

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

SPINDLETOP OIL & GAS CO
Form 10-Q
November 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED SEPTEMBER 30, 2008

or

TRANSITION REPORT PURSUANT OT SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File No. 000-18774

SPINDLETOP OIL & GAS CO.

(Exact name of registrant as specified in its charter)

Texas 75-2063001
(State or other jurisdiction (IRS Employer Identification No.)
of incorporation or organization)

12850 Spurling Rd., Suite 200, Dallas, TX 75230
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
Company was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an
accelerated filer, a non-accelerated filer, or a smaller reporting company.
See the definitions of "large accelerated filer", "accelerated filer", and
"smaller reporting company" in Rule 12b-2 of the Exchange Act .

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of
common, as of the latest practicable date.

Common Stock, \$0.01 par value 7,610,803
(Class) (Outstanding at November 14, 2008)

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

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

FORM 10-Q

For the quarter ended September 30, 2008

Index to Consolidated Financial Statements and Schedules

	Page
Part I - Financial Information:	
Item 1. - Financial Statements	
Consolidated Balance Sheets	
September 30, 2008 (Unaudited) and December 31, 2007	3-4
Consolidated Statements of Income or Loss (Unaudited)	
Nine Months Ended September 30, 2008 and 2007 and	
Three Months Ended September 30, 2008 and 2007	5
Consolidated Statements of Cash Flows (Unaudited)	
Nine Months Ended September 30, 2008 and 2007	6
Notes to Consolidated Financial Statements	7
Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 4. - Controls and Procedures	13
Part II - Other Information:	
Item 1A - Risk Factors	9
Item 5. - Other Information	13
Item 6. - Exhibits	14

- 2 -

Part I - Financial Information

Item 1. - Financial Statements

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

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

CONSOLIDATED BALANCE SHEETS

	As of	
	September 30	December 31
	2008	2007
	(Unaudited)	
	-----	-----
ASSETS		
Current Assets		
Cash	\$12,033,000	\$ 6,325,000
Accounts receivable, trade	1,473,000	1,413,000
	-----	-----
Total Current Assets	13,506,000	7,738,000
	-----	-----
Property and Equipment, at cost		
Oil and gas properties (full cost method)	11,522,000	11,041,000
Rental equipment	399,000	399,000
Gas gathering systems	145,000	145,000
Other property and equipment	170,000	183,000
	-----	-----
	12,236,000	11,768,000
Accumulated depreciation and amortization		
	(6,387,000)	(5,902,000)
	-----	-----
Total Property and Equipment, net	5,849,000	5,866,000
	-----	-----
Real Estate Property, at cost		
Land	688,000	688,000
Commercial office building	1,580,000	1,542,000
Accumulated depreciation	(276,000)	(204,000)
	-----	-----
Total Real Estate Property, net	1,992,000	2,026,000
	-----	-----
Other Assets	2,000	1,000
	-----	-----
Total Assets	\$21,349,000	\$15,631,000
	=====	=====

The accompanying notes are an integral part of these statements.

- 3 -

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

	As of	
	September 30	December 31
	2008	2007
	(Unaudited)	
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		

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

Current Liabilities		
Notes payable, current portion	\$ 120,000	\$ 120,000
Accounts payable and accrued liabilities	2,829,000	2,272,000
Income tax payable	829,000	8,000
Tax savings benefit payable	97,000	97,000
	-----	-----
Total current liabilities	3,875,000	2,497,000
	-----	-----
Non-current Liabilities		
Notes payable, long-term portion	1,110,000	1,200,000
Asset retirement obligation	798,000	564,000
	-----	-----
	1,908,000	1,764,000
	-----	-----
Deferred income tax payable	2,179,000	1,855,000
	-----	-----
Shareholders' Equity		
Common stock, \$.01 par value; 100,000,000		
Shares authorized; 7,677,471 shares issued		
And 7,610,803 shares outstanding at		
September 30, 2008; 7,677,471 shares issued		
And 7,610,803 shares outstanding at		
December 31, 2007	77,000	77,000
Additional paid-in capital	874,000	874,000
Treasury Stock	(32,000)	(32,000)
Retained earnings	12,468,000	8,596,000
	-----	-----
Total Shareholders' Equity	13,387,000	9,515,000
	-----	-----
Total Liabilities and Shareholders' Equity	\$21,349,000	\$15,631,000
	=====	=====

The accompanying notes are an integral part of these statements.

