

Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

SPINDLETOP OIL & GAS CO  
Form 10-Q  
November 15, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

or

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

Commission File No. 000-18774

SPINDLETOP OIL & GAS CO.  
(Exact name of registrant as specified in its charter)

Texas 75-2063001  
(State or other jurisdiction (I.R.S. Employer Identification No.)  
of incorporation or organization)

12850 Spurling Rd., Suite 200, Dallas, TX 75230  
(Address of principal executive offices) (Zip Code)

(972) 644-2581  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and  
posted on its corporate Web site, if any, every Interactive Data File required  
to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec 232.405  
of this chapter) during the preceding 12 months (or for such shorter period  
that the registrant was required to submit and post such files).  
Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an  
accelerated filer, a non-accelerated filer, or a smaller reporting company.  
See the definitions of "large accelerated filer," "accelerated filer" and  
"smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined  
in Rule 12b-2 of the Exchange Act). Yes  No

Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common, as of the latest practicable date.

Common Stock, \$0.01 par value	7,630,803
(Class)	(Outstanding at November 15, 2010)

- 2 -

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

FORM 10-Q

For the quarter ended September 30, 2010

Index to Consolidated Financial Statements and Schedules

Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

	Page
Part I - Financial Information:	
Item 1. - Financial Statements	
Consolidated Balance Sheets	
September 30, 2010 (Unaudited) and December 31, 2009	4-5
Consolidated Statements of Operations (Unaudited)	
Nine Months Ended September 30, 2010 and 2009 and	
Three Months Ended September 30, 2010 and 2009	6
Consolidated Statements of Cash Flows (Unaudited)	
Nine Months Ended September 30, 2010 and 2009	7
Notes to Consolidated Financial Statements	8
Item 2. - Management's Discussion and Analysis of Financial	
Condition and Results of Operations	9
Item 4. - Controls and Procedures	15
Part II - Other Information:	
Item 1A - Risk Factors	9
Item 5. - Other Information	16
Item 6. - Exhibits	18

- 3 -

Part I - Financial Information

Item 1. - Financial Statements

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

As of	
-----	-----
September 30	December 31
2010	2009
(Unaudited)	

Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

ASSETS	-----	-----
Current Assets		
Cash	\$ 7,443,000	\$ 8,853,000
Accounts receivable, trade	1,359,000	873,000
Prepaid income tax	-	582,000
Other short-term investments	400,000	300,000
	-----	-----
Total Current Assets	9,202,000	10,608,000
	-----	-----
Property and Equipment, at cost		
Oil and gas properties (full cost method)	16,397,000	15,080,000
Rental equipment	399,000	399,000
Gas gathering systems	145,000	145,000
Other property and equipment	245,000	187,000
	-----	-----
	17,186,000	15,811,000
Accumulated depreciation and amortization	(8,454,000)	(7,904,000)
	-----	-----
Total Property and Equipment, net	8,732,000	7,907,000
	-----	-----
Real Estate Property, at cost		
Land	688,000	688,000
Commercial office building	1,580,000	1,580,000
Accumulated depreciation	(476,000)	(400,000)
	-----	-----
Total Real Estate Property, net	1,792,000	1,868,000
	-----	-----
Other Assets		
Other long-term investments	1,000,000	-
Other	5,000	3,000
	-----	-----
Total other assets	1,005,000	3,000
	-----	-----
Total Assets	\$20,731,000	\$20,386,000
	=====	=====

The accompanying notes are an integral part of these statements.

- 4 -

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS - (Continued)

	As of	
	September 30	December 31
	2010	2009
	(Unaudited)	
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable, current portion	\$ 120,000	\$ 120,000
Accounts payable and accrued liabilities	2,491,000	2,995,000
Income tax payable	119,000	-
Tax savings benefit payable	97,000	97,000
	-----	-----

Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

Total current liabilities	2,827,000	3,212,000
	-----	-----
Noncurrent Liabilities		
Notes payable, long-term portion	870,000	960,000
Asset retirement obligation	832,000	762,000
	-----	-----
	1,702,000	1,722,000
	-----	-----
Deferred income tax payable	2,363,000	2,341,000
	-----	-----
Total Liabilities	6,892,000	7,275,000
	-----	-----
Shareholders' Equity		
Common stock, \$.01 par value; 100,000,000 shares authorized; 7,677,471 shares issued and 7,630,803 shares outstanding at September 30, 2010; 7,677,471 shares issued and 7,630,803 shares outstanding at December 31, 2009.	77,000	77,000
Additional paid-in capital	901,000	901,000
Treasury Stock	(23,000)	(23,000)
Retained earnings	12,884,000	12,156,000
	-----	-----
Total Shareholders' Equity	13,839,000	13,111,000
	-----	-----
Total Liabilities and Shareholders' Equity	\$20,731,000	\$20,386,000
	=====	=====

The accompanying notes are an integral part of these statements.

