

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

## FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

For the fiscal year ended December 31, 2000 Commission File No. 0-18774

### Spindletop Oil & Gas Co.

(Exact name of registrant as specified in its charter)

Texas  
(State or other jurisdiction  
of incorporation or organization)

75-2063001  
(IRS Employer or ID #)

9319 LBJ, Frwy., #205 Dallas, TX  
(Address of principal executive offices)

75243  
(Zip Code)

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

**Securities registered pursuant to Section 12(b) of the Act:**

None

**Securities registered pursuant to Section 12(g) of the Act:**

Common Stock par value \$0.01 per share  
(Title of Class)

Indicate by check mark whether the Company (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 X NO

As of March 31, 2001, 7,525,804 shares of the Company's common stock were issued and outstanding, and the aggregate market value of the voting stock held by non-affiliates of the company as of that date is not determinable since no significant public trading market has been established for the Company's common stock.

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#### PART I

##### Item 1. Description of Business.

(a) General Business Development. Spindletop Oil & Gas Co. is engaged in the exploration, development and production of oil and natural gas; the rental of oilfield equipment; and through one of its subsidiaries, the gathering and marketing of natural gas. The term "Company" is used herein to refer to Spindletop Oil & Gas Co. and its wholly owned subsidiaries, Prairie Pipeline Co. ("PPL") and Spindletop Drilling Company ("SDC").

The net crude oil and gas reserves of the Company as of December 31, 2000, were 18,971 barrels of oil and condensate and 2,833,123 MCF (thousand cubic feet) of natural gas. The Company owns rental equipment, including natural gas compressors, pumping units, natural gas dehydrators and other various pieces of oilfield production equipment. In addition, the Company, through PPL, owns approximately 26.1 miles of pipelines located in Texas, which are used for the gathering of natural gas. The Company's principal executive offices are located at 9319 LBJ Freeway, Suite #205, Dallas, Texas. The telephone number is (972)644-2581.

#### BACKGROUND

The Company is a Texas Corporation. The Company was previously known as Prairie States Energy Co. ("PSE"). On July 13, 1990, Spindletop Oil & Gas Co., a Utah Corporation, ("SOG UTAH") merged into PSE, and the name of PSE was changed to Spindletop Oil & Gas Co., the Company herein.

The Company was originally incorporated in Colorado as Mid-America Drilling & Exploration, Inc., on August 9, 1978 as a wholly-owned subsidiary of Mid-America Petroleum, Inc. ("MAP"). The principal business of the Company at that time was contract drilling of oil and gas wells. The initial public offering of the Company occurred by prospectus dated December 13, 1979. In January 1981, the shares of the Company owned by MAP were distributed as a dividend to the shareholders of MAP. The Company's name was changed to Prairie States Exploration, Inc. on March 15, 1983. Prairie States Exploration, Inc. became insolvent in late 1983, and filed for protection under Chapter 11 of the Bankruptcy Code on December 14, 1983.

Prairie States Exploration, Inc. was successfully reorganized under Chapter 11 of the Bankruptcy Code, and the Bankruptcy Court approved the plan of reorganization on September 9, 1985. Pursuant to the Plan, the Company merged into a wholly-owned subsidiary, Prairie States Energy Co., a Texas Corporation. The Plan of Reorganization was proposed and funded by Paul E. Cash.

Since the reorganization, the Company has engaged in the general oil and gas business, including exploration, development, and production of oil and gas, the rental of oilfield production equipment and the ownership and construction and operation of pipelines for the gathering and marketing of natural gas. SOG Utah was incorporated on August 15, 1975 as Main Street Equities, Inc., a Utah corporation. SOG Utah sold 5,000,000 shares of common stock in a public offering in 1976. Until 1981, the business of the company consisted of minor real estate operations. In October 1981 the name was changed to Aledo Oil and Gas Company and in January 1983 the name was changed to Spindletop Oil & Gas Co.

The name "Spindletop" has been used by Paul E. Cash since 1975 in conjunction with several previous oil and gas businesses in which he was engaged.

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On July 13, 1990, SOG Utah was merged into PSE, and the name of the surviving company was changed to Spindletop Oil & Gas Co., a Texas corporation. In the merger, each shareholder of PSE received one-half share of the common stock of the surviving company, the Company, for each share of PSE owned prior to the merger. Each shareholder of SOG Utah received one and one-half shares of the common stock of the surviving company, for each share of SOG Utah owned prior to the merger. After the merger, the Company had outstanding 44,922,564 shares of common stock, 32,255,195 of which were owned by the shareholders of PSE and 12,667,369 by shareholders of SOG Utah. Shares issued to the former shareholders of SOG Utah have not been registered with the Securities and Exchange Commission but according to Rule 144-K these shares would automatically become free trading three years from date of issuance. The Company's management believes that all shares issued to the former shareholders of SOG Utah are now free trading in accordance with Rule 144-K. On January 31, 1997, the Company effected a one for six reverse stock split. The Company reduced the authorized common shares from 150,000,000 to 100,000,000 and increased the par value from \$.001 to \$.01 per share.

Pursuant to a Stock Purchase Agreement dated December 1, 1999 between Paul E. Cash (Mr. Cash) and Giant Energy Corp., (Giant) a Texas Corporation, on December 1, 1999, Giant purchased controlling interest in Spindletop Oil & Gas Co.

Giant purchased 5,860,889 shares of the Registrant's outstanding Common Stock from Mr. Cash. After the transaction, Giant Energy owns 77.88 percent of the Registrant's 7,525,804 shares of outstanding Common Stock. Giant Energy acquired the above shares for \$490,000 cash. Chris Mazzini, President of the Company, is sole owner of Giant.

Prior to the Stock Purchase Agreement, control of the Registrant was held by Mr. Cash, who owned 81.98 percent of the Registrant's outstanding Common Stock. Prior to the transaction Mr. Cash was President

and Chairman of the Board of the Registrant. After the transaction, Mr. Cash resigned as President and Chairman of the Board of Registrant, but he will remain a director of Registrant.

On December 1, 1999, Registrant acquired oil and gas properties and equipment from Mr. Cash and Double River Investment Co. (owned 100% by Mr. Cash) for a total purchase price of \$460,885.04.

#### **PLAN OF OPERATION**

In 1995 the Company successfully concentrated its efforts on oil and gas property acquisitions. With increased competition for oil and gas property acquisitions and with a corresponding increase in oil and gas prices, the Company, in 1996, returned its focus to its primary business of oil and gas exploration and production. The Company's long-term strategy is to build an oil and gas production company through an exploration program. Additionally, the Company will continue to rework existing wells in an attempt to increase production and reserves.

The Company will continue to generate and evaluate prospects using its own staff. The Company intends to fund operations primarily from cash flow generated by operations. The Company's primary area of operation has been and will continue to be in Texas with an emphasis in the geological provinces known as the Ft. Worth Basin in Texas.

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The Company will attempt to expand its pipeline system. Expansion will be dependent upon success in its exploration programs, since the majority of its existing pipelines are connected to wells which the Company operates. In addition, the oilfield rental equipment and compression business will be expanded as needed, but this segment also depends upon the success of the exploration and development program.

The Company in 1996 expanded its current pipeline system by 6.7 miles by acquiring, at no cost, a pipeline system in Hood County, Texas. The Company sold this pipeline in 1998 for a price of \$30,000.

(b) Financial information relating to Industry Segments The Company has two identifiable business segments: exploration, development and production of oil and natural gas, and gas gathering and oil field equipment rental. Footnote 15 to the Consolidated Financial Statements filed herein sets forth the relevant information regarding revenues, income from operations and identifiable assets for these segments.

(c) Narrative Description of Business The Company and SDC are engaged in the exploration, development and production of oil and natural gas, and the rental of oil and gas production equipment. PPL is engaged in the gathering and marketing of natural gas.

