SPINDLETOP OIL & GAS CO
Form 10-Q
November 18, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Commission File No. 000-18774

SPINDLETOP OIL & GAS CO.

(Exact name of registrant as specified in its charter)

Texas	**75-2063001**
(State or Other Jurisdiction	(I.R.S. Employer
of Incorporation or Organization)	Identification No.)

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 registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer ¨ Non-accelerated filer ¨ (Do not check if smaller reporting company)

Accelerated filer ¨ Smaller reporting company x

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock, $0.01 par value	**7,650,803**
(Class)	(Outstanding at November 18, 2011)

1

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

FORM 10-Q

For the quarter ended September 30, 2011

Index to Consolidated Financial Statements and Schedules

2

Part I - Financial Information:

Item 1. - Financial Statements

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8,004,000	$ 6,244,000
Accounts receivable, Trade	1,159,000	1,088,000
Prepaid income tax	178,000	446,000
Other short-term investments	300,000	400,000
Total Current Assets	9,641,000	8,178,000
Property and Equipment - at cost		
Oil and gas properties (full cost method)	18,782,000	17,884,000
Rental equipment	399,000	399,000
Gas gathering system	145,000	145,000
Other property and equipment	245,000	245,000
	19,571,000	18,673,000
Accumulated depreciation and amortization	(9,601,000)	(8,844,000)
Total Property and Equipment	9,970,000	9,829,000
Real Estate Property - at cost		
Land	688,000	688,000
Commercial office building	1,580,000	1,580,000
Accumulated depreciation	(576,000)	(501,000)
Total Real Estate Property	1,692,000	1,767,000
Other Assets		
Other long-term investments	1,300,000	1,000,000
Other	3,000	3,000
Total Other Assets	1,303,000	1,003,000
Total Assets	$ 22,606,000	$ 20,777,000
	-	-

The accompanying notes are an integral part of these statements

3

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (Unaudited)	December 31, 2010
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable, current portion	$ 120,000	$ 120,000
Accounts payable and accrued liabilities	2,698,000	2,276,000
Tax savings benefit	97,000	97,000
Total Current Liabilities	2,915,000	2,493,000
Noncurrent Liabilities		
Notes payable, long-term portion	750,000	840,000
Asset Retirement Obligation	924,000	854,000
Total Noncurrent Liabilities	1,674,000	1,694,000
Deferred Income Tax Payable	3,066,000	3,009,000
Total Liabilities	7,655,000	7,196,000
Shareholders' Equity		
Common Stock, $.01 par value, 100,000,000 shares authorized; 7,677,471 shares issued and 7,650,803 shares outstanding at September 30, 2011; 7,677,471 shares issued and 7,640,803 shares outstanding at December 31, 2010.	77,000	77,000
Additional paid-in capital	931,000	919,000
Treasury Stock, at cost	(13,000)	(18,000)
Retained earnings	13,956,000	12,603,000
Total Shareholder's Equity	14,951,000	13,581,000
Total Liabilities and Shareholders' Equity		

	\$ 22,606,000	\$ 20,777,000
	-	-

The accompanying notes are an integral part of these statements

4

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

	Nine Months Ended		Three Months Ended	
	September 30	September 30	September 30	September 30
	2011	2010	2011	2010
Revenues				
Oil and gas revenues	$ 5,792,000	$ 4,676,000	1,773,000	1,515,000
Revenue from lease operations	215,000	212,000	64,000	79,000
Gas gathering, compression, equip rental	133,000	112,000	55,000	41,000
Real estate rental income	344,000	350,000	117,000	103,000
Interest Income	54,000	128,000	23,000	44,000
Other	199,000	86,000	8,000	49,000
Total Revenues	6,737,000	5,564,000	2,040,000	1,831,000
Expenses				
Lease operations	1,538,000	1,190,000	551,000	$ 547,000
Production taxes, gathering and marketing	579,000	538,000	200,000	$ 191,000
Pipeline and rental operations	17,000	23,000	12,000	$ 6,000
Real estate operations	134,000	145,000	45,000	$ 46,000
Depreciation and amortization	832,000	627,000	239,000	$ 203,000
ARO accretion expense	36,000	65,000	12,000	$ 22,000
General and administrative	2,171,000	2,327,000	701,000	$ 779,000
Interest expense	42,000	49,000	14,000	$ 16,000
Total Expenses	5,349,000	4,964,000	1,774,000	1,810,000
Income Before Income Tax	1,388,000	600,000	266,000	21,000
Current income tax provision (benefit)	(22,000)	(150,000)	12,000	$ (244,000)
Deferred income tax provision (benefit)	57,000	22,000	(10,000)	$ 39,000
Total income tax provision (benefit)	35,000	(128,000)	2,000	(205,000)
Net Income	$ 1,353,000	$ 728,000	264,000	$ 226,000
Earnings per Share of Common Stock				
Basic and Diluted	$ 0.18	$ 0.10	$ 0.03	$ 0.03
Weighted Average Shares Outstanding				
Basic and Diluted	7,643,066	7,630,803	7,647,470	7,630,803

