

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

SPINDLETOP OIL & GAS CO  
Form 10-Q  
November 16, 2009

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, 2009

or

TRANSITION REPORT PURSUANT OT 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  
(State or other jurisdiction  
of incorporation or organization)

75-2063001  
I.R.S. Employer Identification No.)

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

75230  
(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

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

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

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	7,620,803
(Class)	(Outstanding at November 16, 2009)

- 2 -

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

FORM 10-Q

For the quarter ended September 30, 2009

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, 2009 (Unaudited) and December 31, 2008	4-5
Consolidated Statements of Operations (Unaudited) Nine Months Ended September 30, 2009 and 2008 and Three Months Ended September 30, 2009 and 2008	6
Consolidated Statements of Cash Flows (Unaudited) Nine Months Ended September 30, 2009 and 2008	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	15
Item 6. - Exhibits	16

- 3 -

Part I - Financial Information

Item 1. - Financial Statements

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

As of  
-----

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

	September 30 2009 (Unaudited)	December 31 2008
	-----	-----
ASSETS		
Current Assets		
Cash	\$10,563,000	\$10,468,000
Accounts receivable, trade	804,000	1,510,000
Prepaid income tax	356,000	-
	-----	-----
Total Current Assets	11,723,000	11,978,000
	-----	-----
Property and Equipment, at cost		
Oil and gas properties (full cost method)	14,190,000	13,633,000
Rental equipment	399,000	399,000
Gas gathering systems	145,000	145,000
Other property and equipment	182,000	170,000
	-----	-----
	14,916,000	14,347,000
Accumulated depreciation and amortization	(7,899,000)	(7,007,000)
	-----	-----
Total Property and Equipment, net	7,017,000	7,340,000
	-----	-----
Real Estate Property, at cost		
Land	688,000	688,000
Commercial office building	1,580,000	1,580,000
Accumulated depreciation	(375,000)	(300,000)
	-----	-----
Total Real Estate Property, net	1,893,000	1,968,000
	-----	-----
Other Assets	3,000	3,000
	-----	-----
Total Assets	\$20,636,000	\$21,289,000
	=====	=====

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 2009 (Unaudited)	December 31 2008
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable, current portion	\$ 120,000	\$ 120,000
Accounts payable and accrued liabilities	3,763,000	3,788,000
Income tax payable	-	44,000
Tax savings benefit payable	97,000	97,000

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

Total current liabilities	3,980,000	4,049,000
<hr/>		
Noncurrent Liabilities		
Notes payable, long-term portion	990,000	1,080,000
Asset retirement obligation	745,000	667,000
	<hr/>	<hr/>
	1,735,000	1,747,000
	<hr/>	<hr/>
Deferred income tax payable	2,257,000	2,457,000
	<hr/>	<hr/>
Total Liabilities	7,972,000	8,253,000
<hr/>		
Shareholders' Equity		
Common stock, \$.01 par value; 100,000,000 shares authorized; 7,677,471 shares issued and 7,620,803 shares outstanding at September 30, 2009; 7,677,471 shares issued and 7,610,803 shares outstanding at December 31, 2008.	77,000	77,000
Additional paid-in capital	889,000	874,000
Treasury Stock	(27,000)	(32,000)
Retained earnings	11,725,000	12,117,000
	<hr/>	<hr/>
Total Shareholders' Equity	12,664,000	13,036,000
	<hr/>	<hr/>
Total Liabilities and Shareholders' Equity	\$20,636,000	\$21,289,000
	<hr/> <hr/>	<hr/> <hr/>

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 2009	Sept 30 2008	Sept 30 2009	Sept 30 2008
	<hr/>		<hr/>	
Revenues				
Oil and gas revenue	\$ 3,510,000	\$10,460,000	\$ 1,064,000	\$ 4,071,000
Revenue from lease operations	254,000	186,000	81,000	80,000
Gas gathering, compression and Equipment rental	145,000	139,000	50,000	65,000
Real estate rental income	378,000	383,000	126,000	126,000
Interest income	157,000	181,000	46,000	84,000
Other	174,000	96,000	23,000	56,000
	<hr/>		<hr/>	
Total revenue	4,618,000	11,445,000	1,390,000	4,482,000
	<hr/> <hr/>		<hr/> <hr/>	