- 5 -

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Nine Months Ended		Three Months Ended	
	Sept 30 2010	Sept 30 2009	Sept 30 2010	Sept 30 2009
	-----	-----	-----	-----
Revenues				
Oil and gas revenue	\$ 4,676,000	\$ 3,510,000	\$ 1,515,000	\$ 1,064,000
Revenue from lease operations	212,000	254,000	79,000	81,000
Gas gathering, compression and Equipment rental	112,000	145,000	41,000	50,000
Real estate rental income	350,000	378,000	103,000	126,000
Interest income	128,000	157,000	44,000	46,000
Other	86,000	174,000	49,000	23,000
	-----	-----	-----	-----
Total revenue	5,564,000	4,618,000	1,831,000	1,390,000
	-----	-----	-----	-----
Expenses				

Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

Lease operations	1,190,000	1,079,000	547,000	450,000
Production taxes, gathering and marketing	538,000	598,000	191,000	170,000
Pipeline and rental operations	23,000	27,000	6,000	12,000
Real estate operations	145,000	141,000	46,000	46,000
Depreciation, depletion and amortization	627,000	967,000	203,000	358,000
Asset retirement obligation accretion	65,000	29,000	22,000	10,000
General and administrative	2,327,000	2,338,000	779,000	759,000
Interest expense	49,000	44,000	16,000	8,000
	-----	-----	-----	-----
Total Expenses	4,964,000	5,223,000	1,810,000	1,813,000
	-----	-----	-----	-----
Income (Loss) Before Income Tax	600,000	(605,000)	21,000	(423,000)
	-----	-----	-----	-----
Current tax provision (benefit)	(150,000)	(14,000)	(244,000)	(14,000)
Deferred tax provision (benefit)	22,000	(199,000)	39,000	(139,000)
	-----	-----	-----	-----
	(128,000)	(213,000)	(205,000)	(153,000)
	-----	-----	-----	-----
Net Income (Loss)	\$ 728,000	\$ (392,000)	\$ 226,000	\$ (270,000)
	=====	=====	=====	=====
Earnings (Loss) per Share of Common Stock				
Basic and diluted	\$ 0.10	\$ (0.05)	\$ 0.03	\$ (0.04)
	=====	=====	=====	=====
Weighted Average Shares Outstanding				
Basic and diluted	7,630,803	7,617,177	7,630,803	7,620,803
	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

SPINDLETOP OIL & GAS CO AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended	
	Sept 30 2010	Sept 30 2009
	-----	-----
Cash Flows from Operating Activities		
Net Income (Loss)	\$ 728,000	\$ (392,000)
Reconciliation of net income (loss) to net cash provided by Operating Activities		
Depreciation, depletion and amortization	627,000	967,000
Changes in asset retirement obligation	65,000	29,000
Employee compensation paid with treasury stock	-	20,000
Changes in accounts receivable	(486,000)	706,000
Changes in prepaid income taxes	582,000	(356,000)
Changes in accounts payable	(504,000)	(25,000)
Changes in current taxes payable	119,000	(44,000)
Changes in deferred tax payable	22,000	(200,000)
Other	(2,000)	-
	-----	-----
Net cash provided by operating activities	1,151,000	705,000
	-----	-----

## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

Cash flows from Investing Activities		
Capitalized acquisition, exploration and development costs	(1,311,000)	(508,000)
Purchase of property and equipment	(60,000)	(12,000)
Purchase of other short-term investments	(100,000)	(300,000)
Purchase of other long-term investments	(1,000,000)	-
	-----	-----
Net cash used for investing activities	(2,471,000)	(820,000)
	-----	-----
Cash Flows from Financing Activities		
Decrease in notes payable	(90,000)	(90,000)
	-----	-----
Net cash used for Financing activities	(90,000)	(90,000)
	-----	-----
 Increase (decrease) in cash	 (1,410,000)	 (205,000)
 Cash at beginning of period	 8,853,000	 10,468,000
	-----	-----
Cash at end of period	\$ 7,443,000	\$10,263,000
	=====	=====
 Interest paid in Cash	 \$ 48,000	 \$ 36,000
	=====	=====
 Income taxes paid	 \$ -	 \$ 400,000
	=====	=====

The accompanying notes are an integral part of these statements.