(i) Principal Products, Distribution and Availability. The principal products marketed by the Company are crude oil and natural gas which are sold to major oil and gas companies, brokers, pipelines and distributors, and oil and gas properties which are acquired and sold to oil and gas development entities. Reserves of oil and gas are depleted upon extraction, and the Company is in competition with other entities for the discovery of new prospects.

The Company is also engaged in the gathering and marketing of natural gas through its subsidiary PPL. The Company owns 26.1 miles of pipelines and currently gathers approximately 697 MCF of gas per day. Gas is gathered for a fee. Substantially all of the gas gathered by the Company is gas produced from wells which the Company operates and in which it owns a working interest.

The Company is also engaged in the business of rental of oilfield production equipment. The equipment is comprised of pumping units, compressors, gas dehydrators and related production equipment. Substantially all of such equipment is located on wells which the Company operates and in which it owns a working interest.

(ii) Patents, Licenses and Franchises. Oil and gas leases of the Company are obtained from the owner of the mineral estate. The leases are generally for a primary term of 1 to 5 years, and in some instances as long as 10 years, with the provision that such leases shall be extended into a secondary term and will continue during such secondary term as long as oil and gas are produced in commercial quantities or other operations are conducted on such leases as provided by the terms of the leases. It is generally required that a delay rental be paid on an annual basis during the primary term of the lease unless the lease is producing. Delay rentals are normally \$1.00 to \$5.00 per net mineral acre.

The Company currently holds interests in producing and non-producing oil and gas leases. The existence of the oil and gas leases and the terms of the oil and gas leases are important to the business of the Company because future additions to reserves will come from oil and gas leases currently owned by the Company, and others that may be acquired, when they are proven to be productive. The Company is continuing to purchase oil and gas leases in areas where it currently has production, and also in other areas.

(iii) Seasonality. The Company's oil and gas activities generally are conducted on a year round basis with only minor interruptions caused by weather.

(iv) Working Capital Items. The Company finances the majority of its operations, including the purchase of oil and gas leases, the development of wells, the construction of pipelines and acquisition of oil field rental equipment from its internal working capital as well as some borrowings.

(v) Dependence on Customers. The following is a summary of significant purchasers of the oil and natural gas produced by the Company for the three year period ended December 31, 1999:

Purchaser -----	December 31, Percent (1)		
	2000	1999	1998
TXU Processing/Cantera Resources	23%	15%	13%
Mitchell Marketing Co.	24%	23%	22%

(1) Percent of total oil and gas sales

In the past The Company sold gas under long term contracts to TXU Processing, formerly called Lone Star Gas Company its affiliates (now Cantera Resources). Such contracts are no longer in effect. Gas previously marketed under those contracts is now sold to other parties under market sensitive, short-term contracts computed on a month to month basis.

Mitchell purchases gas at spot prices which are market sensitive and computed on a monthly basis.

(vi) Competition. Numerous entities and individuals, many of whom have far greater financial and other resources than the Company, are active in the exploration for and production of oil and gas. Substantial competition exists for leases, prospects and equipment, all of which are necessary for successful operations. Competition is focused primarily on the discovery of new prospects, which can be developed and made productive.

The market prices received for the Company's products depend on a number of factors beyond the control of the Company, including consumer demand, worldwide availability, transportation facilities, and United States and foreign government regulation of exports, imports, production and prices. Widely fluctuating

prices for oil and gas over recent years, have had a direct effect on the profitability of the Company's operations.

(vii) Development Activities. The Company's primary oil and gas prospect acquisition efforts have been in known producing areas in the United States with emphasis devoted to Texas.

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The Company intends to use a portion of its available funds to participate in drilling activities. Any drilling activity is performed by independent drilling contractors. The Company does not refine or otherwise process its oil and gas production.

Exploration for oil and gas is normally conducted with the Company acquiring undeveloped oil and gas prospects, and carrying out exploratory drilling on the prospect with the Company retaining a majority interest in the prospect. Interests in the property are sometimes sold to key employees and associated companies at cost. Also, interests may be sold to third parties with the Company retaining an overriding royalty interest, carried working interest, or reversionary interest.

A prospect is a geographical area designated by the Company for the purpose of searching for oil and gas reserves and reasonably expected by it to contain at least one oil or gas reservoir. The Company utilizes its own funds to acquire oil and gas leases covering the lands comprising the prospects. These leases are selected by the Company and are obtained directly from the landowners, as well as from landmen, geologists, other oil companies, some of whom may be affiliated with the Company, and by direct purchase, farm-in, or option agreements. After an initial test well is drilled on a property, any subsequent development of such prospect will normally require the Company's participation for the development of the discovery.

(viii) Environmental Regulation. The Company's oil and gas exploration and production activities are subject to Federal, State and environmental quality and pollution control laws and regulations. Such regulations restrict emission and discharge of wastes from wells, may require permits for the drilling of wells, prescribe the spacing of wells and rate of production, and require prevention and clean-up of pollution.

Although the Company has not in the past incurred substantial costs in complying with such laws and regulations, future environmental restrictions or requirements may materially increase the Company's capital expenditures, reduce earnings, and delay or prohibit certain activities. However, such restrictions and requirements would also apply to the Company's competitors, and it is unlikely that compliance by the Company would adversely affect the Company's competitive position.

(ix) Additional Government Regulation. In addition to environmental regulations, the production and sale of oil and gas is subject to regulation by Federal, State and local governmental authorities and agencies. Such regulations encompass matters such as the location and spacing of wells, the prevention of waste, the rate of production, the sale price of certain oil and gas, conservation, and safety.

#### Oil Price Regulation

Historically, regulatory policy affecting crude oil pricing was derived from the Emergency Petroleum Allocation Act of 1973, as amended, which provided for mandatory crude oil price controls until June 1, 1979, and discretionary controls through September 30, 1981. On April 5, 1979, President Carter directed the Department of Energy to complete administrative procedures designed to phase out, commencing June 1, 1979, price controls on all domestically produced crude oil by October 1, 1981. However, on January 28, 1981, President Reagan ordered the elimination of remaining federal controls on domestic oil production, effective immediately. Consequently, oil may currently be sold at unregulated prices.

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### Gas Price Regulation.

The Natural Gas Act of 1938 ("NGA") regulates the interstate transportation and certain sales for resale of natural gas. The Natural Gas Policy Act of 1978 ("NGPA") regulates the maximum selling prices of certain categories of gas, whether sold in so-called "first sales" in interstate or intrastate commerce. These statutes are administered by the Federal Energy Regulatory Commission ("FERC"). The NGPA established various categories of natural gas and provided for graduated deregulation of price controls for first sales of several categories of natural gas. With certain exceptions, all price deregulation contemplated under the NGPA as originally enacted in 1978 has already taken place. Under current market conditions, deregulated gas prices under new contracts tend to be substantially lower than most regulated price ceilings prescribed by the NGPA.

On July 26, 1989, the Natural Gas Wellhead Decontrol Act of 1989 ("Decontrol Act") was enacted. The Decontrol Act amended the NGPA to remove as of July 27, 1989 both price and non-price controls from natural gas not subject to a first sale contract in effect on July 26, 1989. The Decontrol Act also provided for the phasing out of all price regulation under the NGPA by January 1, 1993.

(x) Special Tax Provisions. See footnote 7 to Consolidated Financial Statements

(xi) Employees. The Company employs a total of 5 people. All are full-time employees.

(d) Financial information about foreign and domestic operations and export sales.

All of the Company's business is conducted domestically, with no export sales.

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## Item 2. Properties

### Oil and Gas Properties.

The following table sets forth pertinent data with respect to the Company-owned oil and gas properties, all located within the continental United States, as estimated by the Company:

	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
Gas and Oil Properties (net) (1):			
Proved Developed Gas Reserves-MCF (2)	2,204,137	1,683,667	1,699,425
Proved Undeveloped Gas Reserves-MCF(3)	628,986	227,077	299,112
Total Proved Gas Reserves-MCF	2,833,123	1,910,744	1,998,537
Proved Developed Crude Oil and Condensate Reserves-Bbls (2)	18,971	22,562	33,920
Proved Undeveloped Crude Oil and Condensate Reserves-Bbls (3)	-	-	-
Total Proved Crude Oil and Condensate Reserves-Bbls	18,971	22,562	33,920

	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
Present Value of Estimated Future Net Revenues From Proved Reserves (4) (5):			
Developed	\$ 5,254,000	\$ 1,394,000	\$ 1,405,000
Developed and Undeveloped	7,109,000	1,604,000	1,599,000

(1) The estimate of the net proved oil and gas reserves, future net revenues, and the present value of future net revenues.

