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ASPEN EXPLORATION CORP
Form 10QSB
February 18, 2003

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

MARK ONE

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-9494

ASPEN EXPLORATION CORPORATION

(Exact Name of Aspen as Specified in its Charter)

Delaware

84-0811316

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

Suite 208, 2050 S. Oneida St.,
Denver, Colorado

80224-2426

(Address of Principal Executive Offices)

(Zip Code)

Issuer's telephone number: (303) 639-9860

Indicate by check mark whether Aspen (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 Aspen 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 as of the latest practicable date.

Class	Outstanding at February 12, 2003
Common stock, \$.005 par value	5,863,828

Part One. FINANCIAL INFORMATION

Item 1. Financial Statements

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ASPEN EXPLORATION CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2002 ---- (Unaudited)	June 30, 2002 ---- (Audited)
Current Assets:		
Cash and cash equivalents, including \$588,018 and \$822,060 of invested cash at December 31, 2002 and June 30, 2002 respectively	\$ 1,013,757	\$ 916,001
Precious metals	18,823	18,823
Accounts receivable, trade	284,040	365,705
Accounts receivable - related party	5,164	12,872
Prepaid expenses	14,794	19,820
	-----	-----
Total current assets	1,336,578	1,333,221
	-----	-----
Investment in oil and gas properties, at cost (full cost method of accounting)	5,753,668	5,427,741
Less accumulated depletion and valuation allowance	(2,437,200)	(2,262,649)
	-----	-----
	3,316,468	3,165,092
	-----	-----
Property and equipment, at cost:		
Furniture, fixtures and vehicles	112,562	112,562
Less accumulated depreciation	(54,649)	(45,810)
	-----	-----
	57,913	66,752
	-----	-----
Cash surrender value, life insurance	239,095	239,095
	-----	-----
TOTAL ASSETS	\$ 4,950,054	\$ 4,804,160
	=====	=====

(Statement Continues)
See notes to Consolidated Financial Statements

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ASPEN EXPLORATION CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2002 ----- (Unaudited)	June 30, 2002 ----- (Audited)
Current liabilities:		
Accounts payable and accrued expenses	\$ 521,525	\$ 236,587
Accounts payable - related party	13,185	21,260
Advances from joint owners	159,704	230,775
	-----	-----
Total current liabilities	694,414	488,622
	-----	-----
Deferred income tax payable	89,250	89,250
	-----	-----
Total liabilities	783,664	577,872
	-----	-----
Stockholders' equity:		
Common stock, \$.005 par value:		
Authorized: 50,000,000 shares		
Issued: At December 31, 2002: 5,863,828		
and June 30, 2002: 5,863,828		
	29,320	29,320
Capital in excess of par value	6,025,797	6,025,797
Accumulated deficit	(1,874,575)	(1,814,677)
Deferred compensation	(14,152)	(14,152)
	-----	-----
Total stockholders' equity	4,166,390	4,226,288
	-----	-----
Total liabilities and stockholders' equity	\$ 4,950,054	\$ 4,804,160
	=====	=====

See Notes to Consolidated Financial Statements

ASPEN EXPLORATION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Three Months Ended

Six Months

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	December 31,		December
	2002	2001	2002
	----	----	----
Revenues:			
Oil and gas	\$ 241,700	\$ 133,027	\$ 440,131
Management fees	34,066	24,949	96,795
Interest and other, net	3,314	14,893	7,050
	-----	-----	-----
Total Revenues	279,080	172,869	543,976
	-----	-----	-----
Costs and expenses:			
Oil and gas production	38,611	42,401	76,525
Depreciation, depletion and amortization	97,969	121,013	183,389
Aspen Power Systems expense	--	5,500	--
Selling, general and administrative	157,681	137,367	343,481
Interest expense	479	-0-	479
	-----	-----	-----
Total Costs and Expenses	294,740	306,281	603,874
	-----	-----	-----
Net loss	\$ (15,660)	\$ (133,412)	\$ (59,898)
	-----	-----	-----
Basic loss per common share	\$ (-)	\$ (.02)	\$ (.01)
	=====	=====	=====
Diluted loss per common share	\$ (-)	\$ (.02)	\$ (.01)
	=====	=====	=====
Basic weighted average number of common shares outstanding	5,863,828	5,816,133	5,863,828
	=====	=====	=====
Diluted weighted average number of common shares outstanding	5,863,828	5,816,133	5,863,828
	=====	=====	=====

The accompanying notes are an integral
part of these statements.