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

### 1. BASIS OF PRESENTATION AND ORGANIZATION

The accompanying financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles in the United States of America or those normally made in the Company's annual Form 10-K filing. Accordingly, the reader of this Form 10-Q may wish to refer to the Company's Form 10-K for the year ended December 31, 2009 for further information.

The consolidated financial statements presented herein include the accounts of Spindletop Oil & Gas Co., a Texas corporation ("the Company") and its wholly owned subsidiaries, Prairie Pipeline Co., a Texas corporation and Spindletop Drilling Company, a Texas corporation. All significant inter-company transactions and accounts have been eliminated.

In the opinion of management, the accompanying unaudited interim financial statements contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, the results of operations and changes in cash flows of the Company and its consolidated subsidiaries for the interim periods presented. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with generally accepted accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

Certain balances for 2009 have been reclassified to conform to the 2010 presentation.

### Subsequent Events:

-----  
The Company has evaluated subsequent events through the issuance date of November 15, 2010.

### 2. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. A significant estimate made by management includes the percentage used to calculate the depletion of the oil and gas properties using the full cost method. The estimate is based on the prior year ending reserves and adjusting the beginning reserve balance by any reserve acquisitions or reserve dispositions. Estimated production for the

- 8 -

first, second, and third quarter of 2010 are subtracted from the beginning reserves to arrive at the estimated proved reserve position of the Company at September 30, 2010.

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations

### WARNING CONCERNING FORWARD LOOKING STATEMENTS

-----  
The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report.

This Report on Form 10-Q may contain forward-looking statements within the meaning of the federal securities laws, principally, but not only, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations." We caution investors that any forward-looking statements in this report, or which management may make orally or in writing from time to time, are based on management's beliefs and on assumptions made by, and information currently available to management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result" and similar expressions which do not relate solely to historical matters are intended to identify forward-looking statements. These statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors, that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution you that while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.



## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the factors listed and described at Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K, which investors should review. There have been no changes from the risk factors previously described in the Company's Form 10-K for the fiscal year ended December 31, 2009 (the "Form 10-K").

The current global economic and financial crisis could lead to an extended national or global economic recession. A slowdown in economic activity caused by a recession would likely reduce national and worldwide demand for oil and natural gas and result in lower commodity prices for long periods of time. Prices for oil and natural gas have decreased significantly from highs reached in 2008. Costs of exploration, development and production have not yet adjusted to current economic conditions or in proportion to the significant reduction in product prices. Prolonged, substantial decreases in oil and

- 9 -

natural gas prices would likely have a material adverse effect on the Company's business, financial condition and results of operations, could further limit the Company's access to liquidity and credit and could hinder its ability to satisfy its capital requirements.

Capital and credit markets experienced unprecedented volatility and disruption during the last half of 2008 and continue to be unpredictable. Given the current levels of market volatility and disruption, the availability of funds from those markets has diminished substantially. Further, arising from concerns about the stability of financial markets generally and the solvency of borrowers specifically, accessing the credit markets has become more difficult as many lenders have enacted tighter lending standards or altogether ceased to provide funding to borrowers.

Due to these capital and credit market conditions, Spindletop cannot be certain that funding will be available to the Company in amounts or on terms acceptable to the Company. The Company is evaluating whether current cash balances and cash flow from operations alone would be sufficient to provide working capital to fully fund the Company's operations. Accordingly, the Company is evaluating alternatives, such as joint ventures with third parties, or sales of interest in one or more of its properties. Such transactions if undertaken could result in a reduction in the Company's operating interests or require the Company to relinquish the right to operate the property. There can be no assurance that any such transactions can be completed or that such transactions will satisfy the Company's operating capital requirements. If the Company is not successful in obtaining sufficient funding or completing an alternative transaction on a timely basis on terms acceptable to the Company, Spindletop would be required to curtail its expenditures or restructure its operations, and the Company would be unable to continue its exploration, drilling, and recompletion program, any of which would have a material adverse effect on Spindletop's business, financial condition and results of operations.