- 4 -

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2008	2007	2008	2007
	-----	-----	-----	-----
Revenues				
Oil and gas revenue	\$10,460,000	\$ 4,618,000	\$ 4,071,000	\$ 1,642,000
Revenue from lease operations	186,000	160,000	80,000	62,000
Gas gathering, compression and Equipment rental	139,000	135,000	65,000	63,000
Real estate rental income	383,000	381,000	126,000	131,000

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

Interest income	181,000	221,000	84,000	65,000
Other	96,000	50,000	56,000	25,000
	-----	-----	-----	-----
Total revenue	11,445,000	5,565,000	4,482,000	1,988,000
	-----	-----	-----	-----
Expenses				
Lease operations	2,609,000	1,467,000	963,000	631,000
Pipeline and rental operations	27,000	36,000	19,000	22,000
Real estate operations	181,000	213,000	38,000	111,000
Depreciation, depletion and amortization	571,000	414,000	199,000	124,000
Asset retirement obligation accretion	18,000	25,000	6,000	8,000
General and administrative	2,063,000	1,504,000	730,000	523,000
Interest expense	60,000	76,000	20,000	21,000
	-----	-----	-----	-----
Total Expenses	5,529,000	3,735,000	1,975,000	1,440,000
	-----	-----	-----	-----
Income Before Income Tax	5,916,000	1,830,000	2,507,000	548,000
	-----	-----	-----	-----
Current tax provision	1,720,000	298,000	859,000	10,000
Deferred tax provision	324,000	411,000	(30,000)	147,000
	-----	-----	-----	-----
	2,044,000	709,000	829,000	157,000
	-----	-----	-----	-----
Net Income	\$ 3,872,000	\$ 1,121,000	\$ 1,678,000	\$ 391,000
	=====	=====	=====	=====
Earnings per Share of Common Stock				
Basic and diluted	\$ 0.51	\$ 0.15	\$ 0.22	\$ 0.05
	=====	=====	=====	=====
Weighted Average Shares Outstanding				
Basic and diluted	7,610,803	7,602,067	7,610,803	7,607,433
	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

- 5 -

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

	Nine Months Ended September 30,	
	----- 2008	----- 2007
	-----	-----
Cash Flows from Operating Activities		
Net Income	\$ 3,872,000	\$ 1,121,000
Reconciliation of net income to net cash provided by Operating Activities		
Depreciation, depletion and amortization	571,000	414,000
Employee compensation paid with treasury stock	-	32,000
Changes in prepaid expense	-	60,000
Changes in accounts receivable	(60,000)	26,000
Changes in prepaid income taxes	-	297,000
Changes in accounts payable	557,000	(587,000)
Changes in current taxes payable	821,000	-

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

Changes in deferred tax payable	324,000	410,000
Changes in asset retirement obligation	234,000	9,000
Other	(1,000)	(1,000)
	-----	-----
Net cash provided by operating activities	6,318,000	1,781,000
	-----	-----
Cash flows from Investing Activities		
Capitalized acquisition, exploration and development costs	(480,000)	(929,000)
Purchase of property and equipment	(1,000)	-
Capitalized tenant improvements and broker fees	(39,000)	(33,000)
	-----	-----
Net cash used for investing activities	(520,000)	(962,000)
	-----	-----
Cash Flows from Financing Activities		
Decrease in notes payable	(90,000)	(90,000)
	-----	-----
Net cash used for financing activities	(90,000)	(90,000)
	-----	-----
Increase in cash	5,708,000	729,000
Cash at beginning of period	6,325,000	5,759,000
	-----	-----
Cash at end of period	\$12,033,000	\$ 6,488,000
	=====	=====
Interest paid in cash	\$ 60,000	\$ 65,000
	=====	=====
Income tax payments	\$ 900,000	-
	=====	=====

The accompanying notes are an integral part of these statements.

