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, 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 X **NO**

As of March 30, 2004, 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

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, 2003, were 365,000 barrels of oil and condensate and 9,354,000 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. Additionally, the Company purchased approximately 56 miles of pipeline located in Kansas, subsequent to year-end in January, 2004. The Company's principal executive offices are located at 331 Melrose, Suite 102, Richardson, 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.

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, 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 44,922,564 shares of common stock outstanding, 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.

On December 1, 1999, Giant Energy Corp. ("Giant") purchased controlling interest in Spindletop Oil & Gas Co. Giant purchased 5,860,889 shares of the Registrant's outstanding Common Stock and as of December 31, 2003 owns 76.9 percent of the Registrant's 7,677,471 shares of outstanding Common Stock. Chris Mazzini, President and Chairman of the Board of the Registrant, is the sole owner of Giant.

PLAN OF OPERATION

The Company's long-term strategy is to build an oil and gas production company through a strategic combination of selected property acquisitions and 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.

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 that 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.

(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, which owns 26.1 miles of pipelines and currently gathers approximately 713 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 that the Company operates and in which it owns a working interest. Subsequent to year-end, the Company acquired an approximate 56 mile inactive gas gathering system in South Central Kansas. The Company plans to reactivate this pipeline to gather and transport some of it own gas and third party gas.

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 that 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, equipment and labor issues.

(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 from oil and natural gas produced by the Company for the three-year period ended December 31, 2003:

	Year Ended December 31, (1)		
Purchaser	2003	2002	2001
Cantera Resources	17%	22%	32%
Devon Gas Services/Mitchell Marketing Co.	20%	38%	41%
Shell Trading (US) Company	9%	-	-
LIG Chemical Company	9%	-	-
Plains Marketing, L.P.	7%	-	-

(1) Percent of Total Oil & Gas Sales

Oil and Gas is sold to approximately 100 different purchasers (such as Devon Gas Services, L.P., Enbridge Energy Partners (formerly Cantera Resources, Inc.), Plains Marketing, L.P., Eastex Crude Company, Shell Trading (US) Company, Dynegy Midstream Services, Empire Pipeline Corporation, LIG Chemical Company, and Duke Energy Field Services) under market sensitive, short-term contracts computed on a month to month basis.

Except as set forth above, there are no other customers of the Company that individually accounted for more than 5% of the Company's oil and gas revenues during the three years ended December 31, 2003.

The Company currently has no hedged contracts.

(vi) Competition

Numerous entities and individuals, many of which 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.

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 a 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 along with the issuance of common stock and options to purchase common stock in some cases, 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.

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 8 to Consolidated Financial Statements

(xi) Employees

The Company, on its own account and through a management contract with its parent corporation, employs or contracts for the services of a total of 39 people. Eight are full-time employees or contractors. The remainder are part-time contractors or 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.

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,		
	2003	2002	2001
Gas and Oil Properties, net (1):			
Proved developed gas reserves-Mcf (2)	4,978,000	4,977,000	5,312,000
Proved undeveloped gas reserves-Mcf (3)	4,375,000	11,298,000	1,098,000
Total proved gas reserves-Mcf	9,353,000	16,275,000	6,410,000
Proved Developed Crude Oil and Condensate reserves-Bbls (2)	365,000	153,000	43,000
Proved Undeveloped crude oil and Condensate reserves-Bbls (3)	-	-	-
Total proved crude oil and condensate Reserves-Bbls	365,000	153,000	42,970

	Year Ended December 31,		
	2003	2002	2001
Present Value of Estimated Future Net Reserves from proved reserves (4)(5)			
Developed	$10,726,000	$ 5,578,000	$ 3,365,000
Developed and Undeveloped	16,832,000	11,815,000	3,729,000

(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. See Footnote 18 to the Financial Statements, Supplemental Reserve Information (Unaudited), for further explanation of the changes for 2001 through 2003.

(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.

(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,					
	2003		2002		2001	
	Gross	Net	Gross	Net	Gross	Net
Exploratory Wells:						
Productive	-	-	-	-	-	-
Non-Productive	-	-	-	-	-	-
Total	-	-	-	-	-	-
Development Wells:						
Productive	2.000	.765	1.000	.125	-	-
Non-Productive	-	-	-	-	-	-
Total	2.000	.765	1.000	.125	-	-
Total Exploration & Development Wells:						
Productive	2.000	.765	1.000	.125	-	-
Non-Productive	-	-	-	-	-	-
	2.000	.765	1.000	.125	-	-

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:

For the years ended December 31

	2003	2002	2001	2000	1999
Oil and Gas Production, net:					
Natural Gas (Mcf)	540,799	499,081	472,728	479,769	277,834
Crude Oil & Condensate (Bbl)	28,747	9,553	9,229	10,111	6,986
Average Sales Price per Unit Produced:					
Natural Gas ($/Mcf)	$ 4.33	$ 3.02	$ 4.07	$ 3.58	$ 2.20
Crude Oil & Condensate($/Bbl)	$25.14	$ 23.27	$ 25.19	$ 27.37	$ 16.70

Average Production Cost per Equivalent Barrel (1)(2)	$ 10.41	$ 8.51	$ 9.15	$ 8.09	$ 9.59

(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 relative energy content of natural gas to oil.

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

Current Activities - March 30, 2004:

Gross Wells in Process of Drilling	-1-
Net Wells in Process of drilling	-0-
Water floods 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, 2003.

The Company currently has leases covering in excess of 5,000 acres in Parker, Denton, Wise Jack, Tarrant and Hood Counties, Texas (currently held by production), that the Company believes may have drilling locations in the Barnett Shale Formation. The Company has not included any of these potential locations in its calculation of proven undeveloped oil and gas reserves, although it believes that the Barnett Shale Formation underlying this lease acreage may be productive.