The Obama Administration has set forth budget proposals which if passed, would significantly curtail our ability to attract investors and raise capital. Proposed changes in the Federal income tax laws which would eliminate or reduce the percentage depletion deduction and the deduction for intangible drilling and development costs for small independent producers, will significantly reduce the investment capital available to those in the industry as well as our Company. Lengthening the time to expense seismic costs will also have an adverse effect on our ability to explore and find new reserves.

Other sections of this report may also include suggested factors that could

## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks may emerge from time to time and it is not possible for management to predict all such matters; nor can we assess the impact of all such matters on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also refer to our quarterly reports on Form 10-Q for future periods and current reports on Form 8-K as we file them with the SEC, and to other materials we may furnish to the public from time to time through Forms 8-K or otherwise.

- 10 -

### Results of Operations

Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

---

Oil and gas revenues for the first nine months of 2010 were \$4,676,000, an increase of \$1,166,000 or 33% from revenues of \$3,510,000 during the same period in 2009.

Natural gas revenues for the first nine months of 2010 were \$2,996,000 compared to \$2,584,000 for the same period in 2009, an increase of \$412,000, or 16%. Natural gas volumes sold for the first nine months of 2010 were approximately 574,000 mcf compared to approximately 651,000 mcf during the first nine months of 2009, a decrease of approximately 77,000 mcf, or 12%.

Average natural gas prices received were approximately \$5.15 per mcf during the first nine months of 2010 as compared to approximately \$3.49 per mcf in the first nine months of 2009, an increase of approximately \$1.66 per mcf or 48%.

Oil sales for the first nine months of 2010 were approximately \$1,680,000 compared to approximately \$926,000 in the first nine months of 2009, an increase of approximately \$754,000 or 81%. Oil volumes sold for the first nine months of 2010 were approximately 23,000 bbls compared to approximately 18,600 bbls during the first nine months of 2009, an increase of approximately 4,400 bbls, or 24%.

Average oil prices received were \$73.06 per bbl in the first nine months of 2010 compared to \$49.89 per bbl in the first nine months of 2009, an increase of approximately \$23.17 or 46%. This increase in the average sales price is the result of the overall improvement in crude oil pricing.

Revenue from lease operations for the first nine months of 2010 was approximately \$212,000 compared to approximately \$254,000 for the first nine months of 2009, a decrease of about \$42,000 or 17%. This net decrease between periods resulted from a decrease of approximately \$16,000 in field operations income, a decrease of approximately \$30,000 in operator overhead income, and an increase of approximately \$4,000 in pumper service revenue.

Revenue from gas gathering, compression and equipment rental for the first nine months of 2010 was approximately \$112,000, compared to approximately \$145,000, a net decrease of \$33,000 or 23% for the same period in 2009. Gas gathering and compression revenue is generated from the volume of MCFs that are processed through the Company's gathering systems. Gas sales volumes for the first nine months of 2010 were less than during the same period in 2009, causing the decrease in revenues.

## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

Interest income for the first nine months of 2010 was approximately \$128,000 as compared with approximately \$157,000 for the same period in 2009, a decrease of about \$29,000 or 18%. Interest earned on amounts in money market accounts and in certificates of deposit decreased between the two periods as interest rates continued to remain low. During the 2009, the Company moved amounts normally invested in certificates of deposit into business checking accounts at its primary banking institution to take advantage of the unlimited FDIC insurance

- 11 -

coverage. The Company also moved money to take advantage of higher FDIC coverage of \$250,000 at other banks in order to protect the Company's liquid assets from risk of loss for bank failures. During the third quarter of 2010, the Company moved \$1,000,000 into longer term certificates of deposit in order to earn a higher rate of interest. These amounts have been classified as other long-term investments on the Company's balance sheet.