- 6 -

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

1. BASIS OF PRESENTATION AND ORGANIZATION

The accompanying financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's annual Form 10-K filing. Accordingly, the reader of this Form 10-Q may wish to refer to the Company's Form 10-K for the year ended December 31, 2007 for further information.

The consolidated financial statements presented herein include the accounts of Spindletop Oil & Gas Co., a Texas corporation ("the Company") and its wholly owned subsidiaries, Prairie Pipeline Co., a Texas corporation and Spindletop Drilling Company, a Texas Corporation. All significant inter-company transactions and accounts have been eliminated.

In the opinion of management, the accompanying unaudited interim financial statements contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, the results of operations and changes in cash flows of the Company and its consolidated subsidiaries for the interim periods presented. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures,

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

including a description of significant accounting policies normally included in financial statements prepared in accordance with generally accepted accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

2. NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 161, Disclosures about Derivative Instruments and Hedging Activities - an amendment of SFAS 133. SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires: (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. SFAS 161 is effective for us on January 1, 2009. Management does not expect this adoption to have a material impact on the consolidated financial statements.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, as amended in February 2008 by FASB Staff Position ("FSP") FAS 157-2, Effective Date of FASB Statement No. 157. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FSP FAS 157-2 defers the effective date of SFAS 157 for all nonfinancial assets and liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until January 1, 2009. As such, management partially adopted the provisions of SFAS 157

- 7 -

effective January 1, 2008. The partial adoption of this statement did not have a material impact on the financial statements. Management expects to adopt the remaining provisions of SFAS 157 beginning in 2009. Management does not expect this adoption to have a material impact on the consolidated financial statements.

In February 2007, FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities-including an Amendment of FASB Statement No. 115. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS 159 are elective; however the amendment to SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale securities. The fair value option established by SFAS 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. Management has adopted this statement as of January 1, 2008. The adoption created no impact to the consolidated financial statements.

In December 2007, the FASB issued SFAS 141R, Business Combinations. SFAS 141R continues to require the purchase method of accounting to be applied to all business combinations, but it significantly changes the accounting for certain aspects of business combinations. Under SFAS 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS 141R will change the accounting treatment for certain specific acquisition related items including: (1) expensing acquisition related costs as incurred; (2) valuing noncontrolling interests at fair value at the acquisition date; and

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

(3) expensing restructuring costs associated with an acquired business. SFAS 141R also includes a substantial number of new disclosure requirements. SFAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. Management expects SFAS 141R will have an impact on the accounting for future business combinations once adopted but the effect is dependent upon the acquisitions that are made in the future.

In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements. SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary (minority interest) is an ownership interest in the consolidated entity that should be reported as equity in the Consolidated Financial Statement and separate from the parent company's equity. Among other requirements, this statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the Consolidated Statement of Operations, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. This statement is effective for us on January 1, 2009. Management does not expect this adoption to have a material impact on the consolidated financial statements.

- 8 -

3. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash. The Company places its cash with various financial institutions. The Company's exposure to loss should any of these financial institutions fail would be limited to any amount in excess of the amount insured by the Federal Deposit Insurance Corporation. At September 30, 2008, management represents the amount in excess of Federal Deposit Insurance Corporation ("FDIC") limits is approximately \$10,726,000. Subsequent to September 30, 2008, the Company has opened additional accounts at other banking institutions as well as initiated participation in the Certificate of Deposit Account Registry Service ("CDARS") in order to mitigate the risk associated with deposits in excess of FDIC insured amounts.

4. SUBSEQUENT EVENT

Subsequent to September 30, 2008, the oil and condensate price per barrel and the price per mcf for gas production decreased significantly. The Company will continue to monitor the subsequent event activity and the impact that the significant decline in commodity prices will have on the Company's business model.