The accompanying notes are an integral part of these statements

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

	Nine Months Ended September 30, 2011	2010
Cash Flows from Operating Activities		
Net Income	$ 1,353,000	$ 728,000
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	832,000	627,000
Accretion of asset retirement obligation	36,000	65,000
Non-cash employee compensation paid with treasury stock	17,000	-
Changes in accounts receivable	(71,000)	(486,000)
Changes in prepaid income tax	268,000	582,000
Changes in accounts payable	422,000	(504,000)
Changes in current tax payable	-	119,000
Changes in deferred tax payable	57,000	22,000
Other	-	(2,000)
Net cash provided by operating activities	2,914,000	1,151,000
Cash Flows from Investing Activities		
Capitalized acquisition, exploration and development costs	(863,000)	(1,311,000)
Purchase of other property and equipment	-	(60,000)
Purchase of other short-term invesments	100,000	(100,000)
Purchase of other long-term invesments	(300,000)	(1,000,000)
Capitalized tenant improvements and broker fees	(1,000)	-
Net cash used by investing activities	(1,064,000)	(2,471,000)
Cash Flows from Financing Activities		
Repayment of note payable to bank	(90,000)	(90,000)
Net cash used by financing activities	(90,000)	(90,000)
Increase (decrease) in cash	1,760,000	(1,410,000)
Cash at beginning of period	6,244,000	8,853,000
Cash at end of period	$ 8,004,000	$ 7,443,000
Interest Paid in Cash	$ 43,000	$ 48,000
Income taxes paid	$ 150,000	$ -

The accompanying notes are an integral part of these statements

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION AND ORGANIZATION

The accompanying financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's annual Form 10-K filing. Accordingly, the reader of this Form 10-Q may wish to refer to the Company's Form 10-K for the year ended December 31, 2010 for further information.

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

In the opinion of management, the accompanying unaudited interim financial statements contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, the results of operations and changes in cash flows of the Company and its consolidated subsidiaries for the interim periods presented. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with generally accepted accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

Recently Issued Accounting Pronouncements

The FASB issued Accounting Standards Update No. 2011-08, “Intangibles – Goodwill and Other (Topic 350); Testing Goodwill for Impairment” in September, 2011. The objective of this Update is to simplify how entities, both public and non public, test goodwill for impairment. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company plans to adopt this amendment effective with its consolidated financial statements dated December 31, 2011; however the adoption of this statement will not have a material impact on the consolidated financial statements of the Company.

The FASB issued Accounting Standards Update No. 2011-09, “Compensation-Retirement Benefits-Multiemployer Plans (Subtopic 715-80); Disclosures about an Employer’s Participation in a Multiemployer Plan” in September, 2011. The objective of this Update is to address concerns from various users of financial statements on the lack of transparency about an employer’s participation in a multiemployer pension plan. The amendments are effective for annual periods for fiscal years beginning after December 15, 2011. The Company plans to adopt this amendment effective with its consolidated financial statements dated December 31, 2011; however the adoption of this statement will not have a material impact on the consolidated financial statements of the Company.

Subsequent Events:

The Company has evaluated subsequent events through the issuance date of this report of November 18, 2011.

2. COMMON STOCK

Effective August 1, 2011, the Company issued 10,000 shares of restricted common stock (5,000 shares to each of two individuals) to key employees pursuant to an employment package. The shares were valued at $1.70 per share, the believed market value for free trading shares at the time of issue. The amounts were expensed as general and administrative expense. The shares of common stock were issued out of Treasury Stock and reduced the amount of the Company’s common stock held in Treasury from 36,668 to 26,668 shares.