Other income for the first nine months of 2010 was approximately \$86,000 as compared with approximately \$174,000 for the same period in 2009, a decrease of approximately \$88,000 or 51%. Approximately \$98,000 of this decrease was for severance and ad valorem tax services provided by the Company to several of its leases and approximately \$18,000 was for divestitures of a non-operated lease interest and land not associated with oil and gas interests in 2009. Offsetting the overall decrease between years was a \$26,000 payment received for a farm-out in the third quarter of 2010. The remaining net decrease was due to other miscellaneous items.

Lease operating expenses in the first nine months of 2010 were \$1,190,000 as compared to \$1,079,000 for the same period in 2009, an increase of approximately \$111,000, or 10%. Approximately \$101,000 of this increase is attributable to various workovers and plugging of operated wells in 2010. Another \$27,000 of the increase is due to lease operating expenses attributable to new wells acquired in 2010. Finally, there was a decrease of approximately \$16,000 in expenses on non-operated properties.

Production taxes, gathering, transportation and marketing expenses for the first nine months of 2010 were approximately \$538,000 as compared to \$598,000 during the first nine months of 2009, a net decrease of approximately \$60,000 or 10%. The decrease is due to timing differences of severance tax credits on high cost wells drilled and placed on line during 2008. The credits were accrued as of December 31, 2008 and reversed in January 2009. A portion of the credits were utilized in May, 2009 with the remaining \$169,000 being utilized in July, 2009. As a result, the nine months ended September 30, 2009 production taxes were approximately \$209,000 higher. The remaining increase in this line item of approximately \$149,000 relates to the overall increase in revenues subject to severance tax.

For presentation purposes, the Company split out amounts for production taxes, gathering, transportation, and marketing expenses separately from lease operations. In prior years, these amounts were presented together under the line item description of lease operating expenses. There have been no changes to the expenses for 2009 but the presentation for 2009 has been restated to conform to the new presentation. The Company feels the separate reporting of amounts gives a better look at the results of the Company's expenses to operate its leases.

Real estate expenses during the first nine months of 2010 were approximately \$145,000 compared to approximately \$141,000 for the same period in 2009, an increase of \$4,000 or 3%. The Company's real estate expenses have been consistent for the period with no significant differences.

Depreciation, depletion, and amortization expenses for the first nine months of

## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

2010 were \$627,000 as compared to \$967,000 for the same period in 2009, a decrease of \$340,000, or 35%. \$533,000 of the amount for the first nine months

- 12 -

of 2010 was for amortization of the full cost pot of capitalized costs compared to \$871,000 for the first nine months of 2009, a decrease of \$338,000 or 39%. The Company re-evaluated its proved oil and gas reserve quantities as of December 31, 2009. This re-evaluated reserve base was adjusted at the end of each quarter for the estimated addition or disposition of reserves during the first nine months of 2010 and reduced for oil and gas reserves that were produced or sold during the period. A depletion rate of 1.866% for the first quarter of 2010, a depletion rate of 1.546% for the second quarter of 2010, and a depletion rate of 1.559% for the third quarter of 2010 was calculated and applied to the Company's full cost pot of capitalized oil and gas properties for a weighted average of 4.971% for the first nine months of 2010 compared to a total depletion rate of 7.10% for the first nine months of 2009.

General and administrative costs for the first nine months of 2010 were \$2,327,000 compared to \$2,338,000 for the same period in 2009, a decrease of \$11,000 or less than 1%

Interest expense was approximately \$49,000 for the first nine months of 2010 compared to approximately \$44,000 for the same period in 2009, an increase of approximately \$5,000.

Three months ended September 30, 2010 compared to three months ended September 30, 2009

-----

Oil and gas revenues for the three months ended September 30, 2010 were \$1,515,000, an increase of \$451,000, or 42% from revenues of \$1,064,000 for the same period in 2009.

Natural gas revenues for the third quarter of 2010 were \$954,000 compared to \$744,000 for the same period in 2009, an increase of \$210,000 or 28%. Natural gas volumes sold for the third quarter of 2010 were approximately 180,000 mcf compared to approximately 219,000 mcf during the same period of 2009, a decrease of approximately 39,000 mcf, or 18%.

Average natural gas prices received were approximately \$5.18 per mcf in the third quarter of 2010 as compared to approximately \$3.35 per mcf during the same period in 2009, an increase of approximately \$1.83, or 55%.

