

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

SPINDLETOP OIL & GAS CO  
Form 10-Q  
August 14, 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 JUNE 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 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

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

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 August 14, 2009)

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

FORM 10-Q

For the quarter ended June 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 June 30, 2009 (Unaudited) and December 31, 2008	4-5
Consolidated Statements of Operations (Unaudited) Six Months Ended June 30, 2009 and 2008 and Three Months Ended June 30, 2009 and 2008	6
Consolidated Statements of Cash Flows (Unaudited) Six Months Ended June 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	14
Part II - Other Information:	
Item 1A - Risk Factors	9
Item 5. - Other Information	14
Item 6. - Exhibits	15

- 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

	June 30 2009 (Unaudited)	December 31 2008
ASSETS		
Current Assets		
Cash	\$10,758,000	\$10,468,000
Accounts receivable, trade	901,000	1,510,000
Prepaid income tax	356,000	-
Total Current Assets	12,015,000	11,978,000
Property and Equipment, at cost		
Oil and gas properties (full cost method)	14,005,000	13,633,000
Rental equipment	399,000	399,000
Gas gathering systems	145,000	145,000
Other property and equipment	170,000	170,000
	14,719,000	14,347,000
Accumulated depreciation and amortization	(7,591,000)	(7,007,000)
Total Property and Equipment, net	7,128,000	7,340,000
Real Estate Property, at cost		
Land	688,000	688,000
Commercial office building	1,580,000	1,580,000
Accumulated depreciation	(325,000)	(300,000)
Total Real Estate Property, net	1,943,000	1,968,000
Other Assets	3,000	3,000
Total Assets	\$21,089,000	\$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	
	June 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	3,802,000	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	4,019,000	4,049,000
-----		
Noncurrent Liabilities		
Notes payable, long-term portion	1,020,000	1,080,000
Asset retirement obligation	719,000	667,000
	-----	-----
	1,739,000	1,747,000
	-----	-----
Deferred income tax payable	2,397,000	2,457,000
	-----	-----
Total Liabilities	8,155,000	8,253,000
-----		
Shareholders' Equity		
Common stock, \$.01 par value; 100,000,000 shares authorized; 7,677,471 shares issued and 7,620,803 shares outstanding at June 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	11,995,000	12,117,000
	-----	-----
Total Shareholders' Equity	12,934,000	13,036,000
-----		
Total Liabilities and Shareholders' Equity	\$21,089,000	\$21,289,000
	=====	=====

The accompanying notes are an integral part of these statements.

- 5 -

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

	Six Months Ended		Three Months Ended	
	June 30	June 30	June 30	June 30
	2009	2008	2009	2008
	-----		-----	
Revenues				
Oil and gas revenue	\$ 2,446,000	\$ 6,389,000	\$ 1,292,000	\$ 3,272,000
Revenue from lease operations	173,000	106,000	92,000	59,000
Gas gathering, compression and Equipment rental	95,000	74,000	56,000	34,000
Real estate rental income	252,000	257,000	125,000	126,000
Interest income	111,000	97,000	66,000	23,000
Other	151,000	40,000	118,000	39,000
	-----	-----	-----	-----
Total revenue	3,228,000	6,963,000	1,749,000	3,553,000
	-----	-----	-----	-----

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

Expenses				
Lease operations	1,057,000	1,646,000	509,000	997,000
Pipeline and rental operations	15,000	8,000	9,000	2,000
Real estate operations	95,000	143,000	49,000	77,000
Depreciation, depletion and amortization	609,000	372,000	325,000	187,000
Asset retirement obligation accretion	19,000	12,000	9,000	6,000
General and administrative	1,579,000	1,333,000	831,000	763,000
Interest expense	36,000	40,000	18,000	20,000
	-----	-----	-----	-----
Total Expenses	3,410,000	3,554,000	1,750,000	2,052,000
	-----	-----	-----	-----
Income Before Income Tax	(182,000)	3,409,000	(1,000)	1,501,000
	-----	-----	-----	-----
Current tax provision	-	861,000	-	540,000
Deferred tax provision	(60,000)	354,000	(1,000)	(56,000)
	-----	-----	-----	-----
	(60,000)	1,215,000	(1,000)	484,000
	-----	-----	-----	-----
Net Income (Loss)	\$ (122,000)	\$ 2,194,000	\$ -	\$ 1,017,000
	=====	=====	=====	=====
Earnings (Loss) per Share of Common Stock				
Basic and diluted	\$ (.02)	\$ 0.29	\$ -	\$ 0.13
	=====	=====	=====	=====
Weighted Average Shares Outstanding				
Basic and diluted	7,615,333	7,610,803	7,615,333	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)