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	2002	2001

Cash flows from operating activities:		
Net loss	\$ (59,898)	\$ (134,502)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion & amortization	183,390	226,279
Amortization of deferred compensation	-0-	8,800
Changes in assets and liabilities:		
Decrease in accounts receivable	89,373	237,894
(Increase) decrease in prepaid expense	5,026	(35,894)
Increase (decrease) in accounts payable and accrued expense	205,792	(899,631)
	-----	-----
Net cash provided (used) by operating activities ...	423,683	(597,054)
	-----	-----
Cash flows from investing activities:		
Additions to oil & gas properties	(396,504)	(520,139)
Purchase of office equipment	-0-	(3,205)
Sale of idle equipment at cost	1,155	-0-
Sale of oil and gas properties	69,422	-0-
	-----	-----
Net cash used by investing activities	(325,927)	(523,344)
	-----	-----
Net increase (decrease) in cash and cash equivalents	97,756	(1,120,398)
Cash and cash equivalents, beginning of year	916,001	2,695,583
	-----	-----
Cash and cash equivalents, end of period	\$ 1,013,757	\$ 1,575,185
	-----	-----
Interest paid	\$ 479	\$ -0-
	=====	=====

The accompanying notes are an integral
part of these statements.

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December 31, 2002

Note 1 BASIS OF PRESENTATION

The accompanying financial statements are unaudited. However, in our opinion, the accompanying financial statements reflect all adjustments, consisting of only normal recurring adjustments, necessary for fair presentation. Interim results of operations are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with our Annual Report on Form 10-KSB for the year ended June 30, 2002.

Except for the historical information contained in this Form 10-QSB, this Form contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in this Report. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Report and any documents incorporated herein by reference, as well as the Annual Report on Form 10-KSB for the year ended June 30, 2002.

On July 1, 2002 we adopted Financial Accounting Standards Board No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. We are currently assessing the impact of this statement and, at this time, cannot reasonably estimate the effect of the adoption of SFAS No. 143 on our financial position, results of operations or cash flows.

Note 2 EARNINGS PER SHARE

We have adopted Statement of Financial Accounting Standards No. 128 ("SFAS No. 128"), addressing earnings per share. SFAS No. 128 established the methodology of calculating basic earnings per share and diluted earnings per share. The calculations differ by adding any instruments convertible to common stock (such as stock options, warrants, and convertible preferred stock) to weighted average shares outstanding when computing diluted earnings per share. We had a net loss of \$59,898 and \$134,502 for the six months ending December 31, 2002 and 2001, respectively. Because of the net loss, the basis and diluted average outstanding shares are considered the same, since including the shares would have an antidilutive effect on the loss per share calculation.

Note 3 SEGMENT INFORMATION

We operate in three industrial segments within the United States, oil and gas exploration and development, mining and electrical generation construction.

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Note 3 SEGMENT INFORMATION (CONTINUED)

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Identified assets by industry are those assets that are used in our operations in that industry. Corporate assets are principally cash, cash surrender value of life insurance, furniture, fixtures and vehicles.

We have adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 requires the presentation of descriptive information about reportable segments which is consistent with that made available to the management of the Company to assess performance.

Our oil and gas segment derives its revenues from the sale of oil and gas and prospect generation and administrative overhead fees charged to participants in our oil and gas ventures. Corporate income is primarily derived from interest income on funds held in money market accounts.

The mining segment receives its revenue primarily from the sale of minerals and precious metals and from time to time from the sale of a mineral venture that it has originated. Currently, this segment is inactive.

The electrical generation construction segment will receive its revenues from the sale, design, construction and/or operation of gas turbine or other electrical generation projects. As of December 31, 2002, we were winding up the affairs of this segment and no further activities will be pursued.

During the six months ended December 31, 2002 and 2001 there were no intersegment revenues. The accounting policies applied by each segment are the same as those used by us in general.