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

Expenses				
Lease operations	1,677,000	2,609,000	620,000	963,000
Pipeline and rental operations	27,000	27,000	12,000	19,000
Real estate operations	141,000	181,000	46,000	38,000
Depreciation, depletion and amortization	967,000	571,000	358,000	199,000
Asset retirement obligation accretion	29,000	18,000	10,000	6,000
General and administrative	2,338,000	2,063,000	759,000	730,000
Interest expense	44,000	60,000	8,000	20,000
	-----	-----	-----	-----
Total expenses	5,223,000	5,529,000	1,813,000	1,975,000
	-----	-----	-----	-----
Income (Loss) before income tax	(605,000)	5,916,000	(423,000)	2,507,000
	-----	-----	-----	-----
Current tax provision (benefit)	(14,000)	1,720,000	(14,000)	859,000
Deferred tax provision (benefit)	(199,000)	324,000	(139,000)	(30,000)
	-----	-----	-----	-----
	(213,000)	2,044,000	(153,000)	829,000
	-----	-----	-----	-----
Net Income (Loss)	\$ (392,000)	\$ 3,872,000	\$ (270,000)	\$ 1,678,000
	=====	=====	=====	=====
Earnings (Loss) per Share of Common Stock				
Basic and diluted	\$ (.05)	\$ 0.51	\$ (.04)	\$ 0.22
	=====	=====	=====	=====
Weighted Average Shares Outstanding				
Basic and diluted	7,617,177	7,610,803	7,620,803	7,610,803
	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

- 6 -

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

	Nine Months Ended	
	Sept 30 2009	Sept 30 2008
	-----	-----
Cash Flows from Operating Activities		
Net Income (Loss)	\$ (392,000)	\$ 3,872,000
Reconciliation of net income to net cash provided by Operating Activities		
Depreciation, depletion and amortization	967,000	571,000
Changes in asset retirement obligation	29,000	234,000
Employee compensation paid with treasury stock	20,000	-
Changes in accounts receivable	706,000	(60,000)
Changes in prepaid income taxes	(356,000)	-
Changes in accounts payable	(25,000)	557,000
Changes in current taxes payable	(44,000)	821,000
Changes in deferred tax payable	(200,000)	324,000
Other	-	(1,000)
	-----	-----
Net cash provided by operating activities	705,000	6,318,000
	-----	-----

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

Cash flows from Investing Activities		
Capitalized acquisition, exploration and development costs	(508,000)	(480,000)
Purchase of property and equipment	(12,000)	(1,000)
Capitalized tenant improvements	-	(39,000)
	-----	-----
Net cash used for investing activities	(520,000)	(520,000)
	-----	-----
Cash Flows from Financing Activities		
Decrease in notes payable	(90,000)	(90,000)
	-----	-----
Net cash used for Financing activities	(90,000)	(90,000)
	-----	-----
Increase in cash	95,000	5,708,000
Cash at beginning of period	10,468,000	6,325,000
	-----	-----
Cash at end of period	\$10,563,000	\$12,033,000
	=====	=====
Interest paid in Cash	\$ 36,000	\$ 60,000
	=====	=====
Income taxes paid	\$ 400,000	\$ 900,000
	=====	=====

The accompanying notes are an integral part of these statements.

- 7 -

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 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, 2008 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

### 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 percentage as adjusted by management based on their assessment of current business activities. It is at least reasonably possible that the depletion percentage estimate will change in the near term.

### 3. COMMON STOCK

Effective April 9, 2009, the Company issued 10,000 shares of restricted common stock to a key employee pursuant to an employment package. The shares were valued at \$2.00 per share, the believed market value for free trading shares at the time of issue. The amount was expensed as general and administrative expense. The shares of common stock were issued out of Treasury Stock and

- 8 -

reduced the amount of the Company's common stock held in Treasury from 66,668 to 56,668 shares.

### 4. NEWLY ISSUED ACCOUNTING STANDARDS

In June, 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Codification 105 ("ASC-105") "Generally Accepted Accounting Principles" an amendment based on Statement of Financial Accounting Standard No. 168 "the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles". This amendment establishes the "FASB Accounting Standards Codification" ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification is effective for interim and annual periods ending on or after September 15, 2009.

The FASB has issued several pronouncements which became effective subsequent to December 31, 2008. Management has reviewed these pronouncements and does not believe their adoption will have a material effect on the Company's consolidated financial statements.

