000)	(200,000)
Other	(160,000)	20,000
Accounts payable and accrued costs and expenses	485,000	516,000
Income tax payable	67,000	181,000

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NET CASH PROVIDED BY OPERATING ACTIVITIES	1,106,000	1,257,000
INVESTING ACTIVITIES:		
Additions to oil and gas properties, net	(881,000)	(1,291,000)
Proceeds from sale of oil and gas properties	102,000	-
Changes in other long-term assets	38,000	7,000
NET CASH USED IN INVESTING ACTIVITIES	(741,000)	(1,284,000)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options (58,500 options in 2004)	233,000	-
Purchase of treasury stock (2,000 shares in 2004 and 100 shares in 2003)	(39,000)	(1,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	194,000	(1,000)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	559,000	(28,000)
CASH AND CASH EQUIVALENTS:		
Beginning of Period	1,885,000	1,324,000
End of Period	\$ 2,444,000	\$ 1,296,000
Supplemental Cash Flow Information:		
Cash paid (refunds received) for income taxes	\$ 25,000	\$ -

See accompanying notes.

CREDO PETROLEUM CORPORATION  
Management's Discussion and Analysis of Financial  
Condition and Results of Operations  
January 31, 2004

LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2004, working capital was \$7,769,000, compared with \$6,577,000 at October 31, 2003. Net cash provided by operating activities for the first three months of 2004 and 2003 was \$1,106,000 and \$1,257,000, respectively and comprises primarily net income, depreciation, depletion and amortization ("DD&A"), deferred income taxes, reduced by net increases in short-term investments, and increases in accrued oil and gas sales in each of the two periods. For 2004, such amounts are \$1,165,000, \$429,000, \$362,000, \$(757,000), and \$(428,000), respectively. For 2003, such amounts are \$685,000, \$321,000, 79,000, \$(156,000), and \$(200,000), respectively. In the first quarter 2004 and 2003, cash used in investing activities was \$741,000 and \$1,284,000, respectively, and was used primarily to

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fund oil and gas exploration and development expenditure, including Calliope, totaling \$881,000 and \$1,291,000, respectively.

The average return on CREDO's investments during the first three months was 3% in 2004 and 2% in 2003. At January 31, approximately 70% of the investments were directly invested in mutual funds and brokerage accounts managed by professional money managers. Remaining investments are in managed partnerships that use various strategies to minimize their correlation to stock market movements. Most of the investments are highly liquid, and the company believes they represent a responsible approach to cash management. In the company's opinion, the greatest investment risk is the potential for negative market impact from unexpected, major adverse news, such as the September 11th terrorist attacks.

Existing working capital and anticipated cash flow are expected to be sufficient to fund 2004 operations. Because earnings are anticipated to be reinvested in operations, cash dividends are not expected to be paid in the foreseeable future. Commitments for future capital expenditures were not material at January 31, 2004. The company has no defined benefit plans and no obligations for post retirement employee benefits.

### PRODUCT PRICES AND PRODUCTION

Although product prices are key to the company's ability to operate profitably and to budget capital expenditures, they are beyond the company's control and are difficult to predict. Since 1991, the company has periodically hedged natural gas prices by forward selling a portion of its estimated production in the NYMEX futures market. This is generally done when (i) the price relationship (the "basis") between the futures markets and the cash markets where the company sells its gas is stable within historical ranges, and (ii) in the company's opinion, the current price is adequate to insure reasonable returns at a time when downside price risks appear to be substantial. The company closes its hedges by purchasing offsetting "long" positions in the futures market at then prevailing prices. Accordingly, the gain or loss on the hedge position will depend on futures prices at the time offsetting "long" positions are purchased. Hedging gains and losses are included in revenues from oil and gas sales. The company believes its most significant hedging risk is that expected correlations in price movements as discussed above do not occur, and thus, that gains or losses in one market are not fully offset by opposite moves in the other market.

The company recognizes all derivatives on the balance sheet at fair value at the end of each period. Changes in the fair value of a cash flow hedge are recorded in Other Comprehensive Income on the Consolidated Balance Sheets and then are reclassified into the Consolidated Statement of Earnings as the underlying hedged item affects earnings. Amounts reclassified into earnings related to natural gas hedges are included in oil and gas sales.