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

Results of Operations

WARNING CONCERNING FORWARD LOOKING STATEMENTS

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

This Report on Form 10-Q may contain forward-looking statements within the meaning of the federal securities laws, principally, but not only, under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We caution investors that any forward-looking statements in this report, or which management may make orally or in writing from time to time, are based on management’s beliefs and on assumptions made by, and information currently available to, management. When used, the words “anticipate,” “believe,” “expect,” “intend,” “may,” “mi “plan,” “estimate,” “project,” “should,” “will,” “result” and similar expressions which do not relate solely to historical matters intended to identify forward-looking statements. These statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors, that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution you that while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the factors listed 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, 2010 (the “Form 10-K”).

The current global economic and financial crisis could lead to an extended national or global economic recession. A slowdown in economic activity caused by a recession would likely reduce national and worldwide demand for oil and natural gas and result in lower commodity prices for long periods of time. Prices for oil and natural gas are volatile. Costs of exploration, development and production have not yet adjusted to current economic conditions. Prolonged, substantial decreases in oil and natural gas prices would likely have a material adverse effect on the Company’s business, financial condition and results of operations, could further limit the Company's access to liquidity and credit and could hinder its ability to satisfy its capital requirements.

Capital and credit markets experienced unprecedented volatility and disruption over the last few years and continue to be unpredictable. Given the current levels of market volatility and disruption, the availability of funds from those markets has diminished substantially. Further, arising from concerns about the stability of financial markets generally and the solvency of borrowers specifically, the cost of accessing the credit markets has increased as many lenders have raised interest rates, enacted tighter lending standards or altogether ceased to provide funding to borrowers.

Due to these capital and credit market conditions, Spindletop cannot be certain that funding will be available to the Company in amounts or on terms acceptable to the Company. The Company is evaluating whether current cash balances and cash flow from operations alone would be sufficient to provide working capital to fully fund the Company's operations. Accordingly, the Company is evaluating alternatives, such as joint ventures with third parties, or sales of interest in one or more of its properties. Such transactions if undertaken could result in a reduction in the Company's operating interests or require the Company to relinquish the right to operate the property. There can be no assurance that any such transactions can be completed or that such transactions will satisfy the Company's operating capital requirements. If the Company is not successful in obtaining sufficient funding or completing an alternative transaction on a timely basis on terms acceptable to the Company, Spindletop would be required to curtail its expenditures or restructure its operations, and the Company would be unable to continue its exploration, drilling, and recompletion program, any of which would have a material adverse effect on Spindletop's business, financial condition, and results of operations.

The Obama Administration has recently set forth budget proposals which if passed, would significantly curtail our ability to attract investors and raise capital. Proposed changes in the Federal income tax laws which would eliminate or reduce the percentage depletion deduction and the deduction for intangible drilling and development costs for small independent producers, will significantly reduce the investment capital available to those in the industry as well as our Company. Lengthening the time to expense seismic costs will also have an adverse effect on our ability to explore and find new reserves.

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

<u>Nine months ended September 30, 2011 compared to nine months ended September 30, 2010</u>

Oil and gas revenues for the first nine months of 2011 were $5,792,000, as compared to $4,676,000 for the same period in 2010, an increase of approximately $1,116,000 or 23.9%.

Natural gas revenues for the first nine months of 2011 were $2,693,000 compared to $2,996,000 for the same period in 2010, a decrease of $303,000, or 10.1%. Natural gas sales volumes for the first nine months of 2011 were approximately 515,000 MCF compared to approximately 574,000 MCF during the first nine months of 2010, a decrease of approximately 59,000 mcf or 10.3%.

Average natural gas prices received were $5.21 per MCF in the first nine months of 2011 as compared to $5.15 per MCF in the first nine months of 2010, an increase of approximately $0.06 per MCF or 1.2%.

Oil sales for the first nine months of 2011 were approximately $3,099,000 compared to approximately $1,680,000 for the same time period of 2010, an increase of approximately $1,419,000 or 84.5%. Oil sales volumes for the first nine months of 2011 were approximately 39,000 BBLS, compared to approximately 23,000 BBLS during the same time period of 2010, an increase of approximately 16,000 BBLS, or 70.0%. Of the increased volumes almost 9,000 BBLS were from the acquisition of a non-operated working interest in the Davis Heirs #1 well and the suspended oil volume from 2002 to 2011 which was acquired in the acquisition. Another 4,000 BBLS was due to other wells acquired subsequent to the third quarter 2010.