Oil sales for the third quarter of 2010 were approximately \$561,000 compared to approximately \$320,000 for the same period of 2009, an increase of approximately \$241,000 or 75%. Oil volumes sold for the third quarter of 2010 were approximately 6,600 bbls compared to approximately 5,000 bbls during the same period of 2009, an increase of 1,600 bbls or 32%.

Average oil prices received were approximately \$70.39 per bbl in the third quarter of 2010 compared to \$59.98 per bbl during the same period of 2009, an increase of approximately \$10.41 per bbl, or 17%.

Revenue from lease operations for the third quarter of 2010 was approximately \$79,000 compared to approximately \$81,000 for the third quarter of 2009, a decrease of about \$2,000 or 2%.

- 13 -

## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

Revenue from gas gathering, compression and equipment rental for the third quarter of 2010 was approximately \$41,000, compared to approximately \$50,000, a decrease of \$9,000 or 18% for the same period in 2009. Gas gathering and compression revenue is generated from the volume of mcfs that are processed through the Company's gathering systems. Gas sales volumes for the third quarter of 2010 were less than during the same period in 2009, causing the decrease in revenues.

Interest income for the third quarter of 2010 was approximately \$44,000 as compared with approximately \$46,000 for the same period in 2009 a decrease of about \$2,000 or 4%. Interest earned on amounts in money market accounts and in certificates of deposit decreased between the two periods as interest rates continued to decrease. During 2009 the Company moved amounts normally invested in certificates of deposit into business checking accounts at its primary banking institution to take advantage of the unlimited FDIC insurance coverage. The Company also moved money to take advantage of higher FDIC coverage of \$250,000 at other banks in order to protect the Company's liquid assets from risk of loss for bank failures.

Other income for third quarter of 2010 was approximately \$49,000 as compared with approximately \$23,000 for the same period in 2009, an increase of approximately \$26,000 or 113%. This increase was due to a \$26,000 payment received for a farm-out in the third quarter of 2010.

Lease operating expenses in the third quarter of 2010 were \$547,000 as compared to \$450,000 for the same period in 2009, an increase of approximately \$97,000, or 22%. Approximately \$72,500 of this increase is attributable to various workovers and plugging of operated wells in 2010. The majority of the remaining \$24,500 is due to the acquisition of new wells in 2010.

Production taxes, gathering, transportation and marketing expenses for the third quarter of 2010 were approximately \$191,000 as compared to \$170,000 during the third quarter of 2009, a net increase of approximately \$21,000 or 12%.

For presentation purposes, the Company split out amounts for production taxes, gathering, transportation, and marketing expenses separately from lease operations. In prior years, these amounts were presented together under the line item description of lease operating expenses. There have been no changes to the expenses for 2009 but the presentation for 2009 has been restated to conform to the new presentation. The Company feels the separate reporting of amounts gives a better look at the results of the Company's expenses to operate its leases.

Real estate expenses during the third quarter were flat at \$46,000 both years.

Depreciation, depletion, and amortization expenses for the third quarter of 2010 were \$203,000 as compared to \$358,000 for the same period in 2009, a decrease of \$155,000, or 43%. \$163,000 of the amount for the third quarter of 2010 was for amortization of the full cost pot of capitalized costs compared to \$299,000 for the third quarter of 2009, a decrease of \$136,000 or 46%. The Company re-evaluated its proved oil and gas reserve quantities as of December 31, 2009. This re-evaluated reserve base was adjusted at the end of each

- 38 -

quarter for the estimated addition or disposition of reserves during the first nine months of 2010 and reduced for oil and gas reserves that were produced or sold during the period. A depletion rate of 1.866% for the first quarter of 2010, a depletion rate of 1.546% for the second quarter of 2010, and a

## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

depletion rate of 1.559% for the third quarter of 2010 were calculated and applied to the Company's full cost pot of capitalized oil and gas properties compared to a total depletion rate of 7.1% for the first nine months of 2009.

General and administrative costs for the third quarter of 2010 were \$779,000 compared to \$759,000 for the same period in 2009, an increase of approximately \$20,000 or 3%.

### Financial Condition and Liquidity

The Company's operating capital needs, as well as its capital spending program are generally funded from cash flow generated by operations. Because future cash flow is subject to a number of variables, such as the level of production and the sales price of oil and natural gas, the Company can provide no assurance that its operations will provide cash sufficient to maintain current levels of capital spending. Accordingly, the Company may be required to seek additional financing from third parties in order to fund its exploration and development programs.