The company realized hedging gains of \$80,000 and \$111,000 for the quarters ended January 31, 2004 and 2003, respectively. At January 31, 2004 the company has recorded in other comprehensive income net deferred losses of approximately \$264,000 (\$183,000 net of tax) related to natural gas hedging

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transactions.

Subsequent to first quarter-end, hedges for the months of February and March 2004 were closed and an \$88,000 loss was incurred. The company currently has open hedge positions totaling 700 MMcfd covering the months of April through October 2004 at an average NYMEX price of \$4.82 per Mcf. This hedge represents approximately 65% of the company's estimated gas production for those months.

During the quarter ended January 31, 2004 the company entered into a bank hedging line of credit facility with a maximum threshold amount of \$2,000,000. At January 31, 2004, approximately 25% of the company's open natural gas hedge positions were covered by this agreement.

The following table sets forth the components of Comprehensive Income for each of the periods presented:

	Three Months Ended January 31,	
	2004	2003
Net Income	\$ 1,165,000	\$ 685,000
Other comprehensive income (loss), net of tax:		
Change in fair value of futures contracts used for natural gas hedging	(363,000)	(150,000)
Comprehensive income	\$ 802,000	\$ 535,000
	=====	=====

Oil and gas sales volume and price comparisons for the indicated periods are set forth below. Price realizations include the sales price and hedging gains and losses.

	Three Months Ended January 31, 2004		Three Months Ended January 31, 2003		Percent	Percent
	Volume	Price	Volume	Price	Volume	Price
Product	-----	-----	-----	-----	Change	Change
Gas (Mcf)	458,000	\$ 5.03(1)	313,000	\$ 4.31(2)	+ 46%	+ 17%
Oil (bbls)	10,000	\$29.95	9,000	\$26.25	+ 11%	+ 14%

(1) Includes \$0.18 Mcf hedging gain.

(2) Includes \$0.36 Mcf hedging gain.

The company's business focuses on two core projects--natural gas drilling along the shelf of the Northern Anadarko Basin of Oklahoma and application of its patented Calliope Gas Recovery System. The company believes that, in combination, these two projects provide an excellent (and possibly unique) balance for achieving its goal of adding long-lived gas reserves and



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production at reasonable costs and risks.

Anadarko Shelf Drilling Program. At the beginning of fiscal 2004, the company had 11 wells on its drilling schedule. However, the tight supply of drilling rigs has caused most of the wells to be delayed longer than anticipated. During the first quarter, the company drilled two wells in Oklahoma with working interests ranging up to 50%. Both wells appear to be productive and are awaiting pipeline connection and completion for production. A third well will be drilled in April and the remaining wells will be drilled consecutively beginning in May.

The Bobby-John #1-10 was completed on the company's 17,000 gross acre Sand Creek Prospect located in Ellis County, Oklahoma. Electric log data indicates that the 7,850-foot well encountered the same Morrow sand that is producing in the company's Deanna #1-15 located approximately one-half mile to the south. The Deanna has been an excellent well for the area, and the company expects the Bobby-John to have similar production characteristics. The company is the operator and owns an approximate 50% working interest.

Approximately 15 miles to the north, the Owens #1-21 well has been drilled on the company's 2,560 gross acre Buffalo Creek prospect in Harper County, Oklahoma. Drilling data and electric logs indicate that this 6,900-foot well will be productive and it is currently awaiting completion for pipeline connection. The Owens is currently classified as a "tight hole" meaning the other information on the well is not being released for proprietary business reasons. The company owns a 31% working interest.

Calliope Gas Recovery Technology. The company owns the exclusive right to a patented technology known as the Calliope Gas Recovery System. Calliope can achieve substantially lower flowing bottom hole pressure than conventional production methods because it does not rely on reservoir pressure to lift liquids. In many gas wells, lower bottom hole pressure translates into recovery of substantial additional gas reserves.

During the first quarter, the company installed its Calliope Gas Recovery System on two 8,200-foot wells located in Oklahoma. Both wells represent a very rigorous test for Calliope in terms of the challenge of reviving dead wells that have reservoir damage, including damage from the "parting shot" of a previous operator. Calliope has been installed on both wells and the company is currently performing reservoir treatment procedures designed to mitigate the reservoir damage. Calliope facilitates such treatments in low pressure reservoirs because it can lift the fluids used in such treatments back out of the wellbore and thereby keep from loading-up the well. If successful, these installations should expand the envelope for Calliope applications. The company owns an approximate 80% working interest in the wells and is the operator. The company is in various stages of preparing to install Calliope on three additional wells in Oklahoma.