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations

WARNING CONCERNING FORWARD LOOKING STATEMENTS

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report.

This Report on Form 10-Q may contain forward-looking statements within the meaning of the federal securities laws, principally, but not only, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations." We caution investors that any forward-looking statements in this report, or which management may make orally or in writing from time to time, are based on management's beliefs and on assumptions made

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

by, and information currently available to, management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result" and similar expressions which do not relate solely to historical matters are intended to identify forward-looking statements. These statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors, that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

- 9 -

Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the factors listed and described at Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K, which investors should review. There have been no changes from the risk factors previously described in the Company's Form 10-K for the fiscal year ended December 31, 2007 (the "Form 10-K").

Other sections of this report may also include suggested factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks may emerge from time to time and it is not possible for management to predict all such matters; nor can we assess the impact of all such matters on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also refer to our quarterly reports on Form 10-Q for future periods and current reports on Form 8-K as we file them with the SEC, and to other materials we may furnish to the public from time to time through Forms 8-K or otherwise.

Results of Operations

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

Total oil and gas revenues reported for the first nine months ended September 30, 2008 were \$10,460,000 while total oil and gas revenues reported for the same period in 2007 were \$4,618,000, an overall increase of approximately \$5,842,000 or 126.5%.

Oil sales for the first nine months of 2008 were \$1,733,000 compared to \$1,185,000 for the same period in 2007, an increase of approximately \$548,000 or 46.2%. Barrels (bbl) of oil sold during the first nine months of 2008 were approximately 19,000 compared to approximately 20,000 bbls sold during the same period in 2007, a decrease of 5.0%. Average oil prices for production sold in the first nine months of 2008 were \$ 91.46 per barrel compared to \$59.86 per barrel for the first nine months of 2007, an increase of 52.8%. As oil production experienced a slight decline, the increase in overall oil revenue is attributed directly to the increased price of oil received in 2008 compared to

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

2007.

Gas Sales in the first nine months of 2008 were \$8,727,000 while gas sales reported for the same period in 2007 were \$3,433,000, an increase of approximately \$5,294,000 or 154.2%. Gas sales during the first nine months of 2008 were approximately 946,000 mcf compared to approximately 518,000 mcf sold during the same period in 2007, an increase of 428,000 mcf, or 82.6%. Average gas prices for production sold in the first nine months of 2008 were \$ 9.23 per mcf compared to \$6.63 per mcf in 2007, an increase of 39.2%. The increase in volume of gas sold was due primarily to eight new horizontal Barnett Shale gas wells which were drilled beginning in the last quarter of 2007. These new wells account for approximately 400,000 mcf of gas from new properties not in the 2007 third quarter report. In addition to sales from new properties, the

- 10 -

increased price of gas received in 2008 compared to 2007 helped increase total gas sales revenue.

Interest income for the nine months ended September 30, 2008 was \$181,000 as compared to \$221,000 for the same period in 2007, a decrease of \$40,000 or 18.1%. The amount of cash invested in certificates of deposit over the nine month period in 2008 was not as large as the amount invested over the same period in 2007. In addition, interest rates paid by banks were generally lower in 2008 than in 2007.

In 2008, the cost of lease operations for the nine months ended September 30 was \$2,609,000 as compared to \$1,467,000 for the same period in 2007, an increase of \$1,142,000, or 77.9%. Lease operating costs in general have increased due to an increase in remedial repair on older wells as well as cost increases seen across the board in oilfield equipment and services. Approximately \$500,000 of additional operating expense has been incurred in 2008 as a result of these eight new horizontal Barnett Shale wells. The Company did not operate these wells in 2007. In addition, approximately \$400,000 has been accrued as operating expense for an unsuccessful attempt to deepen and recomplete a well in Ward County, Texas. Another \$150,000 of the increase was due to remedial activity on our Titus County, Texas wells in 2008 to return several shut-in oil wells to production.