### Item 4. - Controls and Procedures

(a) As of the end of the period covered by this report, Spindletop Oil & Gas Co. carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15 and 15d-15. Based upon the evaluation, the Company's Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by the report.

(b) There have been no changes in the Company's internal controls over financial reporting during the quarter and nine months ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

- 15 -

## Part II - Other Information

### Item 5 - Other Information

#### North Texas:

During the third quarter of 2010, the Company acquired non-operating working interests in twenty-nine natural gas wells in Jack, Palo Pinto, Parker, and Wise Counties, Texas. Gross production at the time of acquisition from these

## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

wells was approximately 416 mcf/d and 3.4 bopd. Net production attributable to the Company's acquired interest was approximately 87 mcf/d and 0.8 bopd. Working interests acquired range from 21.2498% to 40.0%. Net Revenue Interests acquired range from 16.4227% to 30.0%.

### South Texas:

The Company acquired a 33.0555% operated working interest and a 22.5383% net revenue interest in the State Tract 39A-#1 gas well in Chambers County, Texas effective July 1, 2010. The State Tract 39A-#1 well produces gas from the Turtle Beach (Vicksburg) field from a perforated interval at 11,111 ft. - 11,148 ft in the Vicksburg Formation. Gross gas production from this well at the time of acquisition was approximately 1,294 mcf/d and 3 bopd of oil. Production attributable to the Company's acquired interest was approximately 292 mcf/d and 0.68 bopd.

On July 29, 2010 the Company spud its Hynes #28 well in Bee County, Texas. The well was drilled to a depth of 3,500 ft. to test the Catahoula Sands. The well was cased and completed and placed into production on August 14, 2010. The well's IPP (initial potential pumping) was 17 bopd and 20 bwpd from the Papalote, E. (3250-B) field at a perforated interval of 3,244 ft.-3,346 ft. from the Catahoula Formation. The company owns a 100.00% working interest and a 60.83984% net revenue interest in this well.

### East Texas:

The Company participated for a 45% non-operated working interest in the drilling of two wells operated by Giant Energy Co., LP, a related entity. The two wells are located in Nacogdoches County, Texas. The Giant Gas Unit #1 well was spud on November 11, 2009 and reached a total depth of 9,700 ft. on December 6, 2009. Production casing was set to a depth of 9,616 ft. through the Travis Peak Formation. The Giant Gas Unit #2 well was spud on June 1, 2010 and reached a total depth of 9,608 ft. on July 7, 2010. Production casing was set to a depth of 9,605 ft. through the Travis Peak Formation. The wells are awaiting a pipeline connection.

### Texas Panhandle:

During the third quarter of 2010, the Company acquired operations of two wells in its Spearman SE block in Ochiltree County, Texas, the Pope #140-3 and Pope #140-4. The Company has a 100.00% working interest and a 81.25% net revenue interest in both of these wells. At the time of acquisition, the Pope #140-3 well was producing at a rate of 4 mcf/d from the Horizon (Oswego) field from a perforated interval at 6,920 ft.- 6,930 ft. in the Oswego Formation. The Pope #140-4 well was producing at a rate of 24 mcf/d from the Lips (Mississippian)

- 16 -

field from a perforated interval at 8,294 ft.- 8,396 ft. in the Mississippian Formation.

### Oklahoma:

Effective August 1, 2010, the Company acquired operations and working interests in four wells located in Major County and Canadian County, Oklahoma as follows:

The Irvan #1-22 well, located in Major County, produces natural gas from the N. Homestead field from a perforation interval ranging from 7,158 ft. - 7,306 ft. from the Inola and Chester formations. At the time of acquisition, the Irvan #1-22 well was producing natural gas at a rate of 6 mcf/d. The Company acquired a 100.00% working interest and a 75.00% net revenue interest in this well.

## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

The Tobe #1-21 well, located in Major County, produces natural gas from the N. Homestead field from a perforation interval ranging from 7,158 - 7,232 ft. from the Red Fork and Inola Formations. At the time of acquisition, the Tobe #1-21 well was shut-in and not producing. The Company acquired a 92.3050% working interest and a 73.2851% net revenue interest in this well.