	Six Months Ended	
	June 30 2009	June 30 2008
	-----	-----
Cash Flows from Operating Activities		
Net Income (Loss)	\$ (122,000)	\$ 2,194,000
Reconciliation of net income to net cash provided by Operating Activities		
Depreciation, depletion and amortization	609,000	372,000
Changes in asset retirement obligation	19,000	84,000
Employee compensation paid with treasury stock	20,000	-
Changes in accounts receivable	609,000	(21,000)
Changes in prepaid income taxes	(356,000)	-
Changes in accounts payable	12,000	842,000
Changes in current taxes payable	(44,000)	363,000
Changes in deferred tax payable	(60,000)	354,000
	-----	-----
Net cash provided by operating activities	687,000	4,188,000
	-----	-----

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

Cash flows from Investing Activities		
Capitalized acquisition, exploration and development costs	(337,000)	(174,000)
Purchase of property and equipment	-	(9,000)
Capitalized tenant improvements	-	(7,000)
	-----	-----
Net cash used for investing activities	(337,000)	(190,000)
	-----	-----
Cash Flows from Financing Activities		
Decrease in notes payable	(60,000)	(60,000)
	-----	-----
Net cash used for Financing activities	(60,000)	(60,000)
	-----	-----
Increase in cash	290,000	3,938,000
Cash at beginning of period	10,468,000	6,325,000
	-----	-----
Cash at end of period	\$10,758,000	\$10,263,000
	=====	=====
Interest paid in Cash	\$ 36,000	\$ 40,000
	=====	=====
Income taxes paid	\$ 400,000	\$ 500,000
	=====	=====

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.

### 2. USE OF ESTIMATES

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

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

- 8 -

### 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.

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



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

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.

- 9 -

### Results of Operations

Six months ended June 30, 2009 compared to six months ended June 30, 2008  
-----

Oil and gas revenues for the first half of 2009 were \$2,446,000, a decrease of \$3,943,000 or 62% from revenues of \$6,389,000 during the same period in 2008.

Natural gas revenues for the first six months of 2009 were \$1,840,000 compared to \$5,194,000 for the same period in 2008, a decrease of \$3,354,000, or 65%. Natural gas volumes for the first half of 2009 were approximately 478,000 mcf compared to approximately 679,000 mcf during the first half of 2008, a decrease of approximately 201,000 mcf, or 30%. The decrease 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 six months of 2009.

Average natural gas prices received were approximately \$3.85 per mcf during the first half of 2009 as compared to approximately \$8.84 per mcf in the first half of 2008, a decrease of approximately \$4.99 per mcf or 56%. 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 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 six months of 2009 were approximately \$606,000 compared to approximately \$1,192,000 in the first six months of 2008, a decrease of approximately \$586,000 or 49%. Oil volumes for the first six months of 2009 were approximately 14,000 bbls compared to approximately 13,000 bbls during the first six months of 2008, an increase of approximately 1,000 bbls, or 8%.

Average oil prices received were \$43.57 per bbl in the first half of 2009 compared to \$96.55 per bbl in the first half of 2008, a decrease of approximately \$52.98 or 55%. 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.

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

Interest income for the first half of 2009 was approximately \$111,000 as compared with approximately \$97,000 for the same period in 2008, an increase of about \$14,000 or 14%. The amount of cash invested in certificates of deposit and money market accounts compared to the previous year was larger; however interest rates remained substantially the same. 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.

- 10 -

Other income for the first half of 2009 was approximately \$151,000 as compared with approximately \$40,000 for the same period in 2008, an increase of approximately \$111,000. Approximately \$92,000 of this amount was for ad valorem tax services provided by the Company to several of its leases.

Lease operating expenses in the first half of 2009 were \$1,057,000 as compared to \$1,646,000 for the same period in 2008, a decrease of approximately \$589,000, or 36%. Approximately \$343,000 of this decrease is attributable to workovers on various wells completed during the first six months of 2008. Approximately \$213,000 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 first six months of 2009 were approximately \$95,000 compared to approximately \$143,000 for the same period in 2008, a decrease of \$48,000 or 34%. 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 half of 2009 was \$49,000 compared to \$92,000 for the same period in 2008, a decrease of \$43,000 or 47%.

Depreciation, depletion, and amortization for the first half of 2009 was \$609,000 as compared to \$372,000 for the same period in 2008, an increase of \$237,000, or 64%. 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 \$10,566,000 at the end of the second quarter of 2008, to approximately \$12,089,000 at the end of the second quarter of 2009, has caused the increase between the two years.