(2) "Proved Developed Oil and Gas Reserves" are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

(3) "Proved Undeveloped Reserves" are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(4) "Estimated Future Net Revenues" are computed by applying current prices of oil and gas, less the estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves.

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(5) "Present Value of Estimated Future Net Revenues" is computed by discounting the Estimated Future Net Revenues at the rate of ten percent (10%) per year in accordance with the Securities and Exchange Commission Rules and Regulations.

The Company's working interests in exploration and development wells completed during the years indicated were as follows:

	Year Ended December 31,					
	2000		1999		1998	
	Gross	Net	Gross	Net	Gross	Net
Exploratory wells:						
Productive	-	-	-	-	-	-
Non-Productive	-	-	-	-	-	-
	----	----	----	----	----	----
Total	-	-	-	-	-	-
	----	----	----	----	----	----
Development wells:						
Productive	-	-	-	-	-	-
Non-Productive	-	-	-	-	-	-
	----	----	----	----	----	----
Total	-	-	-	-	-	-
	====	====	====	====	====	====
Total Exploratory and Development wells:						
Productive	-	-	-	-	-	-
Non-Productive	-	-	-	-	-	-
	----	----	----	----	----	----
Total	-	-	-	-	-	-
	====	====	====	====	====	====

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The following tables set forth additional data with respect to production from Company-owned oil and gas properties, all located within the continental United States:

	Year Ended December 31,				
	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----

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Oil and Gas Production (net):					
Gas-Mcf	479,769	277,834	350,566	357,166	371,074
Crude Oil and Condensate-Bbls	10,111	6,986	13,304	14,998	17,276
Average Sales Price Per Unit Produced:					
Gas-per Mcf	\$ 3.58	\$ 2.20	\$ 1.97	\$ 2.66	\$ 2.48
Crude Oil and Condensate-per Bbl.	\$ 27.37	\$ 16.70	\$ 11.97	\$ 20.29	\$ 21.16
Average Production Cost Per Equivalent Barrel (1) (2)	\$ 8.09	\$ 9.59	\$ 7.37	\$ 8.90	\$ 8.90

(1) Includes severance taxes and ad valorem taxes.

(2) Gas production is converted to equivalent barrels at the rate of six MCF per barrel, representing the estimated relative energy content of natural gas to oil.

The Company owns producing royalties and overriding royalties under properties located in Texas. The revenues from these properties is not significant.

**Current Activities - March 15, 2001:**

Gross Wells in Process of Drilling	-0-
Net Wells in Process of Drilling	-0-
Waterfloods in Process of Installation	-0-
Pressure Maintenance Operations	-0-

The Company is not aware of any major discovery or other favorable or adverse event that is believed to have caused a significant change in the estimated proved reserves since December 31, 2000.

**Office Space.**

The Company leases office space as follows:

Location Square Feet Lease Expires Dallas, Texas 3,388 April 30, 2001

**Pipelines.**

The Company owns, through its subsidiary Prairie Pipeline Co., 26.1 miles of natural gas pipelines in Parker, Palo Pinto and Eastland Counties, Texas. These pipelines are steel and polyethylene and range in size from 2 inches to 6 inches. These pipelines primarily gather natural gas from wells operated by the Company and in which the Company owns a working interest, but also for other parties.

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The Company normally does not purchase and resell natural gas, but gathers gas for a fee. The fees charged in some cases are subject to regulations by the State of Texas and the Federal Energy Regulatory Commission. Average daily volumes of gas gathered by the pipelines owned by the Company was 697, 410 and 518 MCF per day for 2000, 1999, and 1998 respectively.

**Oil Field Production Equipment.**

The Company owns various natural gas compressors, pumping units, dehydrators and various other pieces of oil field production equipment.

Substantially all of the equipment is located on oil and gas properties in which the Company owns a working interest and which are operated by the Company. The rental fees are charged as lease operating fees to each property and each owner.



### Item 3. Legal Proceedings

Neither the Registrant nor its subsidiaries nor any officers or directors is a party to any material pending legal proceedings for or against the Company or its subsidiary nor are any of their properties subject to any proceedings.

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

None

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## PART II

### Item 5. Market for the Company's Common Stock and Related Stockholder Matters.

No significant public trading market has been established for the Company's common stock. The common stock of the Company is traded on an occasional basis in the over the counter market. The Company does not believe that listings of bid and asking prices for its stock are indicative of the actual trades of its stock, since trades are made infrequently.

There is no amount of common stock that is subject to outstanding options or warrants to purchase, or securities convertible into, common stock of the Company. On January 31, 1997, the Company effected a one for six reverse stock split. At that time, the Company reduced the authorized common shares from 150,000,000 to 100,000,000 and increased the par value from \$.001 to \$.01 per share.

The approximate number of record holders of the Company's Common Stock on March 26, 2001, was 641.

The Company has not paid any dividends since its reorganization and it is not contemplated that it will pay any dividends on its Common Stock in the foreseeable future. There are no financing agreements in place which restrict payment of dividends.

The Registrant currently serves as its own stock transfer agent and registrar.

### Item 6. Selected Financial Data

The selected financial information presented should be read in conjunction with the consolidated financial statements and the related notes thereto.

	Years Ended December 31,				
	2000	1999	1998	1997	1996
Total Revenue	\$ 2,345,000	\$ 1,072,000	\$ 1,239,000	\$ 1,685,000	\$ 1,693,000
Net Income(Loss)	849,000	(271,000)	(229,000)	83,000	141,000
Earnings Per Share(1)	.11	(.04)	(.03)	.01	.02
At End of Periods					
Total Assets	2,909,000	1,843,000	1,793,000	2,225,000	2,154,000
Long-Term Debt	246,000	308,000	-	-	-

(1) After 1 for 6 stock split discussed in Note 2 to Consolidated Financial Statements.

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Liquidity and Capital Resources

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.

### **Results of Operations:**

#### 2000 Compared to 1999

Oil and gas revenues increased in 2000 due to two main factors. One, properties that the Company purchased from Paul E. Cash on December 1, 1999 were in production for the entire year of 2000. This also was the primary reason for the increase in lease operating expenses. The second reason oil and gas revenues increased was due to a dramatic increase in gas prices. An increase in oil prices also contributed to the increase.

Operator overhead decreased in 2000. Due to the purchase of properties mentioned above, the Company now owns a large percentage of those well resulting in less operator overhead billed out to outside third parties.

Interest income increased in 2000 due to the increase of cash on hand. This cash is primarily in money market accounts and certificates of deposit.

General and administrative expenses decreased in 2000. Upon the change in control of the Company at the end of 1999 there was a reduction in staff. The resulting salary reductions and related employee benefits were the primary reason that general and administrative expenses decreased.

#### 1999 Compared to 1998

Oil and gas revenues decreased in 1999 due to a decrease in both oil and gas production.

Lease operating expenses decreased in 1999. No major rework was done on existing wells as compared to prior years.

During 1999 the company invested in the stock market and experienced a loss on sale of securities.

#### 1998 Compared to 1997

Oil and gas revenues decreased primarily because of decreases in oil and gas prices. There was also a slight decrease in production.

Lease operating expenses decreased because of a sale some oil and gas properties and an overall decrease in the amount of repairs and maintenance required on existing wells in 1998.

Gas pipeline sales and gas pipeline purchases decreased because of the sale a pipeline in 1998 for \$30,000. This pipeline had been obtained at no cost. The \$30,000 gain is reflected in other income.