There have been no differences from the last annual report in the basis of measuring segment profit or loss. There have been no material changes in the amount of assets for any operating segment since the last annual report except for the oil and gas segment which capitalized approximately \$396,504 for the development and acquisition of oil and gas properties, and sold \$70,577 in producing properties for a net increase of \$325,927.

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Note 3 SEGMENT INFORMATION (CONTINUED)

Segment information consists of the following for the six months ended December 31:

	Oil and Gas	Power Plant	Minerals	Corporate	C
Revenues:					
2002	\$ 536,926	\$ -0-	\$ -0-	\$ 7,050	\$
2001	456,824	-0-	-0-	36,205	
Income (loss) from operations:					
2002	\$ 285,850	\$ -0-	\$ -0-	\$ (345,748)	\$

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2001	170,951	(25,500)	-0-	(279,953)
Identifiable assets:				
2002	\$ 3,605,672	\$ -0-	\$18,823	\$ 1,325,559
2001	3,014,697	-0-	18,823	1,935,832
Depreciation, depletion and valuation charged to identifiable assets:				
2002	\$ (174,551)	\$ -0-	\$ -0-	\$ (8,838)
2001	(217,600)	-0-	-0-	(8,679)
Capital expenditures:				
2002	\$ 396,504	\$ -0-	\$ -0-	\$ -0-
2001	520,139	-0-	-0-	3,205

Note 4 MAJOR CUSTOMERS

We derived in excess of 10% of our revenue from various sources (oil and gas sales) as follows:

	The Company	
	A	B
Year ended:	--	--
December 31, 2002	24%	53%
December 31, 2001	27%	43%

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Note 5 COMMITMENTS AND CONTINGENCIES

At December 31, 2002, we were committed to the following drilling and development projects in California:

1. Three Tehama County, California wells. Total costs for each well is estimated at \$500,000 with our share of the net costs per well approximately \$120,000.
2. One Solano County, California well that is estimated to cost \$750,000 with our share of the net costs approximately \$80,000.

Note 6 INCOME TAXES

We made no provision for income taxes for the six month period ended December 31, 2002 since it utilizes net operating loss carryforwards. We had \$583,321 of such carryforwards at June 30, 2002.

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Note 7 SUBSEQUENT EVENTS

On January 1, 2003 we entered into a new employment agreement with the president of our West Coast Division, Robert A. Cohan. Some of the pertinent provisions include an employment period ending December 31, 2005, salary increases from \$125,000 per year to \$135,000 per year effective April 15, 2003, and a further salary increase to \$145,000 per year from April 15, 2004 through the end of the contract. Other benefits and duties will remain the same as the previous employment contract.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This should be read in conjunction with the management's discussion and analysis of financial condition and results of operations contained in our Annual Report on Form 10-KSB for the year ended June 30, 2002, which has been filed with the Securities and Exchange Commission. This management's discussion and analysis and other portions of this report contain forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended). These statements reflect our current expectations regarding our possible future results of operations, performance, and achievements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Wherever possible, we have tried to identify these forward-looking statements by using words such as "anticipate," "believe," "estimate," "expect," "plan," "intend," and similar expressions. These statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties, and contingencies, which could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, such statements. These risks, uncertainties and contingencies include, without limitation, the factors set forth in our Form 10-KSB under "Item 6. Management's Discussion and Analysis of Financial Conditions or Plan of Operation - Factors that may affect future operating results." We have no obligation to update or revise any such forward-looking statements that may be made to reflect events or circumstances after the date of this Form 10-QSB.

Liquidity and Capital Resources

December 31, 2002 as compared to December 31, 2001

At December 31, 2002 current assets were \$1,336,578 and current liabilities were \$694,414 and we had positive working capital of \$642,164 compared to current assets of \$1,333,221 at June 30, 2002 and current liabilities of \$488,622 at the same date, resulting in working capital at June 30, 2002 of \$844,599, a \$202,435 or 24% reduction. While current assets remained constant, our current liabilities increased by approximately \$206,000 primarily due to increased revenue payable to other royalty and working interest owners.