### 5. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The Company has evaluated all such events occurring subsequent to the balance sheet date herein of September 30, 2009 and through the issuance date of November 16, 2009. The effects of all subsequent events that provided additional evidence about conditions that existed at the date of the balance sheet, including estimates, if any, have been recognized in the accompanying Consolidated Balance Sheets and Consolidated Statements of Operations as of and for the three-month and nine-month periods ended September 30, 2009. The Company did not recognize subsequent events that provided evidence about conditions that arose after the balance sheet date.



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

### 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

- 9 -

"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.

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, 2008 (the "Form 10-K").

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

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

### Results of Operations

Nine months ended September 30, 2009 compared to nine months ended  
-----  
September 30, 2008  
-----

Oil and gas revenues for the first nine months of 2009 were \$3,510,000, a decrease of \$6,950,000 or 66% from revenues of \$10,460,000 during the same period in 2008.

- 10 -

Natural gas revenues for the first nine months of 2009 were \$2,584,000 compared to \$8,727,000 for the same period in 2008, a decrease of \$6,143,000, or 70%. Natural gas volumes for the first nine months of 2009 were approximately 651,000 mcf compared to approximately 946,000 mcf during the first nine months of 2008, a decrease of approximately 295,000 mcf, or 31%. The decrease in volume between periods was due to a decline in production. The Company drilled six horizontal Barnett Shale wells that started producing during the fourth quarter of 2007 which were still in their peak initial production during 2008. The production from these wells has declined in the last several months, resulting in lower total production during the first nine months of 2009.

Average natural gas prices received were approximately \$3.49 per mcf during the first nine months of 2009 as compared to approximately \$9.23 per mcf in the first nine months of 2008, a decrease of approximately \$5.74 per mcf or 62%. This decrease in the average sales price was a result of the overall decline in natural gas prices experienced across the industry which peaked in June of 2008 and then steadily declined throughout the third and fourth quarters of 2008. Average natural gas prices have continued to decline since January of 2009, and are significantly lower than in the previous year.

Oil sales for the first nine months of 2009 were approximately \$926,000 compared to approximately \$1,733,000 in the first nine months of 2008, a decrease of approximately \$807,000 or 47%. Oil volumes for the first nine months of 2009 were approximately 18,600 bbls compared to approximately 19,000 bbls during the first nine months of 2008, a decrease of approximately 400 bbls, or 2%.

Average oil prices received were \$49.89 per bbl in the first nine months of 2009 compared to \$91.46 per bbl in the first nine months of 2008, a decrease of approximately \$41.57 or 45%. This decrease in the average sales price was a result of the overall decline in crude oil prices experienced across the industry which peaked in June and then steadily declined throughout the third and fourth quarters of 2008. Average crude oil prices have rebounded since January of 2009, but are significantly lower than in the previous year.

Interest income for the first nine months of 2009 was approximately \$157,000 as compared with approximately \$181,000 for the same period in 2008, a decrease of about \$24,000 or 13%. The amount of cash invested in certificates of deposits and money market accounts for the first nine months of 2009 compared to the same period in the previous year was smaller; and average interest rates were also lower in 2009 than in 2008. During the last quarter of 2008 and the first half of 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

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

bank failures.

Other income for the first nine months of 2009 was approximately \$174,000 as compared with approximately \$96,000 for the same period in 2008, an increase of approximately \$78,000. The majority of this increase was for ad valorem tax services provided by the Company to several of its leases.

-11 -

Lease operating expenses in the first nine months of 2009 were \$1,677,000 as compared to \$2,609,000 for the same period in 2008, a net decrease of approximately \$932,000, or 36%. Of this net decrease approximately \$500,000 is attributable to workover expenses incurred during the first nine months of 2008 on various wells. During the first nine months of 2009, workover expenses accounted for approximately \$105,000. Approximately \$213,000 of the net decrease is due to lower severance tax rates on our Barnett Shale wells in 2009 after the Company applied for and received a high cost severance tax exemption for these wells. The Company is deferring workovers to the extent possible until product prices rebound. Other reductions are due to net decreases in operating costs on both operated and non-operated properties.

The building utilized as the Company's corporate headquarters incurred real estate expenses during the first nine months of 2009 that were approximately \$141,000 compared to approximately \$181,000 for the same period in 2008, a decrease of \$40,000 or 22%. This decrease was a direct result of the Company negotiating a new fixed rate contract for the building's electricity beginning in November of 2008. Electricity cost for the first nine months of 2009 was \$71,000 compared to \$118,000 for the same period in 2008, a decrease of \$47,000 or 40%.