### **Certain Factors That Could Affect Future Operations**

Certain information contained in this report, as well as written and oral statements made or incorporated by reference from time to time by the Company and its representatives in other reports, filings with the Securities and Exchange Commission, press releases, conferences, teleconferences or otherwise, may be deemed to be 'forward-looking statements' within the meaning of Section 21E of the Securities Exchange Act of 1934 and are subject to the 'Safe Harbor' provisions of that section.

Forward-looking statements include statements concerning the Company's and management's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying such forward-looking statements. When used in this document, the words "anticipates," "estimates," "expects," "believes," "intends," "plans" and similar expressions are intended to identify such forward-looking statements. Actual results and developments could differ materially from those expressed in or implied by such statements due to these and other factors.

**Item 8. Consolidated Financial Statements and Schedules, index at page 20.**

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

The accountants for the Company are Farmer, Fuqua, Hunt & Munselle, P.C. Certified Public Accountants, who have prepared audit reports for the years ended December 31, 1998, 1999, and 2000.

There have been no disagreements between the Company and Farmer, Fuqua, Hunt & Munselle, P.C. on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant**

(a) and (b) The Directors and Executive Officers of the Company and certain information concerning them is set forth below:

Name	Age	Position
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Chris Mazzini	43	Director, President and Chairman of the Board
Michelle Mazzini	39	Director and Secretary
Paul E. Cash	68	Director

All directors hold office until the next annual meeting of the shareholders or until their successors are duly elected and qualified. Officers of the Company serve at the discretion of the board of directors.

(c) Significant employees Not applicable

(d) Family relationships Michelle Mazzini is the wife of Chris Mazzini

(e) Business experience Chris Mazzini, President graduated from the University of Texas at Arlington in 1979 with a Bachelor of Science degree in geology. Mr. Mazzini founded Giant Energy Corp (Giant) in 1985 and has served as President of Giant since then. He has worked in the oil and gas industry since 1978. He joined the Company in December 1999 when he purchased controlling interest from Mr. Cash.

Michelle Mazzini, received her Bachelor of Science Degree in Business Administration (accounting major) from the University of Southwestern Louisiana where she graduated magna cum laude in 1985. Ms. Mazzini earned her law degree from Louisiana State University where she graduated Order of the Coif in 1988. Ms. Mazzini serves as Vice President and legal counsel of Giant Energy Corp.

Paul E. Cash is a graduate of The University of Texas (B.B.A.-Accounting) and is a Certified Public Accountant. He has been active in the oil and gas industry for over 25 years, during which time he has served as financial officer of two publicly-owned companies, Texas Gas Producing Co. and Landa Oil Co., and also served as president of publicly-owned Continental American Royalty Co., Bloomfield Royalty Co., Southern Bankers Investment Co., Spindletop Oil & Gas Co. (a Utah Corporation), Double

River Oil & Gas Co., and Loch Exploration Inc. Mr. Cash has also been an officer and part owner of several private oil and gas companies and partnerships. Mr. Cash also formerly served as Mayor of the City of Sunnyvale, Texas.

(f) Involvement in certain legal proceedings. None of the directors or executive officers of the Registrant, during the past five years, has been involved in any civil or criminal legal proceedings, bankruptcy filings or has been the subject of an order, judgment or decree of any Federal or State authority involving Federal or State securities laws.

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**Item 11. Executive Compensation**

(a) Cash Compensation For the year ended December 31, 2000, Mr. Mazzini, did not take any salary from the Company. None of the Company's executive officers were paid cash compensation at an annual rate in excess of \$100,000.

(b) Compensation Pursuant to Plan. None

(c) Other Compensation Key employees of the Company, may sometimes be assigned overriding royalty interests and/or carried working interest in prospects acquired by or generated by the Company. These interests normally vary from one-half to one percent for each employee. There is no set formula or policy for such program, and the frequency and amounts are largely controlled by the economics of each particular prospect.

(d) Compensation of Directors Directors are not currently compensated nor are there plans to compensate them for their services on the board.

(e) Termination of Employment and Change of Control Arrangement There are no plans or arrangements for payment to officers or directors upon resignation or a change in control of the Registrant.

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**Item 12. Security Ownership of Certain Beneficial Owners and Management.**

(a) & (b) Security ownership of certain beneficial owners and managers The table below sets forth the information indicated regarding the ownership of the Registrant's common stock, \$.01 par value, the only outstanding voting securities, as of December 31, 1999 with respect to: (i) any person who is known to the Registrant to be the owner of more than five percent (5%) of the Registrant's common stock; (ii) the common stock of the Registrant beneficially owned by each of the directors of the Registrant and, (iii) by all officers and directors as a group. Each person has sole investment and voting power with respect to the shares indicated, except as otherwise set forth in the footnotes to the table.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES	NATURE OF BENEFICIAL OWNERSHIP	%BASED ON OUTSTANDING PERCENT OF CLASS
Chris Mazzini 9319 LBJ Frwy, Suite 205 Dallas, TX 75243	5,898,543	Direct	78%
Paul E. Cash 9319 LBJ Frwy, Suite 205 Dallas, TX 75243	308,468	Direct	4%
All officers and directors as a group	6,207,011		82%

(c) Changes in control The Company is not aware of any arrangements or pledges with respect to its securities which may result in a change in control of the Company.

**Item 13. Certain Relationships and Related Transactions (a) Transactions with management and others.**

None

**(b) Certain Business Relationships**

Key employees of the Company, may sometimes be assigned overriding royalty interests and/or carried working interests in prospects acquired by or generated by the Company. These interests normally vary from one-half to one percent for each employee. There is no set formula or policy for such program, and the frequency and amounts are largely controlled by the economics of each particular prospect.

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**Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K**  
**PART IV**

(a) The following documents filed as part of this Report

1. Independent Auditors' Report Consolidated Balance Sheets at December 31, 2000 and 1999 Consolidated Statements of Income (Loss) for the years ended December 31, 2000, 1999, and 1998 Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2000, 1999, and 1998 Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999, and 1998 Notes to Consolidated Financial Statements
2. Financial Statement Schedules required to be filed by Item 8 and Paragraph (d) of this Item 14 Schedule II Valuation and Qualifying Accounts All other schedules have been omitted because they are not applicable or required under the rules of Regulation S-X or the information has been supplied in the consolidated financial statements or notes thereto. Such schedules and reports are at page 40 of this Report.
3. The Exhibits are listed in the index of Exhibits Required by Item 601 of Regulation S-K at Item (c) below and included at page 41.

(b) No Form 8-K was filed during the period covered by this Report.

(c) The Index of Exhibits is included following the Financial Statement Schedules beginning at page 41 of this Report.

(d) The Index to Consolidated Financial Statements and Supplemental Schedules is included following the signatures, beginning at page 20 of this Report.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**SPINDLETOP OIL & GAS CO.**

**Dated March 29, 2001**

By \_\_\_\_\_  
Chris Mazzini  
President, Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following on behalf of the Company and in the capacities and on the dates indicated.

Signatures	Capacity	Date
Principal Executive Officers:		
----- Chris Mazzini	President, Director	March 29, 2001
----- Michelle Mazzini	Secretary, Director	March 29, 2001
----- Paul E. Cash	Director	March 29, 2001
Principal Accounting Officer:		
----- Gary D. Goodnight	Controller	March 29, 2001

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**SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES**  
**Index to Consolidated Financial Statements and Schedules**

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Consolidated Statements of Income (Loss) for the years ended December 31, 2000, 1999 and 1998.....	24
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Schedules for the years ended December 31, 2000, 1999 and 1998	
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All other schedules have been omitted because they are not applicable, not required, or the information has been supplied in the consolidated financial statements or notes thereto.

Board of Directors and Shareholders  
Spindletop Oil & Gas Co.