Depreciation and amortization for the first nine months of 2008 was \$571,000 compared to \$414,000 for the same period in 2007, an increase of \$157,000, or 37.9%. The Company re-evaluated its proved oil and gas reserves as of December 31, 2007, and increased its depletion rate for 2008 to 5.883% as compared to the 5.041% used in 2007. In addition, the undepleted amount of the full cost pot increased from \$8,332,000 at the end of the 9 months ended September 30, 2007 to \$10,820,000 at the end of September 30, 2008, an increase of \$2,488,000 or 29.9%. The increased basis of the full cost pot and the increased rate of depletion caused the increase in the provision for amortization of our oil and gas properties.

General and administrative costs for the first nine months of 2008 were \$2,063,000 compared to \$1,504,000 for the same period in 2007, an increase of \$559,000 or 37.2%. This increase is due mainly to payroll costs and associated employee benefit costs. Personnel costs and benefits accounted for \$1,561,000 of the total general and administrative cost in 2008 compared to \$1,040,000 in 2007, an increase of \$521,000 or 50.1%. This increase was due to the addition of several full-time employees during 2008 and the last half of 2007.

Three months ended September 30, 2008 compared to three months ended September 30, 2007

Total oil and gas revenues reported for the three months ended September 30,

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

2008 were \$4,071,000 while total oil and gas revenues reported for the same period in 2007 were \$1,642,000, an overall increase of approximately \$2,429,000 or 147.9%.

Oil and condensate sales for the third quarter of 2008 were approximately \$541,000 compared to \$493,000 for the same period in 2007, an increase of approximately \$48,000 or 9.7%. Barrels of oil sold during the third quarter of 2008 were approximately 6,000 bbls compared to approximately 8,000 bbls sold

-11 -

during the same period in 2007, a decrease of 25.0%. Average oil and condensate prices for production sold in the third quarter of 2008 were \$ 89.40 per barrel compared to \$64.86 per barrel for the third quarter of 2007, an increase in price of approximately 37.8%. This increase in price offset the reduction in oil production for 2008 as compared to the same period in 2007.

Gas Sales in the third quarter of 2008 were \$3,529,000 while total gas sales reported for the same period in 2007 were \$1,149,000, an increase of approximately \$2,380,000 or 207.1%. Gas sold during the third quarter of 2008 was approximately 333,000 mcf compared to approximately 168,000 mcf sold during the same period in 2007, an increase of 165,000 mcf, or 98.2%. Approximately 110,000 mcf of this increase for the period was attributable to the eight new horizontal Barnett Shale wells. Average gas prices for production sold in the third quarter of 2008 were \$ 10.59 per mcf compared to \$6.82 per mcf in 2007, an increase of 55.3%.

Interest income for the three months ended September 30, 2008 was \$84,000 as compared to \$65,000 for the same period in 2007, an increase of \$19,000 or 29.2%. This increase resulted from the Company having higher cash balances to invest during the third quarter of 2008 as compared to the third quarter of 2007. The Company has opened accounts at additional banking institutions in order to mitigate credit risk associated with deposits in excess of FDIC insured amounts.

In 2008, the cost of lease operations for the three months ended September 30 was \$963,000 as compared to \$631,000 for the same period in 2007, an increase of \$332,000, or 52.6%. Lease operating costs in general have increased due to an increase in remedial repair on older wells as well as cost increases seen across the board in oilfield equipment and services. Part of the increase for the third quarter of 2008 was due to taking over the operations of three of the Williams wells which are located in Parker County, Texas. In addition, approximately \$245,000 has been accrued as operating expense for an unsuccessful attempt to recomplete a well in Ward County, Texas.

Depreciation and amortization for the three months ended September 30, 2008 was \$199,000 compared to \$124,000 for the same period in 2007, an increase of \$75,000, or 60.4%. The Company re-evaluated its proved oil and gas reserves as of December 31, 2007, and increased its depletion rate for 2008 to 5.883% as compared to the 5.041% used in 2007. In addition, the undepleted amount of the full cost pot increased from \$8,332,000 at the end of September 30, 2007 to \$10,820,000 at the end of September 30, 2008, an increase of \$2,488,000 or 29.9%. The increased basis of the full cost pot and the increased rate of depletion caused the increase in the provision for amortization of our oil and gas properties.