Average oil prices received were $79.23 per BBL in the first nine months of 2011 compared to $73.06 per BBL for the same time period in 2010, an increase of approximately $6.17 per BBL or 8.5%.

Revenue from lease operations was approximately $215,000 during the first nine months of 2011 compared to $212,000 for the same time period of 2010, an increase of approximately $3,000, or 1.4%. This increase results from field operation and operator overhead income on wells acquired subsequent to the third quarter of 2010.

Revenue from gas gathering, compression and equipment rental for the first nine months of 2011 was approximately $133,000, compared to approximately $112,000 for the same period in 2010, an increase of $21,000 or 18.8%.

Real estate income was approximately $344,000 during the first nine months of 2011 compared to $350,000 for the same time period of 2010, a decrease of approximately $6,000 or 1.7%. This decrease is due to lease incentives and lower rental rates on some new leases on the office building owned by Company.

Interest income was $54,000 during the first nine months of 2011 as compared to $128,000 during the same period in 2010, a decrease of approximately $74,000 or 57.8%. This was due to a drop in interest rates between periods. The interest rate on certain deposit accounts at one of the banks in which the Company is a depositor was decreased significantly in the last twelve months.

Other income for the first nine months of 2011 was $199,000 as compared to $86,000 for the same time period in 2010, an increase of $113,000 or 131.4%. This increase is due primarily to cash consideration received for Farmouts the Company granted on its leasehold acreage during 2011.

Lease operations expense in the first nine months of 2011 was $1,538,000 as compared to $1,190,000 for the same time period in 2010, a net increase of approximately $348,000, or 29.2%. Of this net increase, approximately $357,000 was from the operations of wells acquired subsequent to the third quarter of 2010. Also, there was a reduction in workover costs between the time periods of approximately $28,000 as well as a reduction of plugging costs of approximately $140,000. The remaining difference was from a net increase in lease operations expense from non-operated properties.

Production taxes, gathering and marketing expenses in the first nine months of 2011 were approximately $579,000 as compared to $538,000 for the same time period of 2010, an increase of approximately $41,000 or 7.6%. The majority of this increase is due to increased production from newly acquired wells.

Pipeline and rental operations expense for the first nine months of 2011 was $17,000 compared to $23,000 for the same period in 2010. This decrease of 6,000 or 26.1% is due to a reduction in trucking and repair expenses from 2010.

Real estate operations expense in the first nine months of 2011 was approximately $134,000 compared to $145,000 during the same period in 2010, a decrease of approximately $11,000 or 7.6%. This decrease is due to a drop in electricity cost for the office building owned by the Company.

Depreciation, depletion, and amortization expense for the first nine months of 2011 was $832,000 as compared to $627,000 for the first nine months of 2010, an increase of $205,000, or 32.7%. $742,000 of the amount for the first nine months of 2011 was for amortization of the full cost pot of capitalized costs as compared with $533,000 for the first nine months of 2010, an increase of $209,000 or 39.2%. The Company re-evaluated its proved oil and gas reserve quantities as of December 31, 2010. This re-evaluated reserve base was adjusted for first, second, and third quarter 2011 additions and dispositions of reserves, and reduced for oil and gas reserves that were produced during the period. In addition, an estimate of projected oil and gas reserves as of December 31, 2011 was made to determine an estimated rate of depletion for the third quarter of 2011. A depletion rate of 5.913% for the nine month period ended September 30, 2011 was calculated and applied to the Company’s full cost pot of capitalized oil and gas properties.

Asset Retirement Obligation (“ARO”) expense for the first nine months of 2011 was approximately $36,000 as compared to approximately $65,000 for the same time period in 2010, a decrease of $29,000 or 44.6%.

General and administrative costs for the first nine months of 2011 were approximately $2,171,000 as compared to approximately $2,327,000 for the first nine months of 2010, a decrease of $156,000 or 6.7%. The decrease in expense is due to a decrease of approximately $46,000 in personnel costs and benefits, and reductions of approximately $24,000 in state franchise taxes, auto and truck expense of approximately $11,000, and a reduction of approximately $34,000 in field storage facility costs. The remaining reduction of $41,000 resulted from operating efficiencies in other costs and expenses.

Interest expense was approximately $42,000 for the first nine months of 2011 compared to approximately $49,000 for the same period in 2010, a decrease of approximately $7,000 or 14.3%. This is due to the continued reduction of the principal amount of the loan on the office building owned by the Company as interest on the note is calculated and paid based on the unpaid balance of the loan.