Effective August 1, 2003, the Company sold its working interest in a non- operated property for a sales price of $735,000. On August 18, 2003, the proceeds of the sale were deposited directly from the purchaser into the account of a third party intermediary (the "Exchanger") that specializes in deferred like-kind exchanges under IRC Section 1031. The Exchanger holds the sales proceeds pending timely identification of and the closing on the acquisition of potential qualifying like-kind replacement properties. Subsequent to the initial sale, the Company acquired various mineral interests from a third party for the sum of $97,270. The acquisition price was paid out of the funds being held by the Exchanger. After 180 days from the initial sale, any funds not used to acquire qualifying properties are to be returned to the Company, and the Company will recognize a taxable gain on the unused proceeds.

On January 30, 2004, the Company purchased a gas pipeline for a purchase price of $200,200 including fees, which was paid by the Exchanger out of funds held on behalf of the Company. Both of the above purchases (the "Replacement Property") qualify as tax-free exchanges under IRC Section 1031. During February, 2004, the Exchanger remitted approximately $437,500 to the Company representing the net proceeds from the sale and two purchases.

Office Space:

The Company leases office space as follows:

Location	Square Feet	Lease Expires
Richardson, Texas	3,833	February 28, 2006

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. Additionally on January 30, 2004, the Company acquired approximately 56 miles of natural gas pipelines in South Central Kansas. These pipelines are steel and polyethylene and range in size from 2 inches to 8 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.

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 713, 807, and 496 MCF per day for 2003, 2002, and 2001 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 operated by the Company and in which it owns a working interest. 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

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 warrants to purchase, or securities convertible into, common stock of the Company. As of March 30, 2004, there were options outstanding to purchase up to 75,000 shares of common stock at an exercise price of $0.30 per share. These options expire in July, 2004. None of these options were granted to officers or employees 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 30, 2004, was 627.

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.

	For the years ended December 31				
	2003	2002	2001	2000	1999
Total Revenue	$ 3,458,000	$ 2,084,000	$ 2,610,000	$ 2,345,000	$ 1,072,000
Net Income (Loss)	987,000	382,000	776,000	849,000	(271,000)

Earnings per Share (1)	$.13	$ .05	$ .10	$ .11	($ .04)

	As of December 31, 2003				
	2003	2002	2001	2000	1999
Total Assets	$ 5,395,000	$ 3,764,000	$ 3,486,000	$ 2,909,000	$ 1,843,000
Long-Term Debt	-	-	55,000	246,000	308,000

(1) After the 1 for 6 stock split discussed in Footnote 2 to the 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:

2003 Compared to 2002

Oil and gas revenues increased for the year 2003. This was due primarily to an approximate 43% increase in average gas prices from $3.02 per Mcf in 2002 to $4.33 per Mcf in 2003. Average oil prices received by the Company also increased approximately 8% from $23.27 per bbl in 2002 to $25.14 per bbl in 2003. Production also increased due primarily to the acquisition of operating interests in 22 producing oil and gas wells during the first half of 2003. Natural gas production was approximately 541,000 Mcf in 2003 compared to 499,000 Mcf in 2003. Oil production was approximately 28,747 Bbls in 2003 compared to 9,533 in 2002.

The increase in revenue from lease operations this year was due to the addition of operated properties mentioned above which were acquired during the year. The Company bills overhead in accordance with the operating agreements, and records as income the charges made to the non-operating interests.

Gas gathering and compression fee income decreased during 2003 as a result of a decrease in production from properties served by Prairie Pipeline Co. The decrease was a result of natural decline in production. The Company charges a fee for transportation of gas from the well site to the purchaser's pipeline, and in some cases provides and charges for compression services.

Interest income is up due to the Company's policy of investing excess cash funds in higher earning money market accounts as opposed to checking accounts, as well as the higher level of cash balances earning interest in 2003 as compared to 2002.

Lease operating expenses was higher in 2003 due to the addition of 22 operated producing wells in 2003 and the addition of 19 producing wells in August and September of 2002. In addition, costs to operate have increased. As oil and gas prices have escalated, operating cost, costs of oil field services and equipment have also increased.

Amortization of the full cost pot (depletion) was up in 2003 due to an increase in the cost of acquisitions added to the full cost pot, the addition of reserves and the resulting increase in production for the year.

General and administrative expenses increased $179,000. Due to the acquisition of over 40 producing oil and gas wells during the year, many in states in which the Company has not previously operated, the headquarters staff was increased to accommodate the additional workload. In addition, the management fee charged by the affiliated entity that provides management

services including supervisory personnel, was increased from $10,000 to $20,000 per month effective January 1, 2003 (See Item 11 Executive Compensation and Footnote 6 to the Financial Statements).

Interest expense decreased due to payoff of the note payable to a related party in May, 2003 and related amortization of the note discount.

2002 Compared to 2001

Oil and gas revenues decreased for the year 2002. This was due primarily to an approximate 26% decline in average gas prices from $4.07 per Mcf to $3.02 per Mcf. The decline in prices was partially offset by an increase in production which was due primarily to the acquisition of eight operated oil and gas properties during the last half of the year. These acquisitions offset a slight decline in production from properties existing at the beginning of the year. Natural gas production was approximately 499,000 Mcf and 472,000 Mcf for 2002 and 2001 respectively. Crude oil and condensate production was approximately 9,533 and 9,229 for 2002 and 2001 respectively.

The increase in revenue from lease operations for 2000 was due to the addition of operated properties acquired during the year. The Company bills overhead in accordance with the operating agreements, and records as income the charges made to the non-operating interests.

Gas gathering and compression fee income decreased during 2002 as a result of a decrease in production from properties served by Prairie Pipeline Co. The decrease was a result of natural decline in production, but the Company also lost almost one full month of production from these wells due to a compressor failure. The Company charges a fee for transportation of gas from the well site to the purchaser's pipeline, and in some cases provides and charges for compression services.

Interest income is up due to the Company's policy of investing excess cash funds in higher earning money market accounts as opposed to checking accounts, as well as the higher level of cash balances earning interest in 2002 as compared to 2001.

Lease operating expenses were lower due to a decrease in work-over activity during the year as compared with 2001. Even though gas and oil prices generally rose during 2002, they never reached the average prices attained in 2001. As a result of general inflationary increases in the cost of repairs, maintenance, materials and supplies for the year, the Company opted to only work over wells necessary to hold leases, and tightened the belt, looking for ways to reduce operating expenses wherever possible.