General and administrative costs for the third quarter of 2008 were \$730,000 compared to \$523,000 for the same period in 2007, an increase of \$207,000 or 39.6%. This increase is due mainly to payroll costs and associated employee benefit costs. Personnel costs and benefits accounted for \$568,000 of the total general and administrative cost in 2008 compared to \$384,000 in 2007, an increase of \$184,000 or 47.9%. This increase was due to the addition of several full-time employees during 2008 and the last half of 2007.

- 12 -

Financial Condition and Liquidity

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

Item 4. - Controls and Procedures

(a) As of the end of the period covered by this report, Spindletop Oil & Gas Co. carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15 and 15d-15. Based upon the evaluation, the Company's Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) which is required to be included in the Company's periodic SEC filings.

(b) There have been no changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Part II - Other Information

Item 5 - Other Information

North Texas:

Newark E., Barnett Shale Field

During the third quarter of 2008, the Olex U.S. #8 well, located on our Krum SW Block in Denton County, Texas was drilled to a depth of 8,827 feet and cased. The well is currently awaiting completion. The Company owns a 50.5% working interest in this well.

During the fourth quarter of 2008, the Poston #1 well, located on our Godley North Block in Johnson County, Texas, was drilled to a depth of 6,754 feet and cased. The well is currently awaiting completion.

Non-Operated Wells:

The Company participated as a working interest owner in several new non-operated wells that were spudded during the 3rd Quarter of 2008. Three gross wells (0.135491 net wells) were drilled, one gross well in Oklahoma, one gross well (0.046875 net well) in Texas and one gross well (0.1103124 net well) in

- 13 -

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

Montana. The Company has also signed AFE's for two additional gross wells, one gross well (0.046875 net well) in Texas and one gross well (0.0062295 net well) in New Mexico, which have not yet been spudded.

Item 6. - Exhibits

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

Exhibit Designation	Exhibit Description
3.1 (a)	Amended Articles of Incorporation of Spindletop Oil & Gas Co. (Incorporated by reference to Exhibit 3.1 to the General Form for Registration of Securities on Form 10, filed with the Commission on August 14, 1990)
3.2	Bylaws of Spindletop Oil & Gas Co. (Incorporated by reference to Exhibit 3.2 to the General Form for Registration of Securities on Form 10, filed with the Commission on August 14, 1990)
31.1 *	Certification pursuant to Rules 13a-14 and 15d under The Securities Exchange Act of 1934.
31.2 *	Certification pursuant to Rules 13a-14 and 15d under The Securities Exchange Act of 1934.
32.1 *	Certification pursuant to 18 U.S.C. Section 1350.

* filed herewith

- 14 -

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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

registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPINDLETOP OIL & GAS CO.
(Registrant)

Date: November 14, 2008

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

Date: November 14, 2008

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

Date: November 14, 2008

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

- 15 -

Exhibit 31.1

CERTIFICATION

I, Chris G. Mazzini, certify that:

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

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

- 16 -

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

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

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

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

Dated: November 14, 2008

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

- 17 -

Exhibit 31.2

CERTIFICATION

I, Robert E. Corbin, certify that:

1. I have reviewed this report on Form 10-Q of Spindletop Oil & Gas Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

- 18 -

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

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 14, 2008

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

- 19 -

Exhibit 32.1

Officers' Section 1350 Certifications

The undersigned officer of Spindletop Oil & Gas Co., a Texas corporation (the "Company"), hereby certifies that (i) the Company's Report on Form 10-Q for the quarter ended September 30, 2008 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and (ii) the information contained in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 fairly presents, in all material respects, the financial condition and results of operations of the Company, at and for the periods indicated.

Dated: November 14, 2008

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

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