We anticipate that our current assets will be sufficient to pay our current liabilities as long as our oil and gas production continues to provide us with

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sufficient cash flow. During the six months ended December 31, 2002, our operations provided \$424,000 of positive operating cash flow as compared to a negative operating cash flow of nearly \$600,000 for the same period of the previous year. As discussed below, our ability to maintain a positive cash flow from operations is dependent, in part, on maintaining or increasing our level of production and the national and world market maintaining its current prices for our oil and gas production.

During the six month period ending December 31, 2002, we experienced an increase in production and prices received for the natural gas we produced during that period. At June 30, 2002, we received an average of \$2.51 per MMBTU. At December 31, 2002 our price per MMBTU had increased to approximately \$4.15 per MMBTU, a 65% increase.

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In conjunction with the increase in prices we have also experienced an increase in production volumes for the period. For the six months ended December 31, 2001 we produced approximately 108,000 MMBTU of gas compared to approximately 138,600 MMBTU for the six months ended December 31, 2002, a 28% increase. This increase in production is primarily due to the addition of five new gas wells between May and November 2002.

Our capital requirements can fluctuate over a twelve month period because our drilling program is usually carried out in California's dry season, from late April until November, after which wet weather either precludes further activity or makes it cost prohibitive.

Although our drilling and development plans have not been finalized for the coming year, at December 31, 2002 we are committed to drill 4 additional wells at an estimated cost to us of approximately \$440,000, with the balance (approximately \$1,810,000) to be paid by joint owners in the properties, including certain affiliated investors. For the six months ended December 31, 2002 we invested \$396,000 in our oil and gas properties compared to approximately \$520,000 for the six month period in the preceding fiscal year. We anticipate additional drilling will occur in fiscal 2003.

We believe that internally generated funds will be sufficient to finance our drilling and operating expenses for the next twelve months.

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Results of Operations

December 31, 2002 Compared to December 31, 2001

For the six months ended December 31, 2002 our operations continued to be focused on the production of oil and gas, and the investigation for possible acquisition of producing oil and gas properties in California.

Oil and gas revenues, which includes income from management fees, for the six months ended December 31, 2002 increased approximately \$80,000 from \$457,000 to \$537,000, a 17.5% increase. This increase reflects an improvement in prices and increased production volumes in California. Our share of sales of oil and gas

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for the six month period ended December 31, 2002 were 704 barrels of oil and approximately 138,600 MMBTU of gas with the price received for oil at \$25.48 per barrel and \$4.15 per MMBTU for gas. This is a decrease in total oil production compared to the 1795 barrels of oil produced in the first half of fiscal 2002, and an increase in natural gas production of 15,600 MMBTU when compared to the approximately 123,000 MMBTU of gas production achieved during the first half of 2002. As discussed in Liquidity and Capital Revenues, a significant factor resulting in the increase in revenues during the last six months of 2002 was an increase in the prices received for our production when compared to prices of \$19.77 and \$2.51 received for oil and gas respectively during the first half of 2002.

Oil and gas production costs increased \$8,252 when compared to the last six month period, from \$68,273 to \$76,525. Production costs increased due to the addition of three producing wells and costs for installing compressors and dehydrator units on several of our producing gas wells.

Depletion, depreciation and amortization decreased \$42,890 or 19% for the six month period, which is our best estimate of what the full year cost will be.

Selling, general and administrative expense increased approximately \$36,000 or 12% from \$307,479 to \$343,481 for the six months ended December 31, 2002. This increase is primarily due to salary, office rental and consulting increases.

As a result of our operations for the six months ended December 31, 2002, we ended the period with a net loss of \$59,900 compared to a net loss of \$134,500 for the year earlier. This reduction in the loss from operations from \$134,500 to \$59,900 was due to an improvement in prices we received for our production and increased volumes produced, but was offset by an increase of approximately \$36,000 in G&A costs. Effective September 1, 2002 we sold the remaining interest in producing oil wells located in Kern County, California for approximately \$70,000 net to our interest. As of September 1, 2002, we were producing and selling only natural gas.

Interest and other income decreased approximately \$29,000 to \$7,050 and were primarily due to a decline in interest rates.