The Faith #1-21 well, located in Canadian County, produces natural gas from the Watonga-Chickasha field from a perforation interval ranging from 10,882 ft. - 10,952 ft. from the Morrow Formation. At the time of acquisition, the Faith #1-21 well was shut-in and not producing. The Company acquired an 83.3330% working interest and a 66.6664% net revenue interest in this well.

The Lottie Jones #33-4 well, located in Canadian County, produces natural gas from the El Reno field from a perforation interval ranging from 8,750 ft.- 10,366 ft. from the Viola, Hunton, Mississippian and Red Fork formations. At the time of acquisition, the Lottie Jones #4 well was shut-in and not producing. The Company acquired a 97.4331% working interest and a 74.6353% net revenue interest in this well.

These wells were acquired for their behind the pipe potential. The company plans to rework them and place them back into production, if successful.

For all of the above wells, the Company cautions that the initial production rates or production rates at the effective date of acquisition may not be an indicator of stabilized production rates or an indicator of the ultimate recoveries obtained.

- 17 -

### Item 6. - Exhibits

The following exhibits are filed herewith or incorporated by reference as indicated.

Exhibit Designation	Exhibit Description
3.1 (a)	Amended Articles of Incorporation of Spindletop Oil & Gas Co. (Incorporated by reference to Exhibit 3.1 to the General Form for Registration of Securities on Form 10, filed with the Commission on August 14, 1990)
3.2	Bylaws of Spindletop Oil & Gas Co. (Incorporated by reference to Exhibit 3.2 to the General Form for Registration of Securities on Form 10, filed with the Commission on August 14, 1990)



## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

- 31.1 \* Certification pursuant to Rules 13a-14 and 15d under The Securities Exchange Act of 1934.
- 31.2 \* Certification pursuant to Rules 13a-14 and 15d under The Securities Exchange Act of 1934.
- 32.1 \* Certification pursuant to 18 U.S.C. Section 1350.

---

\* filed herewith

- 18 -

### 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.

SPINDLETOP OIL & GAS CO.  
(Registrant)

Date: November 15, 2010

By: /s/ Chris G. Mazzini  
Chris G. Mazzini  
President, Chief Executive Officer

Date: November 15, 2010

By: /s/ Michelle H. Mazzini  
Michelle H. Mazzini  
Vice President, Secretary

Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

Date: November 15, 2010

By: /s/ Robert E. Corbin  
Robert E. Corbin  
Controller, Principal Financial Officer

- 19 -

Exhibit 31.1

CERTIFICATION

I, Chris G. Mazzini, certify that:

1. I have reviewed this report on Form 10-Q of Spindletop Oil & Gas Co.;
2. Based on my knowledge, this 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13-15(e) and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) 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

## Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
- (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures as of the end of the period covered by this report based on such evaluation; and
- (D) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

- 20 -

5. The registrant's other certifying officers 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 (or persons performing the equivalent functions):

- (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 controls.

Dated: November 15, 2010

/s/ Chris G. Mazzini  
CHRIS G. MAZZINI  
President, Chief Executive Officer

- 21 -

Exhibit 31.2

CERTIFICATION

I, Robert E. Corbin, certify that:

1. I have reviewed this report on Form 10-Q of Spindletop Oil & Gas Co.;
2. Based on my knowledge, this 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13-15(e) and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

Edgar Filing: SPINDLETOP OIL & GAS CO - Form 10-Q

- (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures as of the end of the period covered by this report based on such evaluation; and
- (D) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

- 22 -

5. The registrant's other certifying officers 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 (or persons performing the equivalent functions):

- (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 controls

Dated: November 15, 2010.

/s/ Robert E. Corbin  
ROBERT E. CORBIN  
Controller, Principal Financial Officer

- 38 -

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 Spindletop Oil & Gas Co. (the "Company"), on Form 10-Q for the quarter ended September 30, 2010 as filed with the Securities Exchange Commission on the date hereof (the "Report"), the undersigned Principal Executive Officer and Principal Financial Accounting Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: November 15, 2010

/s/ Chris G. Mazzini  
CHRIS G. MAZZINI  
President, Principal Executive Officer

/s/ Robert E. Corbin  
ROBERT E. CORBIN  
Controller, Principal Financial and  
Accounting Officer

- 24 -