### STOCK DIVIDEND

On March 19, 2003, the company declared a 20% stock dividend to shareholders of record on April 2, 2003. On April 23, 2003, the company issued 656,000 shares of common stock in conjunction

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with this dividend. Accordingly, the fair value (based on the quoted market price as adjusted) of the additional shares issued of \$6,277,000 was charged to retained earnings and credited to common stock and capital in excess of par value. Cash payments were made to shareholders in lieu of fractional shares. The basic and diluted weighted average number of shares outstanding and net income per share information for all prior reporting periods have been restated to reflect the effects of the stock dividend.

### CHANGE IN ACCOUNTING PRINCIPLE

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations" that requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. The company adopted SFAS No. 143 on November 1, 2002 and recorded an asset and related liability of \$179,000 (using a 5% discount rate) and a cumulative effect on change in accounting principle on prior years of \$72,000 (net of taxes of \$28,000). For the three month periods ended January 31, 2004 and 2003, the company recognized \$3,000 and \$2,000, respectively, of accretion expense on the liability.

### STOCK-BASED COMPENSATION

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123." Among other provisions, the statement amends the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation." Under current accounting rules the company elected to account for its stock-based employee compensation under the intrinsic value method established by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

If compensation expense had been determined in accordance with the provisions of SFAS No. 123, the company's net income and per share amounts would have been reported as follows:

	Three Months Ended January 31, 2004	2003
	-----	-----
Net Income as reported	\$ 1,165,000	\$ 685,000
Pro forma stock compensation expense, net of tax	(71,000)	(12,000)
	-----	-----
Pro forma net income	\$ 1,094,000	\$ 673,000
	=====	=====
Basic net income per share:		
As reported	\$ 0.29	\$ 0.17
	=====	=====
Pro forma	\$ 0.27	\$ 0.17
	=====	=====

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Diluted net income per share:

As reported	\$ 0.28	\$ 0.17
	=====	=====
Pro forma	\$ 0.27	\$ 0.17
	=====	=====

### INCOME TAXES

The company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109), which requires the asset and liability method of accounting for deferred income taxes. Deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the tax rate in effect at that time.

The total future deferred income tax liability under SFAS 109 is extremely complicated for any oil company to estimate due in part to the long-lived nature of depleting oil and gas reserves and variables such as product prices. Accordingly, the liability is subject to continual recalculation, revision of the numerous estimates required, and may change significantly in the event of such things as major acquisitions, divestitures, product price changes, changes in reserve estimates, changes in reserve lives, and changes in tax rates or tax laws.

### RESULTS OF OPERATIONS

Three Months Ended January 31, 2004 Compared to Three Months Ended January 31, 2003

For the three months ended January 31, 2004, net income rose 70% to \$1,165,000 compared to \$685,000 last year. Higher net income resulted primarily from a 41% increase in production volumes and a 15% increase in product prices.

Total revenues rose 60% to \$2,850,000 compared to \$1,791,000 last year. Oil and gas sales rose 64% to \$2,605,000 compared to \$1,589,000 last year. Net wellhead natural gas prices rose 17% to \$5.03 per Mcf compared to \$4.31 last year. Net wellhead prices for oil rose 14% to \$29.95 per barrel compared to \$26.25 last year. Natural gas production rose 46% to 458,000 Mcf compared to 313,000 Mcf last year and oil production rose 10% to 10,000 bbls compared to 9,000 bbls last year. The effect of these higher volumes and prices was to increase oil and gas sales by \$1,016,000. Operating income increased 9% due to an increase in drilling and production overhead income from new operated wells. Investment income and other rose to \$108,000 compared to \$76,000 last year due to improved performance from the company's investments.