Amortization of the full cost pot (depletion) was up in 2002 due to an increase in costs added to the full cost pot, the addition of reserves and the resulting increase in production for the year.

General and administrative expenses stayed essentially the same. The slight increase is due to an increase of $20,000 between 2002 and 2001 of a management fee charged by an affiliated entity. All other general and administrative expenses were held substantially the same as in 2001.

Interest expense decreased due to the accelerated amortization of the Note Discount in 2001, that was caused by a substantial prepayment of principal on the note to a related party and related amortization of the note discount.

The current income tax provision decreased as the Company's taxable income decreased ratably for 2002 as compared to the Company's net income before tax for 2002 and 2001.

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 21.

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

The accountants for the Company are Farmer, Fuqua & Huff, P.C., who have prepared audit reports for the years ended December 31, 2003, 2002, and 2001

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

Item 9a. - Controls and Procedures

Based on their most recent evaluation, which was completed within 90 days of the filing of this Form 10-K, 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 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
Chris Mazzini	46	Chairman of the Board, Director and President
Michelle Mazzini	42	Director, Vice President and Secretary
Paul E. Cash	71	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 General Counsel of the Company.

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 40 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.

Item 11. Executive Compensation

(a) Cash Compensation

For the year ended December 31, 2003, neither Mr. Mazzini or Ms. Mazzini took any salary from the Company. None of the executive officers were paid cash compensation by the Company at an annual rate in excess of $100,000. Mr. Mazzini and Ms. Mazzini are both employed by Giant. Management fees the Company paid to Giant are used to reimburse a portion of Mr. Mazzini's, Ms. Mazzini's and other Giant employees' salaries for time spent working on matters for the Company.

(b) Compensation Pursuant to Plan.

None

(c) Other Compensation

Key employees and officers 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 less than one percent to ten percent for each employee or officer. 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.

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 ownership of the Registrant's common stock, $.01 par value, the only outstanding voting securities, as of December 31, 2003 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	Pct Based On Outstanding Percent of Class
Chris Mazzini 331 Melrose, Suite 102 Richardson, Texas 75080	5,900,543	Direct	77%
Paul E. Cash 331 Melrose, Suite 102 Richardson, Texas 75080	308,468	Direct	4%
All officers and directors as a group	6,209,011		81%

(c) Changes in control

The Company is not aware of any arrangements or pledges with respect to its securities that 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 and officers 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 less than one percent to ten percent for each employee or officer. 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.

PART IV

Item 14. Principal Accounting Fees and Services

The following table sets forth the aggregate fees for professional services rendered to Spindletop Oil & Gas Co. and Subsidiaries for the years 2003 and 2002 by accounting firm, Farmer, Fuqua, & Huff, P.C.

Type of Fees	2003	2002
Audit Fees	$ 11,200	$ 10,500
Audit related fees	-	-
Tax fees	-	-
All other fees	-	-

Members of the Board of Directors (the "Board") fulfill the responsibilities of an audit committee and have established policies and Procedures for the approval and pre-approval of audit services and permitted non-audit services. The Board has the responsibility to engage and terminate Farmer, Fuqua, & Huff, P.C. independent auditors, to pre-approve their performance of audit services and permitted non-audit services, to approve all audit and non-audit fees, and to set guidelines for permitted non-audit services and fees. All the fees for 2003 and 2002 were pre-approved by the Board or were within the pre-approved guidelines for permitted non-audit services and fees established by the Board, and there were no instances of waiver of approved requirements or guidelines during the same periods.

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

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

1. Independent Auditors' Report, Consolidated Balance Sheets at December 31, 2003 and 2002, Consolidated Statements of Income for the years ended December 31, 2003, 2002, and 2001, Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2003, 2002, and 2001, Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002, and 2001, 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 45 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 46.

(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 46 of this Report.

(d) The Index to Consolidated Financial Statements and Supplemental Schedules is included following the signatures, beginning at page 21 of this Report.

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 April 8, 2004

By /s/ Chris Mazzini

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:		
/s/ Chris Mazzini *Chris Mazzini*	*President, Director*	*April 8, 2004*
/s/ Michelle Mazzini *Michelle Mazzini*	*Secretary, Director*	*April 8, 2004*
/s/ Robert E. Corbin *Robert E. Corbin*	*Controller*	*April 8, 2004*
/s/ Paul E. Cash *Paul E. Cash*	*Director*	*April 8, 2004*

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

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.

INDEPENDENT AUDITORS' REPORT

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, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2003. 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 U.S. 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with U.S. 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, & HUFF, P.C.

Plano, Texas
March 12, 2004

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31	
	2003	2002
ASSETS		
Current Assets		

Cash	$ 2,662,000	$ 2,046,000
Accounts receivable, trade	565,000	274,000
Accounts receivable, other	638,000	-
Prepaid income tax	-	109,000
Total current assets	3,865,000	2,429,000
Property and Equipment, at cost		
Oil and gas properties (full cost method)	4,460,000	3,936,000
Rental equipment	399,000	399,000
Gas gathering systems	145,000	145,000
Other property and equipment	85,000	85,000
	5,089,000	4,565,000
Accumulated depreciation and amortization	(3,561,000)	(3,230,000)
Total property and equipment, net	1,528,000	1,335,000
Other Assets	2,000	-
Total Assets	$ 5,395,000	$ 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 December 31	
	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY		

Current Liabilities		
Accounts payable and accrued liabilities	$ 962,000	$ 414,000
Notes payable, related party	-	42,000
Income tax payable	278,000	-
Tax savings benefit payable	97,000	97,000
Total current liabilities	1,337,000	553,000
Deferred income tax payable	18,000	179,000
Shareholders' Equity		
Common stock, $.01 par value; 100,000,000 Shares authorized; 7,677,471 shares Issued and outstanding at December 31, 2003, 7,582,471 issued and Outstanding at December 31, 2002, and 103,334 shares of Treasury Stock at December 31, 2003	77,000	75,000
Additional paid-in capital	796,000	776,000
Treasury Stock at cost of $0.175 per share (18,000)	(18,000)	
Retained earnings	3,185,000	2,198,000
Total shareholders' equity	4,040,000	3,032,000
Total Liabilities and Shareholders' Equity	$ 5,395,000	$ 3,764,000

The accompanying notes are an integral part of these statements.