Depreciation, depletion, and amortization for the first nine months of 2009 was \$967,000 as compared to \$571,000 for the same period in 2008, an increase of \$396,000, or 69%. The Company re-evaluated its proved oil and gas reserve quantities as of December 31, 2008, and increased its depletion rate for 2008 to 8.520% of the total capitalized cost of oil and gas properties (the "full cost pot"), as compared to a rate of 5.883% used at December 31, 2007 and the first three quarters in 2008. In order to estimate the depletion for 2009 during the year, the Company has estimated an increase in the rate for 2009 of approx 0.95% from 8.52% used in the prior year to 9.47%. This increase along with an increase in the full cost pot from approximately \$10,820,000 at the end of the third quarter of 2008, to approximately \$12,273,000 at the end of the third quarter of 2009, has caused the increase in the provision for amortization of our oil and gas properties.

General and administrative costs for the first nine months of 2009 were \$2,338,000 compared to \$2,063,000 for the same period in 2008, an increase of approximately \$275,000 or 13%. This increase is due mainly to payroll costs and associated employee benefit costs. Personnel costs and benefits accounted for approximately \$2,069,000 of the total general and administrative cost in the first nine months of 2009 compared to approximately \$1,603,000 for the same period in 2008, an increase of approximately \$466,000 or 29%. This increase was offset by a reduction in the management fee payable of \$180,000. A portion of the increase in salary and benefits was due to personnel added to the Company's payroll as the result of the termination of the Management Services Contract between the Company and Giant Energy Corp on September 30, 2008. Effective October 1, 2008, Chris Mazzini and Michelle Mazzini, President and Vice President of the Company respectively, became employees of Spindletop Oil and Gas Co. which eliminated the monthly management fee.

Interest expense was approximately \$44,000 for the first nine months of 2009

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

compared to approximately \$60,000 for the same period in 2008, a decrease of approximately \$16,000 or 27%. This is due to the continued reduction of the

- 12 -

principal amount of the loan on the building as interest on the note is calculated and paid based on the unpaid balance of the loan.

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

-----  
September 30, 2008  
-----

Oil and gas revenues for the three months ended September 30, 2009 were \$1,064,000, a decrease of \$3,007,000, or 74% from revenues of \$4,071,000 for the same period in 2008.

Natural gas revenues for the third quarter of 2009 were \$744,000 compared to \$3,529,000 for the same period in 2008, a decrease of \$2,785,000, or 79%. Natural gas volumes for the third quarter of 2009 were approximately 219,000 mcf compared to approximately 333,000 mcf during the same period of 2008, a decrease of approximately 114,000 mcf, or 34%. This decrease was primarily due to the decline of production from six horizontal Barnett Shale wells that started producing during the fourth quarter of 2007 which were still in their peak initial production during 2008, but for which production has leveled out during 2009.

Average natural gas prices received were approximately \$3.35 per mcf in the third quarter of 2009 as compared to approximately \$10.59 per mcf during the same period in 2008, a decrease of approximately \$7.24, or 68%.

Oil sales for the third quarter of 2009 were approximately \$320,000 compared to approximately \$541,000 for the same period of 2008, a decrease of approximately \$221,000 or 41%. Oil volumes for the third quarter of 2009 were approximately 5,000 bbls compared to approximately 6,000 bbls during the same period of 2008, a decrease of approximately 16%.

Average oil prices received were approximately \$59.98 per bbl in the third quarter of 2009 compared to \$89.40 per bbl during the same period of 2008, a decrease of approximately \$29.42 per bbl, or 33%.

Interest income for the third quarter of 2009 was approximately \$46,000 as compared with approximately \$84,000 for the same period in 2008. The amount of cash invested in certificates of deposits and money market accounts for the third quarter of 2009 compared to the same period of 2008 was smaller; and average interest rates were also lower in 2009 than in 2008. During the last quarter of 2008 and the first half of 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 the third quarter of 2009 was approximately \$23,000 as compared with approximately \$56,000 for the same period in 2008, a decrease of approximately \$33,000, due primarily to ad valorem tax services provided by the Company to several of its leases.

