

# 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 Quarter ended September 30, 2003

*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 #)

331 Melrose, Suite 102, Richardson, TX  
(Address of principal executive offices)

75080  
(Zip Code)

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

**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 registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES \_\_\_\_\_

NO  X

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 \_\_\_\_\_

NO  X

As of September 30, 2003, 7,677,471 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.

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

**FORM 10-Q**  
**SEPTEMBER 30, 2003**

**Index to Consolidated Financial Statements and Schedules**

	Page
Part I - Financial Information:	
Item 1. - Financial Statements	
Consolidated Balance Sheets	
September 30, 2003 (Unaudited) and December 31, 2002 .....	3-4
Consolidated Statements of Income or Loss (Unaudited)	
Nine Months Ended September 30, 2003 and 2002	
Three Months Ended September 30, 2003 and 2002 .....	5
Consolidated Statements of Cash Flows (Unaudited)	
Nine Months Ended September 30, 2003 and 2002 .....	6
Notes to Consolidated Financial Statements .....	7
Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations .....	9
Part II - Other Information:	

Part I – Financial Information

Item 1. – Financial Statements

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	As of	
	September 30	December 31
	2003	2002
	(Unaudited)	
	-----	-----
ASSETS		
Current Assets		
Cash	\$ 2,837,000	\$ 2,046,000
Accounts receivable, trade	629,000	274,000
Accounts receivable, other	638,000	-
Prepaid income tax	-	109,000
	-----	-----
Total Current Assets	4,104,000	2,429,000
	-----	-----
Property and Equipment, at cost		
Oil and gas properties (full cost method)	3,818,000	3,936,000
Rental equipment	399,000	399,000
Gas gathering systems	145,000	145,000
Other property and equipment	85,000	85,000
	-----	-----
	4,447,000	4,565,000
Accumulated depreciation and amortization	(3,396,000)	(3,230,000)
	-----	-----
Total Property and Equipment, net	1,051,000	1,335,000
	-----	-----
Other Assets	2,000	-
	-----	-----
Total Assets	\$ 5,157,000	\$ 3,764,000
	=====	=====

The accompanying notes are an integral part of these statements.

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

	As of	
	September 30 2003 (Unaudited)	December 31 2002
	-----	-----
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 801,000	\$ 414,000
Notes payable, related party	-	42,000
Income Tax Payable	177,000	-
Tax savings benefit payable	97,000	97,000
	-----	-----
Total current liabilities	1,075,000	553,000
	-----	-----
 Deferred income tax payable	 179,000	 179,000
	-----	-----
<b>Shareholders' Equity</b>		
Common stock, \$.01 par value; 100,000,000		
Shares authorized; 7,677,471 shares		
issued and outstanding at September 30, 2003		
and 7,582,471 shares issued and outstanding		
at December 31, 2002. 103,334 shares of		
Treasury Stock at September 30, 2003 and		
December 31, 2002.		
	77,000	76,000
Additional paid-in capital	796,000	776,000
Treasury Stock	(18,000)	(18,000)
Retained earnings	3,048,000	2,198,000
	-----	-----
Total Shareholders' Equity	3,903,000	3,032,000
	-----	-----
 Total Liabilities and Shareholders' Equity	 \$ 5,157,000	 \$ 3,764,000
	=====	=====