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,

	2003	2002	2001
Revenues			
Oil and gas revenue	$ 3,100,000	$ 1,733,000	$ 2,191,000
Revenue from lease operations	92,000	46,000	32,000
Gas gathering, compression and Equipment rental	152,000	176,000	219,000
Interest income	107,000	90,000	85,000
Other	7,000	39,000	83,000
Total revenue	3,458,000	2,084,000	2,610,000
Expenses			
Lease operations	1,237,000	790,000	930,000
Pipeline and rental operations	30,000	25,000	36,000
Depreciation and amortization	331,000	278,000	133,000
General and administrative	646,000	467,000	438,000
Interest expense	3,000	9,000	111,000
Total expenses	2,247,000	1,569,000	1,648,000
Income before income tax	1,211,000	515,000	962,000
Current tax provision	385,000	75,000	159,000
Deferred tax provision	(161,000)	58,000	27,000
	224,000	133,000	186,000
Net income	$ 987,000	$ 382,000	$ 776,000
Earnings per Share of Common Stock			
Basic	$ 0.13	$ 0.05	$ 0.10
Diluted	$ 0.13	$ 0.05	$ 0.10
Weighted Average Shares Outstanding	7,640,074	7,582,471	7,525,804
Diluted Shares Outstanding	7,751,444	7,727,471	7,525,804

The accompanying notes are an integral part of these statements.

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2003, 2002, and 2001

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings
Balance December 31, 2000	7,525,804	75,000	733,000	-	-	1,040,000
Net Income	-	-	-	-	-	776,000
Balance December 31, 2001	7,525,804	75,000	733,000	-	-	1,816,000
Issuance of 56,667 shares of Common Stock for the purchase of a drilling prospect	56,667	1,000	16,000	-	-	-
Issuance of options to purchase Common Stock	-	-	27,000	-	-	-
Purchase of Treasury Stock	-	-	-	103,334	18,000	-
Net Income	-	-	-	-	-	382,000
Balance December 31, 2002	7,582,471	$ 76,000	$ 776,000	103,334	$ 18,000	$ 2,198,000
Issuance of 25,000 Shares of Common Stock for the Purchase of a Drilling prospect	25,000	-	-	-	-	-
Issuance of 70,000 Shares of Common Stock upon exercise of stock option	70,000	1,000	20,000	-	-	-
Net Income	-	-	-	-	-	987,000
Balance December 31, 2003	7,677,471	77,000	796,000	103,334	18,000	3,185,000

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2003	2002	2001
Cash Flows from Operating Activities			
Net Income	$ 987,000	$ 382,000	$ 776,000
Reconciliation of net income to net cash provided by Operating Activities			
Depreciation and amortization	331,000	278,000	133,000
Amortization of note discount	(3,000)	(9,000)	(27,000)
Decrease in accounts receivable - related party	-	-	8,000
Changes in accounts receivable	(291,000)	(99,000)	165,000
Changes in prepaid income tax	109,000	(20,000)	(89,000)
Changes in accounts payable	548,000	56,000	(114,000)
Changes in current taxes payable	278,000	-	(60,000)
Changes in deferred taxes payable	(161,000)	58,000	27,000
Changes in other assets	(2,000)	-	-
Net cash provided by operating activities	1,796,000	646,000	819,000
Cash flows from Investing Activities			
Capitalized acquisition, exploration and development costs	(1,162,000)	(670,000)	(23,000)
Proceeds from sale of properties	-	-	-
Purchase of property and equipment	-	-	(33,000)
Net cash provided by (used for) investing activities	(1,162,000)	(670,000)	(56,000)
Cash Flows from Financing Activities			
Repayment of notes payable to related party	(39,000)	(235,000)	(25,000)
Purchase of 103,334 shares of treasury stock	-	(18,000)	-
Issuance of 70,000 shares of Common stock	21,000	-	-
Net cash used for financing activities	(18,000)	(253,000)	(25,000)
Increase (decrease) in cash	616,000	(277,000)	738,000
Cash at beginning of period	2,046,000	2,323,000	1,585,000
Cash at end of period	$ 2,662,000	$ 2,046,000	$ 2,323,000

The accompanying notes are an integral part of these statements.

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., a Texas corporation 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, 2003, 2002, and 2001, 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 inter-company 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 proven 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.

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.

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, 2003	December 31, 2002
Trade	$ 85,000	$ 49,000
Accrued receivable	510,000	255,000
	595,000	304,000
Less: Allowance for losses	(30,000)	(30,000)
	$ 565,000	$ 274,000

4. ACCOUNTS PAYABLE

	December 31, 2003	December 31, 2002
Trade payables	$ 360,000	$ 185,000
Production proceeds payable	433,000	276,000
Other	169,000	4,000
	$ 962,000	$ 358,000

5. NOTES PAYABLE-RELATED PARTY

	December 31, 2003	December 31, 2002
Non-interest bearing note to Paul Cash, due in minimum monthly installments of $3,333 beginning January, 2001, with unpaid principal due November, 2008, based on an effective interest rate of 8.5%). The note is not collateralized. (1)	$ -	$ 42,000
Less current maturities	-	42,000
	$ -	$ -

(1) This note was paid in full in May, 2003.

6. RELATED PARTY TRANSACTIONS

Since 1999 Giant Energy has charged the Company a management fee. Effective January 1, 2003, the monthly fee was increased from $10,000 to $20,000 per month. Giant Energy's personnel provide services to the Company and the management fee is charged to recoup some of the costs associated with work performed for the Company.

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

	December 31, 2003	December 31, 2002
Notes Payable, non-interest bearing	$ -	$ 42,000

On August 30, 2001, the Company guaranteed a letter of credit issued by a bank for the benefit of an affiliated company in favor of the Railroad Commission of Texas. This letter of credit was issued in accordance with the filing of a P-5 Organization Report as required by the Texas Natural Resources Code in order to perform operations within the jurisdiction of the Railroad Commission of Texas. The letter of credit is dated August 30, 2001 and expired on February 1, 2003. This letter of credit has been extended to expire on February 1, 2004. In addition to the Company's guarantee, this letter of credit is also secured by a $100,000 certificate of deposit owned by the Company. Subsequent to year-end, the Company let the above letter of credit expire, and replaced it with a letter of credit issued by a second bank, that expires on August 26, 2004. This letter of credit is issued in favor of the Railroad Commission of Texas and is secured by a restriction of certain funds of the Company on deposit at the bank issuing the letter of credit.