Three months ended September 30, 2011 compared to three months ended September 30, 2010

Oil and gas revenues for the three months ended September 30, 2011 were $1,773,000, compared to $1,515,000 for the third quarter of 2010, an increase of $258,000, or 17.0%.

Natural gas revenues for the third quarter of 2011 were $959,000 compared to $954,000 for the same period in 2010, an increase of $5,000 or 0.5%. Natural gas volumes sold in the third quarter of 2011 were approximately 167,000 MCF compared to approximately 180,000 MCF during the same period of 2010, a decrease of approximately 13,000 MCF, or 7.2%.

Average natural gas prices received were approximately $5.32 per MCF in the third quarter of 2011 as compared to approximately $5.18 per MCF during the same period in 2010, an increase of approximately $0.14, or 2.7%.

Oil sales for the third quarter of 2011 were approximately $814,000 compared to approximately $561,000 for the same period of 2010, an increase of approximately $253,000 or 45.1%. Oil volumes sold in the third quarter of 2011 were approximately 8,600 BBLS compared to approximately 6,600 BBLS during the same period of 2010, an increase of approximately 2,000 BBLS or 30.3%. The increase in volume was primarily due to wells acquired subsequent to the third quarter of 2010.

Average oil prices received were approximately $84.25 per BBL in the third quarter of 2011 compared to $70.39 per BBL during the same period of 2010, an increase of approximately $13.86 per BBL, or 19.7%.

Revenue from lease operations for the third quarter of 2011 was approximately $64,000 compared to approximately $79,000 for the third quarter of 2010, a decrease of about $15,000 or 19.0%. This decrease results from field operation and operator overhead income due to greater workover activity in 2010 than in 2011.

Revenue from gas gathering, compression and equipment rental for the third quarter of 2011 was approximately $55,000, compared to approximately $41,000, an increase of approximately $14,000 or 34.2% over the same period in 2010.

Real estate income was approximately $117,000 during the third quarter of 2011 compared to $103,000 for the same time period of 2010, an increase of approximately $14,000, or 13.6%.

Interest income for the third quarter of 2011 was approximately $23,000 as compared with approximately $44,000 for the same period in 2010 a decrease of about $21,000 or 47.7%. This was due to a drop in interest rates between periods. The interest rate on certain deposit accounts at one of the banks in which the Company is a depositor was decreased significantly in the last twelve months.

Other income for the third quarter of 2011 was approximately $8,000 as compared with approximately $49,000 for the same period in 2010, a decrease of approximately $41,000 or 83.7%. The difference represents cash consideration received for Farmouts granted for the same period in 2010. There was no such income from Farmouts in the third quarter of 2011.

Lease operating expenses in the third quarter of 2011 were $551,000 as compared to $547,000 for the same period in 2010, a net increase of approximately $4,000, or 0.7%. Of this increase, approximately $105,000 was from the operations of wells acquired subsequent to the third quarter of 2010. There was a reduction in workover costs between the time periods of $51,000 as well as a reduction of plugging costs of $59,000. The remaining net increase is from lease operating expenses from non-operated properties.

Production taxes, gathering, transportation and marketing expenses for the third quarter of 2011 were approximately $200,000 as compared to $191,000 during the third quarter of 2010, a net increase of approximately $9,000 or 4.7%.

Pipeline and rental operations expense for the third quarter of 2011 was $12,000 compared to $6,000 for the same time period in 2010.

Real estate expenses during the third quarter of 2011 were approximately $45,000 compared to approximately $46,000 for the same period in 2010, a decrease of approximately $1,000 or 2.2%. This decrease is due to a drop in electricity cost for the office building owned by the Company.

Depreciation, depletion, and amortization for the third quarter of 2011 was $239,000 as compared to $203,000 for the same period in 2010, an increase of $36,000, or 17.7%. $209,000 of the amount for the third quarter of 2011 was for amortization of the full cost pot of capitalized costs compared to $163,000 for the third quarter of 2010, an increase of $46,000 or 28.2%. The Company re-evaluated its proved oil and gas reserve quantities as of December 31, 2010. This re-evaluated reserve base was adjusted at the end of each quarter for the estimated addition and disposition of reserves during the first nine months of 2011 and reduced for oil and gas reserves that were produced or sold during the periods. A depletion rate of 1.784% for the first quarter of 2011, a depletion rate of 2.537% for the second quarter of 2011, and a depletion rate of 1.592% for the third quarter of 2011 was calculated and applied to the Company’s full cost pot of capitalized oil and gas properties. The total depletion rate for the nine months ended September 30, 2011 was 5.913% compared to the total depletion rate of 4.971% for the first nine months of 2010.