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CONTRACTUAL OBLIGATIONS

We had three contractual obligations as of December 31, 2002. The following table lists our significant liabilities at December 31, 2002:

	Payments Due by Period				
	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
Contractual Obligations	\$30,300	\$ 8,784	\$ -0-	\$ -0-	\$39,084
Total contractual cash obligations	\$30,300	\$ 8,784	\$ -0-	\$ -0-	\$39,084

We lease our corporate offices in Denver, Colorado under the terms of an operating lease, which expires on December 31, 2003. Yearly payments under the lease are approximately \$15,312. Our Bakersfield, California office lease was renewed for a three year period and expires February 28, 2006. The yearly

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payments are approximately \$8,784 per year. We also lease storage space in Bakersfield, California. The lease expires December 31, 2003 and we pay approximately \$390 per year for the space. We also sublease from R. V. Bailey, our president, a portion of an office building owned by Mr. Bailey in Castle Rock, Colorado on a month to month basis for \$500 per month.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

We believe the following critical accounting policies affect our most significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

Reserve Estimates:

Our estimates of oil and natural gas reserves, by necessity, are projections based on geologic and engineering data, and there are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions governing future oil and natural gas prices, future operating costs, severance and excise taxes, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows expected there from may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves, which could affect the carrying value of our oil and gas properties and/or the rate of depletion of the oil and gas properties. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material.

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Many factors will affect actual future net cash flows, including:

- The amount and timing of actual production;
- Supply and demand for natural gas;
- Curtailments or increases in consumption by natural gas purchasers; and
- Changes in governmental regulations or taxation.

Property, Equipment and Depreciation:

We follow the full-cost method of accounting for oil and gas properties. Under this method, all productive and nonproductive costs incurred in connection with the exploration for and development of oil and gas reserves are capitalized. Such capitalized costs include lease acquisition, geological and geophysical

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work, delay rentals, drilling, completing and equipping oil and gas wells, including salaries, benefits and other internal salary related costs directly attributable to these activities. Costs associated with production and general corporate activities are expensed in the period incurred. Interest costs related to unproved properties and properties under development are also capitalized to oil and gas properties. If the net investment in oil and gas properties exceeds an amount equal to the sum of (1) the standardized measure of discounted future net cash flows from proved reserves, and (2) the lower of cost or fair market value of properties in process of development and unexplored acreage, the excess is charged to expense as additional depletion. Normal dispositions of oil and gas properties are accounted for as adjustments of capitalized costs, with no gain or loss recognized.

We apply SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." Under SFAS No. 121, long-lived assets and certain intangibles are reported at the lower of the carrying amount or their estimated recoverable amounts. Long-lived assets subject to the requirements of SFAS No. 121 are evaluated for possible impairment through review of undiscounted expected future cash flows. If the sum of undiscounted expected future cash flows is less than the carrying amount of the asset or if changes in facts and circumstances indicate, an impairment loss is recognized.

Item 3. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange Act of 1934, within the 90 days prior to the filing date of this report, the company carried out an evaluation of the effectiveness of the design and operation of the company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of Aspen Exploration Corporation's management, the person serving as its Chairman/Chief Executive Officer/Principal Financial and Accounting Officer, who concluded that Aspen Exploration Corporation's disclosure controls and procedures are effective. There have been no significant changes in Aspen Exploration Corporation's internal controls or in other factors, which could significantly affect internal controls subsequent to the date Aspen Exploration Corporation carried out its evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Aspen Exploration Corporation's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls

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and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Aspen Exploration Corporation's reports filed under the Exchange Act is accumulated and communicated to management, including its Chief Executive Officer/Principal Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There are no material pending legal or regulatory proceedings against Aspen Exploration Corporation, and it is not aware of any that are known to be

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contemplated.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted during the first quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

None.

(b) Reports on Form 8-K:

None.

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In accordance with the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

ASPEN EXPLORATION CORPORATION

/s/ R. V. Bailey

R. V. Bailey,
President,
Principal Executive Officer,
Principal Financial Officer

February 12, 2003

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CERTIFICATIONS - principal executive and financial officers

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I, R.V. Bailey, Chief Executive Officer and Chief Financial Officer of Aspen Exploration Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Aspen Exploration Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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 annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 12, 2003

/s/ R. V. Bailey

R. V. Bailey,
Chief Executive Officer and
Chief Financial Officer
(principal executive and
financial officer)