7. STOCK OPTIONS

During 2002, the Company entered into two stock option agreements with third- parties and issued stock options to purchase up to 145,000 shares of restricted common stock at a value of $0.30 per share and other consideration to obtain interests in oil and gas properties. On July 9, 2003, options to purchase 70,000 shares of stock were exercised and 70,000 shares of common stock were issued. As of December 31, 2003 there were 75,000 shares of common stock reserved for issuance related to the stock option plans. The remaining options granted under the stock option plans expire in July 2004 and have an exercise price of $0.30 per share. The Company has elected to account for the options using FASB Statement 123, "Accounting for Stock-Based Compensation," (FAS No. 123) which requires the use of option valuation models. The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumption ranges: risk free interest rates of 1 -2%, volatility factor of 170, and an expected life of 1 year - 1.5 years. Using the Black-Scholes option evaluation model, the weighted average value of the option granted during 2002 was $0.19, per option respectively.

The effect of applying the fair value method of FAS No. 123 to the stock options granted during 2002 had a

$26,850 effect which was applied to the oil and gas properties and will be amortized in the full cost method. These options had no dilutive effect on earnings per share.

8. 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 2003, 2002 and 2001, respectively. As of December 31, 2003 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 carry-forwards is assured, the Company will not pay to Exploration's unsecured creditors any of the tax savings benefit. As of December 31, 2003 and 2002, the Company owes $97,000 respectively to Exploration's unsecured creditors.

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:

Income tax differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax income in 2003, 2002 and 2001 as a result of the following:

	2003	2002	2001
Computed expected tax expense	$ 424,000	$ 180,000	$ 272,000
Miscellaneous timing differences	(39,000)	(105,000)	(57,000)
Net operating loss carry-forward	-	-	(56,000)
	$ 385,000	$ 75,000	$ 159,000

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, 2003 and 2002 consisted of the following:

	December 31, 2003	December 31, 2002
Deferred tax assets		
Investment tax credit carry-forwards	$ 1,000	$ 1,000
Depreciation, depletion and amortization	393,000	153,000
Other, net	8,000	7,000
Total	402,000	161,000
Deferred tax liabilities		
Expired leasehold	(50,000)	(41,000)
Intangible drilling costs	(370,000)	(299,000)
Net deferred tax liability	$ (18,000)	$ (179,000)

9. CASH FLOW INFORMATION

The Company does not consider any of its assets, other than cash and certificates of deposit shown as cash on the balance sheet, 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 2003, 2002 and 2001, respectively. Also included are cash payments for taxes of $ 122,000 , $ -0-, and $ 95,000 in 2003, 2002 and 2001, respectively.

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

	2003	2002	2001
Purchase of oil and gas properties for common stock	$ -	$ 17,000	$ -
Retirement of fixed assets	-	-	-
Accounts Receivable, Other in			

Exchange for the sale of interest In non-operated oil & gas lease	735,000	-	-
Acquisition of various mineral Interests	(97,000)	-	-
	$ 638,000	$ 17,000	$ -

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. 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. 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.

11. CONCENTRATIONS OF CREDIT RISK

As of December 31, 2003, the Company had approximately $903,000 in accounts at one bank, and $1,759,000 in one Credit Union.

Most of the Company's business activity is located in Texas. Accounts receivable as of December 31, 2003 and 2002 are due from both individual and institutional owners of joint interests in oil and gas wells as well as purchasers of oil and gas. 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, 2003 and 2002 follow:

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$ 2,662,000	$ 2,662,000	$ 2,046,000	$ 2,046,000
Accounts receivable	565,000	565,000	241,000	274,000
Accounts receivable, other	638,000	638,000	-	-
Notes payable, related party	-	-	42,000	42,000

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.

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

At December 31, 2003, the Company has acquired bonds and letters of credit issued in favor of various state regulatory agencies as mandated by state law in order to comply with financial assurance regulations required to perform oil and gas operations within the various state jurisdictions.

The Company has eleven, $5,000 single-well bonds totaling $55,000 with an insurance company, for wells the Company operates in Alabama. The Company also has a single-well bond in the amount of $10,000 with the same insurance company for a well operated in New Mexico. The bonds renew annually.

The Company has 3 Letters of Credit from a bank, secured by certificates of deposit with the bank, issued for the benefit of various state regulatory agencies in Texas, Oklahoma and New Mexico in the amount of $25,000, $10,000 and $10,000. These Letters of Credit expire April 30, 2004, April 15, 2004 and August 8, 2004 respectively.

The Company also has 7 Letters of Credit from a second bank issued for the benefit of various state regulatory agencies in Texas, Oklahoma, Arkansas and New Mexico ranging in amounts from $25,000 to $50,000 and totaling $250,000. These letters of credit have expiration dates that range from January 1, 2004 through December 29, 2004, and are secured by funds on deposit with the bank in business money market accounts.

Subsequent to year end, the Company obtained 2 additional Letters of Credit from the second bank issued for the benefit of various state regulatory agencies in Texas ranging in amounts from $10,000 to $50,000 and totaling $60,000. These letters of credit have expiration dates that range from March 9, 2005 to March 31, 2005. The Company also extended a $25,000 Letter of Credit until April 30, 2005 that was issued by the second bank during 2003. The Company also obtained a Letter of Credit in the amount of $25,000 which expires on April 20, 2005 issued to a state regulatory agency, and which replaced a Letter of Credit issued by the first bank.