We have audited the accompanying consolidated balance sheets of Spindletop Oil & Gas Co. (a Texas Corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Spindletop Oil & Gas Co. and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the index of consolidated financial statements are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**FARMER, FUQUA, HUNT & MUNSELLE, P.C.**

Dallas, Texas  
March 27, 2001

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**SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2000	1999
	-----	-----
ASSETS		
Current Assets		
Cash	\$ 1,585,000	\$ 284,000
Accounts receivable	340,000	267,000
Accounts receivable, related parties	8,000	59,000
	-----	-----
Total Current Assets	1,933,000	610,000
	-----	-----

Property and Equipment - at cost		
Oil and gas properties (full cost method)	3,202,000	3,205,000
Rental equipment	405,000	405,000
Gas gathering systems	145,000	145,000
Other property and equipment	53,000	180,000
	-----	-----
	3,805,000	3,935,000
Accumulated depreciation and amortization	(2,829,000)	(2,714,000)
	-----	-----
	976,000	1,221,000
	-----	-----
Other Assets, net of accumulated amortization of \$101,000 at December 31,1999	-	12,000
	-----	-----
Total Assets	\$ 2,909,000	\$ 1,843,000
	=====	=====

The accompanying notes are an integral part of these statements.

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

	December 31,	
	2000	1999
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 472,000	\$ 439,000
Notes payable, related party	92,000	-
Income tax payable	60,000	-
Tax savings benefit payable	97,000	97,000
	-----	-----
Total Current Liabilities	721,000	536,000
	-----	-----
Notes payable, related party	246,000	308,000
Deferred income tax payable	94,000	-
Shareholders' Equity		
Common stock, \$.01 par value;100,000,000 shares authorized;7,525,804 shares issued and outstanding at December 31, 2000 and 1999)	75,000	75,000
Additional paid-in capital	733,000	733,000
Retained earnings	1,040,000	191,000
	-----	-----
	1,848,000	999,000
	-----	-----
Total Liabilities And Shareholders' Equity	\$ 2,909,000	\$ 1,843,000
	=====	=====

The accompanying notes are an integral part of these statements.



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**SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

	2000	Years ended December 31,	
		1999	1998
	-----	-----	-----
Revenues			
Oil and gas revenues	\$ 1,994,000	\$ 729,000	\$ 850,000
Revenue from lease operations	93,000	158,000	176,000
Gas pipeline sales	-	-	35,000
Gas gathering, compression and equipment rental	161,000	128,000	138,000
Interest income	36,000	2,000	5,000
Other	61,000	55,000	35,000
	-----	-----	-----
	2,345,000	1,072,000	1,239,000
	-----	-----	-----
Expenses			
Pipeline and rental operations	29,000	50,000	86,000
Gas pipeline purchases	-	-	19,000
Lease operations	729,000	457,000	529,000
Depreciation and amortization	244,000	207,000	260,000
General and administrative	310,000	551,000	574,000
Loss on sale of securities	-	78,000	-
Interest expense	30,000	-	-
	-----	-----	-----
	1,342,000	1,343,000	1,468,000
	-----	-----	-----
Income (Loss) Before Income Taxes	1,003,000	(271,000)	(229,000)
Current income tax provision	60,000	-	-
Deferred income tax provision	94,000	-	-
	-----	-----	-----
	154,000	-	-
	-----	-----	-----
Net Income (Loss)	\$ 849,000	\$ (271,000)	\$ (229,000)
	=====	=====	=====
Earnings (Loss) Per Share Of Common Stock	\$ 0.11	\$ (0.04)	\$ (0.03)
	=====	=====	=====
Weighted average shares outstanding	7,525,804	7,525,804	7,525,804
	=====	=====	=====

The accompanying notes are an integral part of these statements.

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**SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2000, 1999, and 1998**

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings
	-----	-----	-----	-----
Balance January 1, 1998	7,525,804	\$ 75,000	\$ 733,000	\$ 691,000
Net income	-	-	-	(229,000)
	-----	-----	-----	-----
Balance December 31, 1998	7,525,804	75,000	733,000	462,000
Net loss	-	-	-	(271,000)
	-----	-----	-----	-----
Balance December 31, 1999	7,525,804	75,000	733,000	191,000
Net income	-	-	-	849,000
	-----	-----	-----	-----
Balance December 31, 2000	7,525,804	\$ 75,000	\$ 733,000	\$ 1,040,000
	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

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**SPINDLETOP OIL & GAS CO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years ended December 31,		
	2000	1999	1998
	----	----	----
<b>Cash Flows from Operating Activities</b>			
Net Income (Loss)	\$ 849,000	\$ (271,000)	\$ (229,000)
Reconciliation of net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	244,000	207,000	260,000
Amortization of note discount	30,000	-	-
Other	10,000	(4,000)	-
(Increase) decrease in accounts receivable	(22,000)	(1,000)	137,000
(Increase) decrease in inventory	-	-	8,000
Increase in current taxes payable	60,000	-	-
Increase in deferred taxes payable	94,000	-	-
Increase (decrease) in accounts payable	33,000	13,000	(202,000)
	-----	-----	-----
Net cash provided by (used for) operating activities	1,298,000	(56,000)	(26,000)
	-----	-----	-----
<b>Cash Flows from Investing Activities</b>			
Capitalized acquisition, exploration and development costs	(61,000)	-	(188,000)
Proceeds from sale of properties	64,000	44,000	-
Proceeds from sale of other assets	-	16,000	-
Proceeds from sale of property equipment	-	-	69,000
Purchase of property and equipment	-	(8,000)	(9,000)
	-----	-----	-----
Net cash provided by (used for) investing activities	3,000	52,000	(128,000)
	-----	-----	-----

Cash Flows from Financing Activities			
Repayment of notes payable	-	-	(1,000)
Advances to shareholder	-	-	(5,000)
	-----	-----	-----
Net cash used for financing activities	-	-	(6,000)
	-----	-----	-----
Increase (decrease) in cash	1,301,000	(4,000)	(160,000)
Cash at beginning of period	284,000	288,000	448,000
	-----	-----	-----
Cash at end of period	\$ 1,585,000	\$ 284,000	\$ 288,000
	=====	=====	=====

The accompanying notes are an integral part of these statements.

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**SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. BASIS OF PRESENTATION AND ORGANIZATION**

Merger and Basis of Presentation On July 13, 1990, Prairie States Energy Co., a Texas corporation, (the Company) merged with Spindletop Oil & Gas Co., a Utah corporation (the Acquired Company). The name of Prairie States Energy Co. was changed to Spindletop Oil & Gas Co. at the time of the merger.

**Organization and Nature of Operations**

The Company was organized as a Texas Corporation in September 1985, in connection with the Plan of Reorganization (the Plan), effective September 9, 1985, of Prairie States Exploration, Inc., (Exploration), a Colorado Corporation, which had previously filed for Chapter 11 bankruptcy. In connection with the Plan, Exploration was merged into the Company, with the Company being the surviving corporation. After giving effect to the stock split discussed in Note 2, up to a total of 166,667 of the Company's common shares may be issued to Exploration's former shareholders. As of December 31, 2000, 1999, and 1998, 122,436 shares have been issued to former shareholders in connection with the Plan.

Spindletop Oil & Gas Co. is engaged in the exploration, development and production of oil and natural gas; the rental of oilfield equipment; and through one of its subsidiaries, the gathering and marketing of natural gas.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Consolidation**

The consolidated financial statements include the accounts of Spindletop Oil & Gas Co. and its wholly-owned subsidiaries, Prairie Pipeline Co. and Spindletop Drilling Company. All significant intercompany transactions and accounts have been eliminated.

**Oil and Gas Properties**

The Company follows the full cost method of accounting for its oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves are capitalized and accounted for in cost centers, on a country-by-country basis. If unamortized costs within a cost center exceed the cost center ceiling (as defined), the excess is charged to expense during the year in which the excess occurs.

Depreciation and amortization for each cost center are computed on a composite unit-of-production method, based on estimated proved reserves attributable to the respective cost center. All costs associated with oil and gas properties are currently included in the base for computation and amortization. Such costs include all acquisition, exploration and development costs. All of the Company's oil and gas properties are located within the continental United States.