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2003	2002	2003	2002
<b>Revenues</b>				
Oil and gas revenue	\$2,368,000	\$1,278,000	\$1,066,000	\$ 475,000
Revenue from lease Operations	61,000	30,000	24,000	13,000
Gas gathering, compression and Equipment rental	97,000	132,000	26,000	46,000
Interest income	84,000	61,000	30,000	26,000
Other	3,000	15,000	-	12,000
	2,613,000	1,516,000	1,146,000	572,000
<b>Expenses</b>				
Lease operations	920,000	563,000	393,000	163,000
Pipeline and rental Operations	21,000	21,000	5,000	10,000
Depreciation and Amortization	166,000	115,000	34,000	44,000
General and administrative	367,000	347,000	115,000	107,000
Interest expense	2,000	10,000	-	6,000
	1,476,000	1,056,000	547,000	330,000
Income Before Income Tax	1,137,000	460,000	599,000	242,000
Current tax provision	287,000	122,000	133,000	66,000
Deferred tax provision	-	-	-	-
	287,000	122,000	133,000	66,000
Net Income	\$ 850,000	\$ 338,000	\$ 466,000	\$ 176,000
<b>Earnings per Share of Common Stock</b>				
Basic	\$ 0.11	\$ 0.04	\$ 0.06	\$ 0.02
Diluted	\$ 0.11	\$ 0.04	\$ 0.06	\$ 0.02
<b>Weighted Average Shares</b>				
Outstanding	7,627,471	7,557,819	7,670,623	7,620,804
Diluted Shares Outstanding	7,751,097	7,557,819	7,752,471	7,620,804

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September 30,	
	----- 2003 -----	----- 2002 -----
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 850,000	\$ 338,000
Reconciliation of net income to net cash provided by Operating Activities		
Depreciation and amortization	166,000	115,000
Amortization of note discount	(2,000)	(10,000)
Changes in accounts receivable	(355,000)	(108,000)
Changes in prepaid income taxes	109,000	(50,000)
Changes in accounts payable	387,000	123,000
Changes in current taxes payable	177,000	107,000
Changes in other assets	(2,000)	-
	-----	-----
Net cash provided by operating activities	1,330,000	515,000
	-----	-----
<b>Cash flows from Investing Activities</b>		
Capitalized acquisition, exploration and development costs	(520,000)	(401,000)
	-----	-----
Net cash (used for) Investing Activities	(520,000)	(401,000)
	-----	-----
<b>Cash Flows from Financing Activities</b>		
Reduction of notes payable to related party	(40,000)	(219,000)
Issuance of 56,667 shares of common stock	-	17,000
Issuance of 70,000 shares of common stock	21,000	-
	-----	-----
Net cash (used for) Financing Activities	(19,000)	(202,000)
	-----	-----
Increase (decrease) in cash	791,000	(88,000)
Cash at beginning of period	2,046,000	2,323,000
	-----	-----
Cash at end of period	\$ 2,837,000	\$ 2,235,000
	=====	=====

The accompanying notes are an integral part of these statements.

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

1. BASIS OF PRESENTATION AND ORGANIZATION

The accompanying financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles 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, 2002 for further information.

The consolidated financial statements presented herein include the accounts of Spindletop Oil & Gas Co., a Texas corporation and its wholly owned subsidiaries, Prairie Pipeline Co., a Texas corporation and Spindletop Drilling Company, a Texas corporation. All significant intercompany 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.

2. ISSUANCE OF COMMON STOCK AND STOCK OPTIONS

Effective October 7, 2002, the board of directors of the Company authorized the issuance of 25,000 shares of restricted common stock at a value of \$0.30 per share, along with payment of cash, and an option to purchase an additional 75,000 shares of restricted common stock of the Company in consideration for the purchase of certain oil and gas leases in North Texas. The options granted under the stock option agreement expire in July, 2004.

The above options, along with options to acquire another 70,000 shares of common stock of the Company, which expired in July 2003, were accounted for in 2002, using FASB Statement 123, Accounting for Stock-Based Compensation, which had the effect of charging the oil and gas properties account with \$26,850, which will be amortized using the full cost method of accounting.

On July 9, 2003, options to purchase 70,000 shares of stock were exercised and 70,000 shares of common stock were issued. The 75,000 remaining options, which expire in July, 2004, do not have a dilutive effect on earnings per share.

3. 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. The adoption of SFAS 128 had no effect on previously reported EPS. Diluted EPS is computed based on the weighted number of shares outstanding, plus the additional common shares that would have been issued had the options outstanding been exercised.