14. OPERATING LEASE OBLIGATIONS

The Company leases office space under a lease agreement that expired February 28, 2004. Subsequent to year-end, the Company extended the lease agreement through February 28, 2006 at an increase in rent of $140 per month. At December 31, 2003 the aggregate amount of future minimum payments under operating lease commitments are as follows:

2004	$ 47,400
2005	47,700
2006	7,900

	$ 103,000
	=========

15. ADDITIONAL OPERATIONS AND BALANCE SHEET INFORMATION

Certain information about the Company's operations for the years ended December 31, 2003, 2002, and 2001 follows.

Sale of Oil & Gas Properties

Effective August 1, 2003, the Company sold its working interest in a non- operated property (the "Relinquished Property") for a sales price of $735,000. On August 18, 2003, the proceeds of the sale were deposited directly from the purchaser into the account of a third party intermediary (the "Exchanger") that specializes in deferred like-kind exchanges under IRC Section 1031. The Exchanger holds the sales proceeds pending timely identification of and the closing on the acquisition of potential qualifying like-kind replacement properties. 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 are to be returned to the Company, and the Company will recognize a taxable gain on the unused proceeds.

As of December 31, 2003, the Exchanger held 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 & Gas Properties under the full cost method of accounting.

Subsequent to year-end, on January 30, 2004, the Company purchased a gas pipeline for a purchase price of $200,000 plus fees, which was paid by the Exchanger out of funds held on

behalf of the Company. Both of the above purchases (the "Replacement Property") qualify as tax-free exchanges under IRC
Section 1031. On February 12, 2004, the Exchanger transferred approximately $437,500 into the Company's bank account, representing the net proceeds after purchase of the Replacement Properties. This amount less the basis of the Relinquished Property, of approximately $56,000, is taxable to the Company in 2003, and accordingly a provision for current income taxes of approximately $130,000 has been recorded in the books of the Company. Under the full cost method of accounting, the gain on the sale of the Relinquished Property of approximately $679,000, is not recognized as income from current operations in the Company's income statement, but the full amount of the sales price of $735,000 is treated as an adjustment to capital costs. The purchase price of the $97,270 property is recorded as an addition to Oil and Gas Properties at year-end. The acquisition cost of $200,200 of the second Replacement Property acquired subsequent to year-end will be recorded as an Oil and Gas Property addition in the first quarter of 2004.

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 short-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, 2003.

	Year Ended December 31, (1)		
Purchaser	2003	2002	2001
Cantera Resources	17%	22%	32%
Devon Gas Services/Mitchell Marketing Co.	20%	38%	41%
Shell Trading (US) Company	9%	-	-
LIG Chemical Company	9%	-	-
Plains Marketing, L.P.	7%	-	-

(1) Percent of Total Oil & Gas Sales

Oil and Gas is sold to approximately 100 different purchasers (such as Devon Gas Services, L.P., Enbridge Energy Partners (formerly Cantera Resources, Inc.), Plains Marketing, L.P., Eastex Crude Company, Shell Trading (US) Company, Dynegy Midstream Services, Empire Pipeline Corporation, LIG Chemical Company, and Duke Energy Field Services) under market sensitive, short-term contracts computed on a month to month basis.

Except as set forth above, there are no other customers of the Company that individually accounted for more than 5% of the Company's oil and gas revenues during the three years ended December 31, 2003.

The Company currently has no hedged contracts.

Certain revenues, costs and expenses related to the Company's oil and gas operations are as follows:

	Year Ended December 31,		
	2003	2002	2001
Capitalized costs relating to oil and gas producing activities:			
Unproved properties	$ 154,000	$ -	$ -
Proved properties	4,306,000	3,910,000	3,224,000
Total capitalized costs	4,460,000	3,910,000	3,224,000
Accumulated amortization	(2,990,000)	(2,683,000)	(2,436,000)
Total capitalized costs, net	$ 1,470,000	$ 1,227,000	$ 788,000

	Year Ended December 31,		
	2003	2002	2001
Costs incurred in oil and gas property acquisition, exploration and development:			
Acquisition of properties	$ 538,000	$ 373,000	$ 24,000
Development costs	720,000	295,000	-
Total costs incurred	$ 1,258,000	$ 668,000	$ 24,000

	Year Ended December 31,		
	2003	2002	2001
Results of Operations from producing activities:			
Sales of oil and gas	$ 3,100,000	$ 1,733,000	$ 2,191,000
Production costs	1,237,000	790,000	930,000
Amortization of oil and gas properties	307,000	248,000	102,000
Total production costs	1,544,000	1,038,000	1,032,000
Total net revenue	$ 1,556,000	$ 695,000	$ 1,158,000

Year Ended December 31,

	2002	2002	2001
Sales price per equivalent Mcf	$ 4.35	$ 3.11	$ 4.15
Production costs per equivalent Mcf	$ 1.73	$ 1.42	$ 1.76
Amortization per equivalent Mcf	$ .44	$ .45	$ .19

	Year Ended December 31,		
	2003	2002	2001
Results of Operations from gas gathering and equipment rental activities:			
Revenue	$ 152,000	$ 176,000	$ 219,000
Operating expenses	30,000	25,000	36,000
Depreciation	14,000	18,000	19,000
Total costs	44,000	43,000	55,000
Total net revenue	$ 108,000	$ 133,000	$ 164,000

16. 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, 2003:

	Year Ended December 31, 2003	2002	2001
Revenues: (3)			
Oil and gas exploration, production and operations	$ 3,192,000	$ 1,779,000	$2,223,000
Gas gathering, compression and equipment rental	152,000	176,000	219,000
	$ 3,344,000	$ 1,955,000	$ 2,442,000
Depreciation, depletion and Amortization expense:			
Oil and gas exploration, production and operations $	317,000	$ 260,000	$ 114,000
Gas gathering, compression and equipment rental	14,000	18,000	19,000
	$ 331,000	$ 278,000	$ 133,000

Income from operations:			
Oil and gas exploration, production and operations	$ 1,638,000	$ 729,000	$ 1,179,000
Gas gathering, compression and equipment rental	108,000	133,000	164,000
	1,746,000	865,000	1,343,000
Corporate and other (1)	(759,000)	(480,000)	(567,000)
Consolidated net income (loss)	$ 987,000	$ 382,000	$ 776,000
Identifiable Assets:			
Oil and gas exploration, production and operations	$ 1,630,000	$ 1,271,000	$ 820,000
Gas gathering, compression and equipment rental	49,000	64,000	80,000
	$ 1,679,000	$ 1,335,000	$ 900,000
Corporate and other (2)	3,716,000	2,320,000	2,586,000
Consolidated total assets	$ 5,395,000	$ 3,655,000	$ 3,486,000

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

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

Note (3): All reported revenues are from external customers.