Gains and losses on sales of oil and gas properties are treated as adjustments of capitalized costs. Gains or losses on sales of property and equipment, other than oil and gas properties, are recognized as part of operations. Expenditures for renewals and improvements are capitalized, while expenditures for maintenance and repairs are charged to operations as incurred.

#### Property and Equipment

The Company, as operator, leases equipment to owners of oil and gas wells, on a month-to-month basis.

The Company, as operator, transports gas through its gas gathering systems, in exchange for a fee.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (5 to 10 years for rental equipment and gas gathering systems, 4 to 5 years for other property and equipment). The straight-line method of depreciation is used for financial reporting purposes, while accelerated methods are used for tax purposes.

#### Inventory

Inventory consists of oil field materials and supplies, stated at the lower of average cost or market.

#### Goodwill

The goodwill resulting from the contingent consideration, as discussed in Note 7, is being amortized over the remaining life of the net operating loss existing at the time of the Plan discussed in Note 1, which expires in 2000.

#### Income Taxes

The Company accounts for income taxes pursuant to Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (SFAS 109), which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities, using enacted tax rates in effect in the years in which the differences are expected to reverse. The temporary differences primarily relate to depreciation, depletion and intangible drilling costs.

#### Investment Tax Credits

Investment tax credits are accounted for by the "flow-through" method which recognizes the credits as a reduction of income tax expense in the year the credit is utilized.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Stock Split

In December 1996 the Board of Directors declared a 1-for-6 reverse stock split on the Company's

common stock. The record date was January 31, 1997. All share and per share data as appropriate, reflect this split.

3. ACCOUNTS RECEIVABLE

December 31,

	2000	1999
Trade	\$ 44,000	\$ 378,000
Accrued receivable	324,000	187,000
Other	2,000	2,000
	-----	-----
	370,000	567,000
Less allowance for losses	(30,000)	(300,000)
	-----	-----
	\$ 340,000	\$ 267,000
	=====	=====

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31,

	2000	1999
Trade payables	\$ 190,000	\$ 56,000
Production proceeds payable	103,000	253,000
Accrued production taxes	-	4,000
Other	179,000	126,000
	-----	-----
	\$ 472,000	\$ 439,000
	=====	=====

5. NOTES PAYABLE-RELATED PARTY

December 31,

	2000	1999
Non-interest bearing note to Paul Cash, due in minimum monthly installments of \$3,333 beginning January, 2001, with unpaid principal due November, 2008 (\$384,000 face value less amortized discount of \$143,000 and \$120,000 at December 31, 2000 and 1999, respectively, based on an effective interest rate of 8.5%). The note is uncollateralized. (1)	264,000	241,000
Non-interest bearing note to Paul Cash, due June, 2001 (\$77,000 face value less amortized discount of \$10,000 and \$3,000 at December 31, 2000 and 1999 respectively, based on an effective interest rate of 8.5%). The note is uncollateralized.	74,000	67,000
	-----	-----
	338,000	308,000
Less current maturities	92,000	-
	-----	-----

\$ 246,000	\$ 308,000
=====	=====

(1) This non-interest bearing note is payable in monthly installments of \$3,333 or 10 percent of net oil and gas revenues, whichever is greater. Management can't possibly determine the actual monthly amounts due and payable because of variables that affect net oil and gas revenues such as price and production. For purposes of calculating the principal maturities below the Company is using the required minimum payments of \$3,333.

Principal maturities of notes payable as of December 31, 2000 are as follows:

Year Ended December 31,	Amount
-----	-----
2001	\$ 92,000
2002	20,000
2003	22,000
2004	24,000
2005	26,000
Thereafter	154,000
	-----
	\$ 338,000
	=====

## 6. RELATED PARTY TRANSACTIONS

From March 1994 until 1998, the Company provided various personnel, office space, supplies and other administrative services to a related company, Double River Oil & Gas Co. (Double River) for a fee of \$575 per month.

At December 31, 2000, and 1999, approximately \$2,000 is due from Double River.

Beginning December 1, 1999 Giant Energy charged the Company \$6,000 per month management fee. Giant Energy loaned personnel to the Company and the management fee was charged to recoup some of costs associated with work performed for the Company.

Included in the accompanying balance sheets are the following amounts related to Mr. Cash:

	2000	December 31, 1999
	-----	-----
Notes payable, non-interest bearing	\$ 338,000	\$ 308,000

## 7. INCOME TAXES

The Company accounts for income taxes pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 utilizes the liability method of computing deferred income taxes.

In connection with the Plan discussed in Note 1, the Company agreed to pay, in cash, to Exploration's unsecured creditors, as defined, one-half of the future reductions of Federal income taxes which were directly related to any allowed carryovers of Exploration's net operating losses and investment tax credits. Such payments are to be made on a pro-rata basis. Amounts incurred under this agreement, which are

considered contingent consideration under APB No. 16, totaled \$ -0-, \$ -0-, and \$-0- in 2000, 1999 and 1998, respectively, and have been recorded as goodwill. As of December 31, 2000 the Company has not received a ruling from the Internal Revenue Service concerning the net operating loss and investment credit carryovers. Until the tax savings which result from the utilization of these carryforwards is assured, the Company will not pay to Exploration's unsecured creditors any of the tax savings benefit. As of December 31, 2000 and 1999, the Company owes \$97,000 and \$97,000 respectively to Exploration's unsecured creditors.

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In calculating tax savings benefits described above, consideration was given to the alternative minimum tax, where applicable, and the tax effects of temporary differences, as shown below:

	2000	1999	1998
	-----	-----	-----
Intangible drilling costs	\$ -	\$ (4,000)	\$ (175,000)
Differences between book and tax depreciation, depletion and amortization	-	4,000	36,000

Income tax differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax income in 2000, 1999 and 1998 as a result of the following:

	2000	1999	1998
	-----	-----	-----
Computed expected tax expense	\$ 351,000	\$ -	\$ -
Miscellaneous timing differences	(18,000)	-	-
Net operating loss carryforward	(273,000)	-	-
	-----	-----	-----
	\$ 60,000	\$ -	\$ -
	=====	=====	=====

Deferred income taxes reflect the effects of temporary differences between the tax bases of assets and liabilities and the reported amounts of those assets and liabilities for financial reporting purposes. Deferred income taxes also reflect the value of net operating losses, investment tax credits and an offsetting valuation allowance. The Company's total deferred tax assets and corresponding valuation allowance at December 31, 2000 and 1999 consisted of the following:

	2000	December 31, 1999
	-----	-----
Deferred tax assets		
Net operating loss carryforwards	\$ -	\$ 209,000
Investment tax credit carryforwards	1,000	1,000
Depreciation, depletion and amortization	149,000	140,000
Other, net	7,000	7,000
	-----	-----
Total	157,000	357,000
Deferred tax liabilities		
Expired leasehold	(23,000)	-
Intangible drilling costs	(228,000)	(229,000)
	-----	-----
Net deferred tax asset	(94,000)	128,000
Less valuation allowance	-	(128,000)
	-----	-----
Net deferred tax asset (liability)	\$ (94,000)	\$ -

SFAS 109 requires that a valuation allowance be recorded against tax assets which are not likely to be realized. The Company's carryforwards expire at specific future dates and utilization of certain carryforwards is limited to specific amounts each year. However, due to the uncertain nature of their ultimate realization based upon past performance and expiration dates, the Company has established a full valuation allowance against the carryforward benefits and is recognizing the benefits only as reassessment demonstrates they are realizable. Realization is entirely dependent upon future earnings in specific tax jurisdictions. While the need for this valuation allowance is subject to periodic review, if the allowance is reduced, the tax benefits of the carryforwards arising prior to reorganization will be credited to additional paid-in capital, because they bear no relationship to current operations, while the tax benefits of carryforwards arising after reorganization will be recorded in future operations as a reduction of the Company's income tax expense.