#### 4. SALE OF OIL & GAS PROPERTIES

Effective August 1, 2003, the Company sold its working interest in a non-operated lease for a sales price of \$735,000 and the proceeds of the sale were deposited with a third party intermediary that specializes in deferred like-kind exchanges under IRC Section 1031 (the "Exchanger"). The Exchanger holds the sales proceeds pending timely identification of and closing on the acquisition of potential qualifying like-kind replacement property. Subsequent to the initial transaction, the Company acquired various mineral interests from a third party for the sum of \$97,000, and the acquisition price was paid out of the funds being held by the Exchanger. After 180 days, any funds not used to acquire qualifying properties will be returned to the Company, and the Company will recognize a taxable gain on the unused proceeds. It is management's intent to complete this transaction as a tax-free exchange in accordance with IRC Code Section 1031 within the 180 day deadline. As a result of management's intention, no estimate for income tax or tax liability has been established or provided for in the accompanying financial statements. In the event the transaction is not completed as a tax-free event, an additional income tax provision will be required.

The Exchanger is currently holding approximately \$638,000 for the account of the Company. The transaction has been reported in the accompanying financial statements as an Other Account Receivable, with the net proceeds from the sale being credited to Oil and Gas Properties using the full cost method of accounting.

#### 5. CONSOLIDATED STATEMENTS OF CASH FLOW

Excluded from the accompanying consolidated statements of cash flows are the following non-cash activities:

	Nine Months Ended September 30,	
	2003	2002
Accounts Receivable, Other in exchange for:		
Sale of interest in non-operated oil & gas lease	\$ 735,000	\$ -
Acquisition of various mineral interests	(97,000)	-
	-----	-----
Net non-cash activities	\$ 638,000	\$ -
	=====	=====



## **Item 2. – Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### **Results of Operations**

#### Nine months ended September 30, 2003 compared to nine months ended September 30, 2002

Oil and gas revenues reported for the first nine months ended September 30, 2003 were \$2,368,000, while the oil and gas revenues reported for the same period in 2002 were \$1,278,000. The primary reason for the increase was an increase in the average selling price of both oil and gas between the two periods. The average gas sales price during the first nine months of 2003 was approximately \$5.22 per mcf as compared with approximately \$3.47 per mcf for 2002, a 50.4% increase between the two periods. The average sales price for oil for operated properties during the first nine months of 2003 was approximately \$26.88 per bbl as compared with approximately \$19.18 per bbl in 2002, a 40.2% increase between the two periods.

Oil and gas production for the first nine months of 2003 was higher than that in 2002, due primarily to the acquisition of over 25 producing oil and gas wells that the Company operates, since the 3rd quarter of 2002. Production from these new acquisitions are fully reflected in the results of operations for the first nine months of 2003, whereas the properties were not acquired in the first nine months of 2002 and their production not reflected in the first nine months of 2002. The majority of the wells acquired are oil wells, which have significantly increased the oil reserves of the Company.

The increase in lease operations is due to the additional operated wells that have been acquired. In addition, as the gas prices increased during the year, the Company increased the amount of work-over projects that needed to be done.

The depletion calculation for the first six months of 2003 is higher than that calculated in 2002. The company has re-evaluated and increased its proved oil and gas reserve quantities, but at the same time increased the capitalized costs that are being amortized as well as increase the provision for the amount of cost to develop proven but undeveloped reserves. In addition, production is up for the first nine months of 2003 due to the added properties.

#### Three months ended September 30, 2003 compared to three months ended September 30, 2002

Oil and gas revenue increased for the three months ended September 30, 2003 as compared to the same period in 2002 due primarily to higher average prices discussed above. Gas prices spiked upward in the 1st Quarter of 2003, and remained significantly higher for the 2nd quarter and 3rd quarters of 2003, than the average gas prices for the 2nd quarter and 3rd quarters of 2002. The average price received for gas in the 3rd quarter of 2003 was \$4.95 compared with an average price of \$4.70 for the 3rd quarter of 2002. Oil prices averaged \$28.31 in the 3rd quarter of 2003, higher than the average price of \$21.16 in the 3rd quarter of 2002.