Asset Retirement Obligation (“ARO”) expense for the third quarter of 2011 was approximately $12,000 as compared to approximately $22,000 for the same time period in 2010; a decrease of $10,000 or 45.5%

General and administrative costs for the third quarter of 2011 were $701,000 compared to $779,000 for the same period in 2010, a decrease of approximately $78,000 or 10.0%. The decrease in expense is due primarily to a decrease of approximately $49,000 in personnel costs and benefits, and operating efficiencies in office costs and other areas.

Interest expense was approximately $14,000 for the third quarter of 2011 compared to approximately $16,000 for the same period in 2010, a decrease of approximately $2,000 or 12.5%. This is due to the continued reduction of the principal amount of the loan on the office building owned by the Company as interest on the note is calculated and paid based on the unpaid balance of the loan.

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 and Accounting 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 and Accounting Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by the report.

(b) There have been no changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2011, 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

South Texas

During the 3rd Quarter, the company drilled two wells (100% working interest, .6083984 revenue interest) on its Hynes Lease in Bee County, Texas. The Hynes #29R and #30R were drilled and cased to test the Catahoula sands at an approximate depth of 3,450’. Both wells are awaiting completion.

West Texas

During the 3rd quarter, the Company participated for 4.68750% non-operated working interest with a 3.28125% revenue interest in the drilling of the Miles #24, #25, #26 and #27 wells in the Fuhrman-Mascho Field in Andrews County, Texas. The wells were drilled and cased to an approximate depth of 4,900’ to test the San Andres and Grayburg Formations. The wells had an initial potential test from the San Andres and Grayburg Formation as follows:

Miles #24 69 bopd, 21 Mcfgpd, 115 bswpd

Miles #25 91 bopd, 36 Mcfgpd, 82 bswod

Miles #26 90 bopd, 33 Mcfgpd, 94 bswpd

Miles #27 69 bopd, 21 Mcfgpd, 124 bswpd

Alabama

During the 3rd quarter, the Company participated for a 0.315657% non-operated working interest and a 0.236742% net revenue interest in the drilling of the Boothe & Casey 29-8 #1 well located in the Little Cedar Creek Field in Conecuh County, Alabama. The well was drilled to a depth of 11,175' to test the Smackover and Norphlet Formations. The well was completed in the Smackover from perforations at 11,380-11,396'. The well was placed in production on October 8, 2011 producing at a rate of 197 bopd, 199 Mcfgpd and 0 bswpd.

Also, during the 3rd Quarter, the Company participated for a 10.2% non-operated working interest in the drilling of the Cedar Creek Land & Timber 28-13 #1 well located in the Little Cedar Creek Field in Conecuh County, Alabama. The well was drilled to a depth of 11,175' to test the Smackover and Norphlet Formations. The well was cased and is currently awaiting completion.

For all of the above wells, the Company cautions that the initial production rates of a newly completed well or newly recompleted well or the production rates of a well at the effective date of acquisition may not be an indicator of stabilized production rates or an indicator of the ultimate recoveries obtained.

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

Signatures

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

	SPINDLETOP OIL & GAS CO (Registrant)
Date: November 18, 2011	By:/s/ Chris G. Mazzini Chris G. Mazzini President, Principal Executive Officer
Date: November 18, 2011	By:/s/ Michelle H. Mazzini Michelle H. Mazzini Vice President, Secretary
Date: November 18, 2011	By:/s/ Robert E. Corbin Robert E. Corbin Controller, Principal Financial and Accounting 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.;

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 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, 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

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.

Date: November 18, 2011

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

16

Exhibit 31.2

CERTIFICATION

I, Robert E. Corbin, certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13-15(e) and 15d-15e) and 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, 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

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.

Date: November 18, 2011

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

17

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Spindletop Oil & Gas Co. (the “Company”), on Form 10-Q for the quarter ended September 30, 2011 as filed with the Securities Exchange Commission on the date hereof (the “Report”), the undersigned Principal Executive Officer and Principal Financial and Accounting Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 18, 2011

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

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