**9. CASH FLOW INFORMATION** The Company does not consider any of its assets to meet the definition of a cash equivalent.

Net cash provided by operating activities includes cash payments for interest of \$ -0-, \$ -0- and \$ -0- in 2000, 1999, and 1998, respectively.

Excluded from the Consolidated Statements of Cash Flows were the effects of certain non-cash investing and financing activities, as follows:

	2000	1999	1998
	-----	-----	-----
Purchase of equipment for note payable	\$ -	\$ 67,000	\$ -
Purchase of oil and gas properties for note payable	-	240,000	-
Retirement of fixed assets	121,000	-	-

**10. EARNINGS PER SHARE** Earnings per share (EPS) are calculated in accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share (SFAS 128), which was adopted in 1997 for all years presented. Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS does not apply to the Company due to the absence of dilutive potential common shares. All calculations have been adjusted for the effects of the stock split discussed in Note 2. The adoption of SFAS 128 had no effect on previously reported EPS.

**11. CONCENTRATIONS OF CREDIT RISK** As of December 31, 2000, the Company had approximately \$334,000 and \$1,250,000 in checking accounts at two banks, respectively.

Most of the Company's business activity is in Texas. Accounts receivable as of December 31, 2000 and 1999 are due from both individual and institutional owners of joint interests in oil and gas wells. A portion of the Company's ability to collect these receivables is dependent upon revenues generated from sales of oil and gas produced by the related wells.

## 12. FINANCIAL INSTRUMENTS

The estimated fair value of the Company's financial instruments at December 31, 2000 and 1999 follow:

2000

1999



	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	-----	-----	-----	-----
Cash	\$ 1,585,000	\$ 1,585,000	\$ 284,000	\$ 284,000
Accounts receivable	340,000	340,000	267,000	267,000
Accounts receivable, related parties	8,000	8,000	59,000	59,000
Notes payable	338,000	338,000	308,000	308,000

The fair value amounts for each of the financial instruments listed above approximate carrying amounts due to the short maturities of these instruments.

**13. COMMITMENTS AND CONTINGENCIES** In connection with the Plan of Reorganization discussed in Note 1, the Company agreed to pay, in cash, to Exploration's unsecured creditors, as defined, one-half of the future reduction of Federal income taxes which were directly related to any allowed carryovers of Exploration's net operating losses and investment tax credits existing at the time of the reorganization. These net operating losses expired in 1998 and investment tax credits expired in 1997.

In June 1993, Spindletop Drilling Company entered into an agreement with Loch Exploration, Inc., whereby the parties agreed to combine their talents and resources to evaluate and acquire producing and non-producing oil and gas properties at various auctions. Any such properties acquired under the terms of this agreement are to be acquired by initial assignment to the Company. The Company has agreed to provide Loch with a recordable assignment of its interest, such interest to be determined by the proportionate share of monies expended for the acquisition of said properties. All costs are to be borne by the Company and Loch in the same proportions as their respective ownership interests. The Company will serve as administrator for properties acquired in connection with this agreement, and will be entitled to an overhead reimbursement for properties for which the Company serves as operator. This agreement had an initial term of six months, and continues month to month thereafter, until canceled by either party.

In March 1994, the Company entered into an agreement with PGC Gas Company, an unaffiliated entity, under terms similar to those of the agreement with Loch Exploration, Inc., described above. This agreement had an initial term of six months, to continue month to month thereafter and was cancelled in January, 2001.

The Company's oil and gas exploration and production activities are subject to Federal, State and environmental quality and pollution control laws and regulations. Such regulations restrict emission and discharge of wastes from wells, may require permits for the drilling of wells, prescribe the spacing of wells and rate of production, and require prevention and clean-up pollution.

Although the Company has not in the past incurred substantial costs in complying with such laws and regulations, future environmental restrictions or

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requirements may materially increase the Company's capital expenditures, reduce earnings, and delay or prohibit certain activities.

**14. ADDITIONAL OPERATIONS AND BALANCE SHEET INFORMATION** Certain information about the Company's operations for the years ended December 31, 2000, 1999, and 1998 follows.

**Significant Oil and Gas Purchasers**

The Company's oil sales are made on a day to day basis at approximately the current area posted price.

The loss of any oil purchaser would not have an adverse effect upon operations. The Company generally contracts to sell its natural gas to purchasers pursuant to both short-term and long-term contracts. Additionally, some of the Company's natural gas not under contract is sold at the then current prevailing "spot" price on a month to month basis. Following is a summary of significant oil and gas purchasers during the three year period ended December 31, 2000.

	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
TXU Processing/Cantera Resources and Affiliates	23%	15%	13%
Mitchell Marketing Co.	24	23	22

There are no other customers of the Company which individually accounted for more than 10% of the Company's oil and gas revenues during the three years ended December 31, 2000.

	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
Capitalized costs relating to oil and gas producing activities:			
Unproved properties	\$ -	\$ 93,000	\$ 89,000
Proved properties	3,202,000	3,112,000	2,919,000
	-----	-----	-----
Total Capitalized Costs	3,202,000	3,205,000	3,008,000
Accumulated amortization	(2,334,000)	(2,128,000)	(1,965,000)
	-----	-----	-----
	\$ 868,000	\$ 1,077,000	\$ 1,043,000
	=====	=====	=====

	Year ended December 31,		
	2000	1999	1998
	-----	-----	-----
Costs incurred in oil and gas property acquisition, exploration and development:			
Acquisition of Properties	\$ 61,000	\$ 241,000	\$ -
Exploration Costs	-	-	122,000
Development Costs	-	-	66,000
	-----	-----	-----
	\$ 61,000	\$ 241,000	\$ 188,000
	=====	=====	=====

	Year ended December 31,		
	2000	1999	1998
	-----	-----	-----
Results of operations from producing activities:			
Sales of oil and gas	\$ 1,994,000	\$ 729,000	\$ 850,000
	-----	-----	-----

Production costs	729,000	457,000	529,000
Amortization of oil and gas properties	206,000	163,000	207,000
	-----	-----	-----
	935,000	620,000	736,000
	-----	-----	-----
	\$ 1,059,000	\$ 109,000	\$ 114,000
	=====	=====	=====

	Year ended December 31,		
	2000	1999	1998
	-----	-----	-----
Sales price per equivalent Mcf	\$ 3.69	\$ 2.20	\$ 1.97
	=====	=====	=====
Production cost per equivalent Mcf	\$ 1.35	\$ 1.59	\$ 1.23
	=====	=====	=====
Amortization per equivalent Mcf	\$ .38	\$ .51	\$ .48
	=====	=====	=====
Costs incurred in gas gathering and equipment rental			
Acquisition of property and equipment	\$ -	\$ -	\$ -
	=====	=====	=====
Results of operations from gas gathering and equipment rental:			
Revenues	\$ 161,000	\$ 128,000	\$ 173,000
	-----	-----	-----
Gas pipeline purchases	-	-	19,000
Operating Expenses	29,000	50,000	86,000
Depreciation	20,000	14,000	21,000
	-----	-----	-----
	49,000	64,000	126,000
	-----	-----	-----
	\$ 112,000	\$ 64,000	\$ 47,000
	=====	=====	=====

15. BUSINESS SEGMENTS The Company's two business segments are (1) oil and gas exploration, production and operations and (2) transportation and compression of natural gas, including related equipment rental. Management has chosen to organize the Company into the two segments based on the products or services provided. The following is a summary of selected information for these segments for the three-year period ended December 31, 2000:

	2000	1999	1998
	-----	-----	-----
Revenues:(3)			
Oil and gas exploration, production and operations	\$ 2,087,000	\$ 887,000	\$ 1,026,000
Gas gathering, compression and equipment rental	161,000	128,000	173,000
	-----	-----	-----
	\$ 2,248,000	\$ 1,015,000	\$ 1,199,000
	=====	=====	=====
Depreciation, depletion and amortization expense:			