17. SUPPLEMENTARY INCOME STATEMENT INFORMATION

The following items were charged directly to expense:

	Year Ended December 31,		
	2003	2002	2001
Maintenance and repairs	$ 7,000	$ 4,000	$ 36,000
Production taxes	169,000	101,000	121,000
Taxes, other than payroll and income taxes	54,000	24,000	40,000

18. SUPPLEMENTAL RESERVE INFORMATION (UNAUDITED)

The Company's net proved oil and gas reserves as of December 31, 2003, 2002 and 2001 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 (Unaudited):

	Crude Oil Bbls	Natural Gas Mcf
Quantities of Proved Reserves:		
Balance December 31, 2000	18,971	2,833,123
Sales of reserves in place	-	(18,825)

Acquired properties	-	5,350
Revisions of previous estimates	33,228	4,062,600
Production	(9,229)	(472,728)
Balance December 31, 2001	42,970	6,409,520
Sales of reserves in place	-	-
Acquired properties	116,662	10,439,648
Extensions and discoveries	-	51,615
Revisions of previous estimates	2,915	(127,122)
Production	(9,553)	(499,081)
Balance December 31, 2002	152,994	16,274,580
Sales of reserves in place	(2)	(2,815,000)
Acquired properties	101,308	482,926
Revisions of previous estimates	139,677	(4,048,147)
Production	(28,747)	(540,799)
Balance December 31, 2003	365,230	9,353,560

Proved Developed Reserves:

Balance December 31, 2001	42,970	5,311,830
Balance December 31, 2002	152,994	4,976,890
Balance December 31, 2003	365,230	4,978,309

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. 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.

During 2002, the Company acquired a 680 acre development block located within the Newark Barnett Shale Field in North Texas. There are proven and producing wells operated by companies other than the Company surrounding the prospect in every direction. The Company's internal engineering estimates project that gross gas reserves could exceed 1 BCF per well. The Company is the project operator and intends to drill up to 17 wells on the prospect. The Company intends to sell portions of the individual wells to outside investors to help offset the cost of drilling and completing the wells. The sale of these partial interests will reduce the Company's ultimate portion of the recoverable reserves from this field.

In the Changes in Estimated Quantities of Proved Oil and Gas Reserves shown above, the Company has estimated that recoverable reserves attributable to the Company's current interest in the Newark Barnett Shale prospect is approximately 5,000 MMcf of natural gas, and has recorded 4,375 MMcf as proved undeveloped reserves. In 2002, the Company recorded proved undeveloped reserves of 10,200 MMcf as additions from acquired properties for all of the 17 well locations in the field. In 2003, the Company drilled the Olex #1 well and was in the process of drilling the Olex #2 well at year end. As a result it transferred reserves for the Olex #1 from the proved undeveloped classification to proved developed reserves. The Company changed the way it reports proved undeveloped reserves in 2003 so that only wells for which it has immediate plans to drill in the near-term future, will be reported as proved undeveloped reserves. As a result, it revised its previous estimate of proved undeveloped reserves in the Newark Barnett Shale prospect by approximately 4,000 MMcf to only include the Olex #2 well, 2 additional wells to be drilled in 2004 and 4 additional wells to be drilled in 2005.

In the table shown below for Standardized measure of discounted future net cash flows related to proved reserves, the Company has included $33,638,000

as future production revenue and $2,716,000 as estimated future development and production costs related to the Newark Barnett Shale prospect.

During 2003, the Company reduced its interest in the Olex lease by acquiring investors to participate in the drilling of the additional wells. The Sales of Reserves in Place shown in the table below is due to the reduction of proved undeveloped reserves from the reduction of the Company's interest in the Olex lease in Denton County, Texas.

Revisions of Previous Estimates from 2002 of 4,048,147 Mcf as shown above is due in part to only recognizing the drilling of the Olex #2 well, 2 additional wells in 2004 and 4 additional wells in 2005, as opposed to the recognition of 17 wells as shown in the 2002 reserve report.

As additional wells are proposed to be drilled within the near-term future, the amount of proved undeveloped reserves will be added to the amount of reserves reported in the table above.

The Company emphasizes that reserve estimates are inherently imprecise. Accordingly, the estimates are expected to change as more current information becomes available. It is reasonably possible that, because of changes in market conditions or the inherent imprecision of these reserve estimates, that the estimates of future cash inflows, future gross revenues, the amount of oil and gas reserves, the remaining estimated lives of the oil and gas properties, or any combination of the above may be increased or reduced in the near term. If reduced, the carrying amount of capitalized oil and gas properties may be reduced materially in the near term.

Standardized measure of discounted future net cash flows related to proved reserves:

	Year Ended December 31,		
	2003	2002	2001
Future production revenue	$ 46,944,000	$ 56,535,000	$ 15,342,000
Future development costs	(2,470,000)	(14,621,000)	(621,000)
Future production costs	(11,342,000)	(13,688,000)	(7,507,000)
Future net cash flow before Federal income tax	33,132,000	28,226,000	7,214,000
Future income taxes	(4,970,000)	(4,234,000)	(2,453,000)
Future net cash flows	28,162,000	23,992,000	4,761,000
Effect of 10% annual discounting	(16,300,000)	(12,177,000)	(1,032,000)
Standardized measure of discounted net cash flows	$ 11,862,000	$ 1,815,000	$ 3,729,000

Changes in the standardized measure of discounted future net cash flows:

	Year Ended December 31,		
	2003	2002	2001
Beginning of the year	$ 11,815,000	$ 3,729,000	$ 7,109,000
Oil and gas sales, net of production costs	(1,970,000)	(943,000)	(1,261,000)
Purchases of reserves in place	1,813,000	6,129,000	10,000
Sales of reserves in place	(2,532,000)	-	(34,000)
Net change in prices, net of production costs	5,384,000	2,665,000	(2,700,000)
Changes in production rates, timing and other	(360,000)	(2,083,000)	(868,000)
Revisions of quantity estimate	(2,438,000)	(419,000)	739,000
Effect of income tax	(1,031,000)	(802,000)	23,000
Accretion of discount	1,181,000	3,539,000	711,000