Total costs and expenses increased 31% to \$1,232,000 in the first three months of fiscal 2004 compared to \$939,000 last year. Oil and gas production expenses rose 41%, or \$133,000, due primarily to increased production taxes resulting from increased production volumes and prices. Depreciation, depletion and amortization increased 34% primarily due to increased production and an increase in the amortizable full cost pool base. General

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and administrative expenses increased 19% due to increases in salaries and wages, consulting fees relating to increased regulatory requirements as well as inflationary pressures. Interest expense primarily relates to the accrual of interest on the exclusive license agreement obligation. Income taxes were provided at 28% in both 2004 and 2003.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accounting for Oil and Gas Property Costs. As more fully discussed in Note 1 to the consolidated financial statements included with the company's Form 10-KSB for the fiscal year ended October 31, 2003, the company (i) follows the full cost method of accounting for the costs of its oil and gas properties, (ii) amortizes such costs using the units of production method, and (iii) applies a quarterly full cost ceiling test. Adverse changes in conditions (primarily gas price declines) could result in permanent write-downs in the carrying value of oil and gas properties as well as non-cash charges to operations, but would not affect cash flows.

Estimates of Proved Oil and Gas Reserves. An independent petroleum engineer annually estimates approximately 60% of the company's proved reserves. The company estimates the remainder. Reserve engineering is a subjective process that is dependent upon the quality of available data and the interpretation thereof. In addition, subsequent physical and economic factors such as the results of drilling, testing, production and product prices may justify revision of such estimates. Therefore, actual quantities, production timing, and the value of reserves may differ substantially from estimates. A reduction in proved reserves would result in an increase in depreciation, depletion and amortization ("DD&A") expense. A large reduction in proved reserve quantities or values could result in a permanent write-down in the carrying value of oil and gas properties as discussed in Accounting for Oil and Gas Property Costs above.

Estimates of Asset Retirement Obligations. In accordance with SFAS No 143, the company makes estimates of future costs and the timing thereof in connection with recording its future obligations to plug and abandon wells. Estimated abandonment dates will be revised in the future based on changes to related economic lives, which vary with product prices and production costs. Estimated plugging costs may also be adjusted to reflect changing industry experience. Increases in operating costs and decreases in product prices would increase the estimated amount of the obligation and increase DD&A expense. Cash flows would not be affected until costs to plug and abandon were actually incurred.

### CONTROLS AND PROCEDURES

Within 90 days prior to the filing date of this report, the company carried out an evaluation, under the supervision and with the participation of the company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its "disclosure controls and procedures" pursuant to Securities Exchange Act Rule 13a-14(c). Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed by the company in reports filed or submitted under the Exchange Act is recorded,

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processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based upon that evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures are effective for these purposes as of the date of the evaluation.

There have been no significant changes in the company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

### FORWARD-LOOKING STATEMENTS

Certain information included in this quarterly report and other materials filed by the company with the Commission contain forward-looking statements relating to the company's operations and the oil and gas industry. Such forward-looking statements are based on management's current projections and estimates and are identified by words such as "expects," "intends," "plans," "projects," "anticipates," "believes," "estimates" and similar words. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from what is expressed or forecasted in such forward-looking statements. Among many factors that could cause actual results to differ materially are: (i) natural gas and crude oil price fluctuations, (ii) the company's ability to acquire oil and gas properties that meet its objectives and to identify prospects for drilling, and (iii) potential delays or failure to achieve expected production from existing and future exploration and development projects. In addition, such forward-looking statements may be affected by general domestic and international economic and political conditions.

### SIGNATURES

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

Date: March 15, 2004

By: /s/ James T. Huffman

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James T. Huffman  
President and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ James P. Garrett, Jr.

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James P. Garrett, Jr.  
Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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CERTIFICATION PURSUANT TO RULE 15D-14  
OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS AMENDED AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James T. Huffman, Chief Executive Officer of CREDO Petroleum Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CREDO Petroleum Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's Board of Directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over

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financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 15, 2004

/s/ James T. Huffman

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James T. Huffman  
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 15D-14  
OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS AMENDED AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James P. Garrett, Jr., Vice President and Chief Financial Officer of CREDO Petroleum Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CREDO Petroleum Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

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and

- c) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's Board of Directors:
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 15, 2004

/s/ James P. Garrett, Jr.  
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James P. Garrett, Jr.  
Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of CREDO Petroleum Corporation (the "Company") on Form 10-QSB for the period ending January 31, 2004 as filed with the Securities and Exchange on the date hereof (the "Report"), we, James T. Huffman and James P. Garrett, Jr., President and Chief Executive Officer, and Vice President and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C., SS 1350, as adopted pursuant to SS 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 15, 2004



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/s/ James T. Huffman

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James T. Huffman  
President and Chief Executive Officer

/s/ James P. Garrett, Jr.

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James P. Garrett, Jr.  
Vice President and Chief Financial Officer