Oil and gas exploration, production and operations	\$ 206,000	\$ 163,000	\$ 207,000
Gas gathering and equipment rental	20,000	14,000	21,000
	-----	-----	-----
	\$ 226,000	\$ 177,000	\$ 228,000
	=====	=====	=====
Income from operations:			
Oil and gas exploration, production and operations	\$ 1,152,000	\$ 267,000	\$ 290,000
Gas gathering and equipment rental	112,000	64,000	47,000
	-----	-----	-----
	1,264,000	331,000	337,000
Corporate and other (1)	(415,000)	(602,000)	(566,000)
	-----	-----	-----
Consolidated net income (loss)	\$ 849,000	\$ (271,000)	\$ (229,000)
	=====	=====	=====
Identifiable assets:			
Oil and gas exploration, production and operations	\$ 868,000	\$ 1,077,000	\$ 1,043,000
Gas gathering & rental equipment	98,000	118,000	71,000
	-----	-----	-----
	966,000	1,195,000	1,114,000
Corporate and other (2)	1,943,000	648,000	679,000
	-----	-----	-----
	\$ 2,909,000	\$ 1,843,000	\$ 1,793,000
	=====	=====	=====

(1) Corporate and other includes general and administrative expenses, other non-operating income and expense and income taxes.

(2) Corporate and other includes cash, accounts and notes receivable, inventory, other property and equipment and intangible assets.

(3) All reported revenues are from external customers.

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#### 16. SUPPLEMENTARY INCOME STATEMENT INFORMATION

	2000	Charged	
		1999	1998
Maintenance and Repairs	\$ 29,000	\$ 50,000	\$ 86,000
Production taxes	102,000	41,000	45,000
Taxes, other than payroll and income taxes	9,000	12,000	23,000

17. SUPPLEMENTAL RESERVE INFORMATION (UNAUDITED) The Company's net proved oil and gas reserves as of December 31, 2000, 1999 and 1998 have been estimated by Company personnel in accordance with guidelines established by the Securities and Exchange Commission. Accordingly, the following reserve estimates were based on existing economic and operating conditions. Oil and gas prices in effect at December 31 of each year were used. Operating costs, production and ad valorem taxes and future development costs were based on current costs with no escalation.

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting the future rates of production and timing of development expenditures. The following reserve data represents estimates only and should not be construed as being exact. Moreover, the present values should not be construed as the current market value of the Company's oil and gas reserves or the costs that would be incurred to obtain equivalent reserves.

Changes in Estimated Quantities of Proved Oil and Gas Reserves:

	Oil Bbls	Gas Mcf
	-----	-----
Proved reserves:		
Balance December 31, 1997	61,646	2,421,359
Sales of reserves in place	-	(50,843)
Revisions of previous estimates	(14,422)	(21,413)
Production	(13,304)	(350,566)
	-----	-----
Balance December 31, 1998	33,920	1,998,537
Sales of reserves in place	(7,856)	-
Acquired properties	-	354,133
Revisions of previous estimates	3,484	(164,092)
Production	(6,986)	(277,834)
	-----	-----
Balance December 31, 1999	22,562	1,910,744
Sales of reserves in place	(2,008)	-
Acquired properties	1,764	106,126
Revisions of previous estimates	6,764	1,296,022
Production	(10,111)	(479,769)
	-----	-----
Balance December 31, 2000	18,971	2,833,123
	=====	=====
Proved Developed Reserves:		
Balance December 31, 1998	33,920	1,699,425
Balance December 31, 1999	22,562	1,683,667
Balance December 31, 2000	18,971	2,204,137

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16. SUPPLEMENTAL RESERVE INFORMATION (UNAUDITED) - Continued

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

(Unaudited)

The Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves ("Standardized Measures") does not purport to present the fair market value of a company's oil and gas properties. An estimate of such value should consider, among other factors, anticipated future prices of oil and gas, the probability of recoveries in excess of existing proved reserves, the value of probable reserves and acreage prospects, and perhaps different discount rates. It should be noted that estimates of reserve quantities, especially from new discoveries, are inherently imprecise and subject to substantial revision.

Future net cash flows were computed using the contract price which was not escalated. Future production includes operating costs and taxes. No deduction has been made for interest, general corporate overhead,

depreciation or amortization. Future income tax payable was not computed because of the net operating loss carryforward (See Note 7). The annual discount of estimated future net cash flows is defined, for use herein, as future cash flows discounted at 10% per year, over the expected period of realization

Standardized Measures of Discounted Future Net Cash Flows:	December 31,		
	2000	1999	1998
	-----	-----	-----
Future production revenue	\$ 16,488,000	\$ 4,643,000	\$ 4,487,000
Future development costs	(253,000)	(110,000)	(110,000)
Future production costs	(6,150,000)	(2,523,000)	(2,238,000)
	-----	-----	-----
Future net cash flows before Federal income tax	10,085,000	2,010,000	2,139,000
Future Federal income tax	(1,513,000)	-	-
	-----	-----	-----
Future net cash flows	8,572,000	2,010,000	2,139,000
Effect of discounting 10% Per year	(1,463,000)	(406,000)	(540,000)
	-----	-----	-----
	\$ 7,109,000	\$ 1,604,000	\$ 1,599,000
	=====	=====	=====

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Change Relating to the Standardized Measures of Discounted Future Net Cash Flows:			
	2000	1999	1998
	-----	-----	-----
Beginning balance	\$ 1,604,000	\$ 1,599,000	\$ 2,284,000
Oil and gas sales, net of production costs	(1,265,000)	(272,000)	(321,000)
Net change in prices, net of production costs	4,230,000	(317,000)	(211,000)
Purchase of reserves in place	83,000	825,000	-
Sales of reserves in place	(13,000)	(113,000)	(73,000)
Revisions of quantity estimates	5,305,000	(171,000)	(124,000)
Effect of income tax	(1,513,000)	-	-
Accretion of discount	160,000	160,000	228,000
Changes in production rates, timing and other	(1,482,000)	(107,000)	(184,000)
	-----	-----	-----
	\$ 7,109,000	\$ 1,604,000	\$ 1,599,000
	=====	=====	=====

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**SCHEDULE II**  
**SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998**

Description	Charged To Beginning Balance	Costs and Expenses	Deductions	Ending Balance
Allowance for Doubtful Accounts				
December 31, 1998	\$ 230,000	20,000	-	\$ 250,000
December 31, 1999	\$ 250,000	50,000	-	\$ 300,000
December 31, 2000	\$ 300,000	30,000	300,000	\$ 30,000

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**SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES**

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22. Subsidiaries of the Registrant

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**SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES**

**Subsidiaries the Registrant**

Prairie Pipeline Co. incorporated June 22, 1983, under the laws of the State of Texas, is a wholly-owned subsidiary of Registrant.

Spindletop Drilling Company, incorporated September 5, 1975, under the laws of the State of Texas, is a wholly-owned subsidiary of the Registrant.

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**ARTICLE 5**

MULTIPLIER: 1

CURRENCY: U.S. Dollars

PERIOD TYPE	12 MOS
FISCAL YEAR END	Dec 31 2000

PERIOD START	Jan 1 2000
PERIOD END	Dec 31 2000
EXCHANGE RATE	1
CASH	1,585,000
SECURITIES	0
RECEIVABLES	348,000
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	1,933,000
PP&E	3,805,000
DEPRECIATION	2,829,000
TOTAL ASSETS	2,909,000
CURRENT LIABILITIES	721,000
BONDS	246000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	75,000
OTHER SE	1,773,000
TOTAL LIABILITY AND EQUITY	2,909,000
SALES	729,000
TOTAL REVENUES	2,345,000
CGS	0
TOTAL COSTS	758,000
OTHER EXPENSES	554,000
LOSS PROVISION	0
INTEREST EXPENSE	30000
INCOME PRETAX	1,003,000
INCOME TAX	154,000
INCOME CONTINUING	849,000
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	849,000
EPS BASIC	0.11
EPS DILUTED	.11