- 13 -

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

Lease operating expenses in the third quarter of 2009 were \$620,000 as compared to \$963,000 for the same period in 2008, a decrease of approximately \$343,000, or 36%. Approximately \$180,000 of this net decrease is attributable to workover expenses incurred during the first nine months of 2008 on various wells. Workover expenditures incurred during the third quarter of 2009 are nominal. Approximately \$162,000 of lease operating expenses is due to lower severance tax rates on our Barnett Shale wells in 2009 after the Company applied for and received a high cost severance tax exemption for these wells. The Company is deferring workovers to the extent possible until product prices rebound. Other reductions are due to net decreases in operating costs on both operated and non-operated properties.

Real Estate expenses during the third quarter of 2009 were approximately \$46,000 compared to approximately \$38,000 for the same period in 2008, an increase of \$8,000 or 21%.

Depreciation, depletion, and amortization for the third quarter of 2009 was \$358,000 as compared to \$199,000 for the same period in 2008, an increase of \$159,000, or 80%. The Company re-evaluated its proved oil and gas reserve quantities as of December 31, 2008, and increased its depletion rate for 2008 to 8.520% of the total capitalized cost of oil and gas properties (the "full cost pot"), as compared to a rate of 5.883% used at December 31, 2007 and the first three quarters in 2008. In order to estimate the depletion for 2009 during the year, the Company has estimated an increase in the rate for 2009 of approx 0.95% from 8.52% to 9.47%. This increase along with an increase in the full cost pot from approximately \$10,820,000 at the end of the third quarter of 2008, to approximately \$12,273,000 at the end of the third quarter of 2009, has caused the increase in the provision for amortization of our oil and gas properties.

General and administrative costs for the third quarter of 2009 were \$759,000 compared to \$730,000 for the same period in 2008, an increase of \$29,000 or 4%. Personnel costs and benefits accounted for approximately \$664,000 of the total general and administrative cost in the third quarter of 2009 compared to approximately \$568,000 for the same period in 2008, an increase of approximately \$96,000 or 17%. This increase was offset by a reduction in the management fee payable of \$60,000. A portion of the increase in salary and benefits was due to personnel added to the Company's payroll as the result of the termination of the Management Services Contract between the Company and Giant Energy Corp on September 30, 2008. Effective October 1, 2008, Chris Mazzini and Michelle Mazzini, President and Vice President of the Company respectively, became employees of Spindletop Oil and Gas Co.

### 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.

- 14 -

### 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

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

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 ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

### Part II - Other Information

#### Item 5 - Other Information

During the fourth quarter of 2008, the Poston #1 well, located on our Godley North Block in Johnson County, Texas was drilled to a depth of 6,754 ft. and cased. This well has been perforated and is awaiting a pipeline connection. The Company owns a 91% working interest in this well.

Also during the fourth quarter of 2009, the Company has elected to participate for a 45% working interest in a 9,700 foot Travis Peak well that is currently being drilled in Nacogdoches County, Texas. The participation shall be on a cost basis. The operator of the well is Giant Energy Co., LP. a related entity which is owned by Chris and Michelle Mazzini.

-15 -

#### Item 6. - Exhibits

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

Exhibit Designation	Exhibit Description
-----	-----

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

- 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)
- 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

-16 -

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 16, 2009

By: /s/ Chris G. Mazzini

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

Chris G. Mazzini  
President, Chief Executive Officer

Date: November 16, 2009

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

Date: November 16, 2009

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

- 17 -

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;



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

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
- (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

- 18 -

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 16, 2009

/s/ Chris G. Mazzini

-----  
CHRIS G. MAZZINI  
President, Chief Executive Officer

- 19 -

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

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

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 16, 2009.

/s/ Robert E. Corbin

-----  
ROBERT E. CORBIN  
Controller, Principal Financial  
Officer

- 21 -

Exhibit 32.1

Officers' Section 1350 Certifications

The undersigned officers of Spindletop Oil & Gas Co., a Texas corporation (the "Company"), hereby certify that (i) the Company's Report on Form 10-Q for the quarter ended September 30, 2009 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and (ii) the information contained in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 fairly presents, in all material respects, the financial condition and results of operations of the Company, at and for the periods indicated.

Dated: November 16, 2009

/s/ Chris G. Mazzini

-----  
CHRIS G. MAZZINI  
President, Chief Executive Officer

/s/ Robert E. Corbin

-----  
ROBERT E. CORBIN  
Controller, Principal Financial  
Officer