In addition to price increases for natural gas and crude oil, production for the third quarter of 2003 was higher than in 2002 due to the purchase of several operating interests in both oil and gas properties during the 3rd and 4th quarters of 2002, and the 1st quarter of 2003. Production from these new acquisitions are fully reflected in the 3rd Quarter of 2003, whereas they were not acquired and their production not reflected in the 3rd quarter of 2002.

The increase in lease operations is due to the additional operated wells that have been acquired. In addition, as the gas prices increased during the year, the Company increased the amount of work-over projects that needed to be done.

The depletion calculation for the third quarter of 2003 is higher than that calculated in 2002. The company has re-evaluated and increased its proved oil and gas reserve quantities, but at the same time increased the capitalized costs that are being amortized. In addition, production is up for the third quarter of 2003 due to the added properties.

## **Financial Condition and Liquidity**

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

### **Item 4. – Controls and Procedures**

Based on their most recent evaluation, which was completed within 90 days of the filing of this Form 10-Q, our Acting Principal Executive Officer and Acting Chief Financial Officer, believe our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) are effective. There were not any significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, and there has not been any corrective action with regard to significant deficiencies and material weaknesses.

## Part II - Other Information

### Item 6. - Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 31.1 – Certification Pursuant to Rules 13a-14 and 15d-14 Under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Chris G. Mazzini, Acting Principal Executive Officer, filed herewith.

Exhibit 31.1 – Certification Pursuant to Rules 13a-14 and 15d-14 Under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Robert E. Corbin, Acting Principal Financial Officer, filed herewith.

Exhibit 32.1 – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

(b) Reports on Form 8-K - None

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPINDLETOP OIL & GAS CO.  
(Registrant)

Date: November 19, 2003

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

Date: November 19, 2003

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

Date: November 19, 2003

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

CERTIFICATION

I, Chris Mazzini, Acting Principal Executive Officer of Spindletop Oil and Gas Co. (“the Company”), certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of the Company;
- 2) Based on my knowledge, this quarterly 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 quarterly report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
- 4) I am responsible for establishing and maintaining internal controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the company and its consolidated subsidiaries is made known to me by others within those entities, particularly for the periods presented in this quarterly report;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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.
  - c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure 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 Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
- 5) I have disclosed based on my most recent evaluation of internal control over financial reporting, to the Company’s auditors and Audit Committee of the Board of directors (or persons fulfilling the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the Company’s ability to record, process, summarize, and report financial data; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

/s/ Chris G. Mazzini  
Chris G. Mazzini  
Acting Principal Executive Officer  
November 19, 2003

CERTIFICATION

I, Robert E. Corbin, Acting Principal Financial Officer of Spindletop Oil and Gas Co. ("the Company"), certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of the Company;
- 2) Based on my knowledge, this quarterly 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 quarterly report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
- 4) I am responsible for establishing and maintaining internal controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the company and its consolidated subsidiaries is made known to me by others within those entities, particularly for the periods presented in this quarterly report;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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.
  - c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure 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 Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. I have disclosed based on my most recent evaluation of internal control over financial reporting, to the Company's auditors and Audit Committee of the Board of directors (or persons fulfilling the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial data; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Robert E. Corbin  
Robert E. Corbin  
Acting Principal Financial Officer  
November 19, 2003

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Spindletop Oil & Gas Co. ("the Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof ("the Report"), We, Chris G. Mazzini, President and Acting Principal Executive Officer and Robert E. Corbin, Controller and Acting Principal Financial Officer of the Company, hereby certify that to our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2003

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

Date: November 19, 2003

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