End of year	$ 11,862,000	$ 11,815,000	$ 3,729,000

SCHEDULE II

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

	YEARS ENDED DECEMBER 31, 2003, 2002, AND 2001			
Description	Beginning Balance	Costs & Expenses	Deductions	Ending Balance
Allowance for doubtful Accounts				

December 31, 2001	$ 30,000	$ -	$ -	$ 30,000
December 31, 2002	$ 30,000	$ -	$ -	$ 30,000
December 31, 2003	$ 30,000	$ -	$ -	$ 30,000

Index to Exhibits

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES
Subsidiaries of 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.

Part II - Other Information

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

Exhibit 14

Code of Ethics for Senior Financial Officers

The principal executive officer, president, principal financial officer, chief financial officer, principal accounting officer and controller (all, the company's "Senior Financial Officers") hold an important and elevated role in corporate governance, vested with both the responsibility and authority to protect, balance, and preserve the interests of all of the enterprise stakeholders, including shareholders, customers, employees, suppliers, and citizens of the communities in which business is conducted. Senior Financial Officers fulfill this responsibility by prescribing and enforcing the policies and procedures employed in the operation of the enterprise's financial organization and by acting in good faith and in the company's best interests in accordance with the company's Code of Business Conduct and Ethics.

1. Honest and Ethical Conduct

Senior Financial Officers will exhibit and promote honest and ethical conduct through the establishment and operation of policies and procedures that:

- Encourage and reward professional integrity in all aspects of the financial organization, by eliminating inhibitions and barriers to responsible behavior, such as coercion, fear of reprisal, or alienation from the financial organization or the enterprise itself.

- Promote the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

- Provide a mechanism for members of the finance organization to inform senior Management of deviations in the practice from policies and procedures governing honest and ethical behavior.

- Respect the confidentiality of information acquired in the course of work, except when authorized or otherwise legally obligated to disclose such information, and restrict the use of confidential information acquired in the course of work for personal advantage.

- Demonstrate their personal support for such policies and procedures through periodic communication reinforcing these ethical standards throughout the finance organization.

2. Financial Records and Periodic Reports

Senior Financial Officers will establish and manage the enterprise transaction and reporting systems and procedures to provide that:

- Business transactions are properly authorized and accurately and timely recorded on the company's books and records in accordance with Generally Accepted Accounting Principles ("GAAP") and established company financial policy.

- No false or artificial statements or entries for any purpose are made in the company's books and records, financial statements and related communications.

- The retention or proper disposal of company records shall be in accordance with established records retention policies and applicable legal and regulatory requirements.

- Periodic financial communications and reports will include full, fair, accurate, timely and understandable disclosure.

3. Compliance with Applicable Laws, Rules and Regulations.

Senior Financial Officers will establish and maintain mechanisms to:

- Educate members of the finance organization about any federal, state or local statute, regulation or administrative procedure that affects the operation of the finance organization and the enterprise generally.

- Monitor the compliance of the finance organization with any applicable federal, state or local statute, regulation or administrative rule.

- Identify, report and correct in a swift and certain manner, any detected deviations from applicable federal, state or local statute or regulation.

4. Reporting of Non-Compliance

Senior Financial Officers will promptly bring to the attention of the Board of Directors:

- Material information that affects the disclosures made by the company in its public filings.

- Information concerning significant deficiencies in the design or operation of internal controls that could adversely affect the company's ability to record, process, summarize and report financial data.

Senior Financial Officers will promptly bring to the attention of the General Counsel and to the Board of Directors:

- Fraud, whether or not material, that involves management or other employees who have a significant role in the company's financial reporting, disclosures or internal controls.

- Information concerning a violation of this Code or the company's Code of Business and Ethics Conduct, including any actual or apparent conflicts of interest between personal and professional relationships, involving management or other employees who have a significant role in the company's financial reporting, disclosures or internal controls.

- Evidence of a material violation by the company or its employees or agents of applicable laws, rules or regulations.

5. Disciplinary Action

In the event of violation by Senior Financial Officers of this Code or the company's Code of Business Conduct and Ethics, the Board of Directors shall recommend appropriate disciplinary and remedial actions.

Exhibit 31(a)

CERTIFICATIONS

I, Chris G. Mazzini, certify that:

1. I have reviewed this annual report on Form 10-K of Spindletop Oil & Gas Co.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13-15(e) and 15d-15e) and have internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

> (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
>
> (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals; and
>
> (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures as of the end of the period covered by this report based on such evaluation; and
>
> (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(e) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Dated: April 8, 2004.

/s/ Chris G. Mazzini

Exhibit 31(b)

CERTIFICATIONS

I, Robert E. Corbin, certify that:

1. I have reviewed this annual report on Form 10-K of Spindletop Oil & Gas Co.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13-15(e) and 15d-15e) and have internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals; and

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(e) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Dated: April 8, 2004.

/s/ Robert E. Corbin

Exhibit 32(a)

Officers' Section 1350 Certifications

The undersigned officer of Spindletop Oil & Gas Co., a Texas corporation (the "Company"), hereby certifies that (i) the Company's Annual Report on Form 10-K for the year ended December 31, 2003 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and
(ii) the information contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 fairly presents, in all material respects, the financial condition and results of operations of the Company, at and for the periods indicated.

Dated: April 8, 2004.

/s/ Chris G. Mazzini

Exhibit 32(b)

Officers' Section 1350 Certifications

The undersigned officer of Spindletop Oil & Gas Co., a Texas corporation (the "Company"), hereby certifies that (i) the Company's Annual Report on Form 10-K for the year ended December 31, 2003 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and
(ii) the information contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 fairly presents, in all material respects, the financial condition and results of operations of the Company, at and for the periods indicated.

Dated: April 8, 2004.

/s/ Robert E. Corbin