General and administrative costs for the first half of 2009 were \$1,579,000 compared to \$1,333,000 for the same period in 2008, an increase of approximately \$246,000 or 18%. This increase is due mainly to payroll costs and associated employee benefit costs. Personnel costs and benefits accounted for approximately \$1,379,000 of the total general and administrative cost in the first six months of 2009 compared to approximately \$993,000 for the same period in 2008, an increase of approximately \$386,000 or 39%. This increase was offset by a reduction in the management fee payable of \$120,000. 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

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

Vice President of the Company respectively, became employees of Spindletop Oil and Gas Co.

Interest expense was approximately \$36,000 for the first half of 2009 compared to approximately \$40,000 for the same period in 2008, a decrease of approximately \$4,000. This is due to the continued reduction of the 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.

- 11 -

Three months ended June 30, 2009 compared to three months ended June 30, 2008  
-----

Oil and gas revenues for the three months ended June 30, 2009 were \$1,292,000, a decrease of \$1,980,000, or 61% from revenues of \$3,272,000 for the same period in 2008.

Natural gas revenues for the second quarter of 2009 were \$858,000 compared to \$2,549,000 for the same period in 2008, a decrease of \$1,691,000, or 66%. Natural gas volumes for the second quarter of 2009 were approximately 288,000 mcf compared to approximately 312,000 mcf during the same period of 2008, a decrease of approximately 24,000 mcf, or 8%. This decrease was due primarily 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 \$3.92 per mcf in the second quarter of 2009 as compared to approximately \$10.20 per mcf during the same period in 2008, a decrease of approximately \$6.28, or 62%.

Oil sales for the second quarter of 2009 were approximately \$434,000 compared to approximately \$723,000 for the same period of 2008, a decrease of approximately \$289,000 or 40%. Oil volumes for the second quarter of 2009 were approximately 7,500 bbls compared to a similar production of approximately 6,500 bbls during the same period of 2008.

Average oil prices received were approximately \$49.60 per bbl in the second quarter of 2009 compared to \$110.26 per bbl during the same period of 2008, a decrease of approximately \$60.66 per bbl, or 55%.

Interest income for the second quarter of 2009 was approximately \$66,000 as compared with approximately \$23,000 for the same period in 2008. The amount of cash invested in certificates of deposit compared to the previous year was slightly larger during the second quarter of 2009 compared to the previous year, however interest rates remained substantially the same. 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 second quarter of 2009 was approximately \$118,000 as compared with approximately \$39,000 for the same period in 2008, an increase of approximately \$79,000 due primarily to ad valorem tax services provided by the Company to several of its leases.

Lease operating expenses in the second quarter of 2009 were \$509,000 as compared to \$997,000 for the same period in 2008, a decrease of approximately \$488,000, or 49%. Approximately \$275,000 of this decrease is attributable to

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

Workovers completed in 2008 on various wells. Approximately \$162,000 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

- 12 -

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 second quarter of 2009 were approximately \$49,000 compared to approximately \$77,000 for the same period in 2008, a decrease of \$28,000 or 36%. 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 second quarter of 2009 was \$24,000 compared to \$45,000 for the same period in 2008, a decrease of \$21,000 or 47%.

Depreciation, depletion, and amortization for the second quarter of 2009 was \$325,000 as compared to \$187,000 for the same period in 2008, an increase of \$138,000, or 74%. 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 \$10,566,000 at the end of the second quarter of 2008, to approximately \$12,089,000 at the end of the second quarter of 2009, has caused the increase for the second quarter of both years.

General and administrative costs for the second quarter of 2009 were \$831,000 compared to \$763,000 for the same period in 2008, an increase of \$68,000 or 9%. Personnel costs and benefits accounted for approximately \$684,000 of the total general and administrative cost in the second quarter of 2009 compared to approximately \$548,000 for the same period in 2008, an increase of approximately \$136,000 or 25%. 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.

- 13 -

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

### 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 ended June 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.

- 14 -

#### Item 6. - Exhibits

The following exhibits are filed herewith or incorporated by reference as

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

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)
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

- 15 -

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.

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

(Registrant)

Date: August 14, 2009

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

Date: August 14, 2009

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

Date: August 14, 2009

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

- 16 -

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;

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

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
- (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

- 17 -

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: August 14, 2009



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

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

- 18 -

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:

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

- (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

- 19 -

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: August 14, 2009.

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

- 20 -

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 June 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 June 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: August 14, 2009

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

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

