SPINDLETOP OIL & GAS CO
Form 10-Q
August 19, 2014

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 June 30, 2014

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 (State or other jurisdiction of incorporation or organization)	75-2063001 (I.R.S. Employer Identification No.)
12850 Spurling Rd., Suite 200, Dallas, Texas (Address of principal executive offices)	75230 (Zip Code)

(972-644-2581)

(Registrant's telephone number, including area code)

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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 [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, 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 [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the

Exchange Act. Yes [ ] No [X]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEEDING 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, as of the latest practicable date.

Common Stock, $0.01 par value	6,936,269
(Class)	(Outstanding at Aug 19, 2014)

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SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

FORM 10-Q

For the quarter ended June 30, 2014

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Part I - Financial Information

Item 1. - Financial Statements

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 13,873,000	$ 9,129,000
Accounts receivable, trade	2,648,000	3,633,000
Prepaid income tax	71,000	-
Other short-term investments	400,000	400,000
Total Current Assets	16,992,000	13,162,000
Property and Equipment - at cost		
Oil and gas properties (full cost method)	26,989,000	24,823,000
Rental equipment	399,000	399,000
Gas gathering system	147,000	145,000
Other property and equipment	251,000	251,000
	27,786,000	25,618,000
Accumulated depreciation and amortization	(14,364,000)	(13,352,000)
Total Property and Equipment	13,422,000	12,266,000
Real Estate Property - at cost		
Land	688,000	688,000
Commercial office building	1,580,000	1,580,000
Accumulated depreciation	(731,000)	(705,000)
Total Real Estate Property	1,537,000	1,563,000
Other Assets		
Other long-term investments	1,200,000	1,200,000
Other	5,000	4,000
Total Other Assets	1,205,000	1,204,000
Total Assets	$ 33,156,000	$ 28,195,000

The accompanying notes are an integral part of these statements.

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - (Continued)

	June 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 6,345,000	$ 3,935,000
Income tax payable	-	252,000
Tax savings benefit	97,000	97,000
Total Current Liabilities	6,442,000	4,284,000
Noncurrent Liabilities		
Asset Retirement obligation	1,186,000	1,107,000
Total Noncurrent Liabilities	1,186,000	1,107,000
Deferred Income Tax Payable	2,153,000	1,763,000
Total Liabilities	9,781,000	7,154,000
Shareholders' Equity		
Common Stock, $.01 par value, 100,000,000 shares authorized; 7,677,471 shares issued and 6,936,269 shares outstanding at June 30, 2014 and at December 31, 2013.	77,000	77,000
Additional paid-in capital	943,000	943,000
Treasury Stock, at cost	(1,536,000)	(1,536,000)
Retained earnings	23,891,000	21,557,000
Total Shareholders' Equity	23,375,000	21,041,000
Total Liabilities and Shareholders' Equity	$ 33,156,000	$ 28,195,000

The accompanying notes are an integral part of these statements.

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Six Months Ended June 30, 2014	2013	Three Months Ended June 30, 2014	2013
Revenues				
Oil and gas revenues	$ 6,857,000	$ 5,673,000	$ 3,587,000	$ 3,528,000
Revenues from lease operations	249,000	187,000	133,000	96,000
Gas gathering, compression, equipment rental	72,000	63,000	43,000	35,000
Real estate rental revenue	121,000	123,000	60,000	64,000
Interest Income	53,000	42,000	37,000	24,000
Other revenues	109,000	43,000	33,000	16,000
Total Revenues	7,461,000	6,131,000	3,893,000	3,763,000
Expenses				
Lease operating expenses	1,060,000	1,054,000	724,000	609,000
Production taxes, gathering and marketing expenses	539,000	504,000	297,000	337,000
Pipeline and rental expenses	27,000	21,000	7,000	13,000
Real estate expenses	95,000	87,000	40,000	39,000
Depreciation and amortization expenses	1,038,000	844,000	560,000	457,000
ARO accretion expense	59,000	20,000	30,000	10,000
General and administrative expenses	1,742,000	1,536,000	855,000	768,000
Interest expense	-	13,000	-	7,000
Total Expenses	4,560,000	4,079,000	2,513,000	2,240,000
Income before income tax	2,901,000	2,052,000	1,380,000	1,523,000
Current income tax provision (benefit)	177,000	328,000	(39,000)	246,000
Deferred income tax provision (benefit)	390,000	155,000	100,000	209,000
Total income tax provision (benefit)	567,000	483,000	61,000	455,000
Net Income	$ 2,334,000	$ 1,569,000	$ 1,319,000	$ 1,068,000
Earnings per Share of Common Stock Basic and Diluted	$ 0.34	$ 0.22	$ 0.19	$ 0.15
Weighted Average Shares Outstanding Basic and Diluted	6,936,269	6,936,269	6,936,269	6,936,269

The accompanying notes are an integral part of these statements.

SPINDLETOP OIL & GAS CO AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended Jun 30, 2014	2013
Cash Flows from Operating Activities		
Net Income	$ 2,334,000	$ 1,569,000
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	1,038,000	844,000
Accretion of asset retirement obligation	79,000	20,000
Changes in accounts receivable	985,000	(269,000)
Changes in prepaid income tax	(71,000)	-
Changes in accounts payable	2,410,000	165,000
Changes in current tax payable	(252,000)	28,000
Changes in asset retirement obligation	-	2,000
Changes in deferred tax payable	390,000	155,000
Other	(1,000)	-
Net cash provided by operating activities	6,912,000	2,514,000
Cash Flows from Investing Activities		
Capitalized acquisition, exploration and development costs	(2,168,000)	(644,000)
Net cash used for investing activities	(2,168,000)	(644,000)
Cash Flows from Financing Activities		
Repayment of note payable to bank	-	(60,000)
Net cash used for financing activities	-	(60,000)
Increase in cash	4,744,000	1,810,000
Cash at beginning of period	9,129,000	7,151,000
Cash at end of period	$ 13,873,000	$ 8,961,000
Interest paid in cash	$ -	$ 6,000
Income taxes paid in cash	$ 500,000	$ 200,000

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, 2013 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.

Subsequent Events

Management has evaluated subsequent events through August 19, 2014, the date on which the financial statements were available to be issued.

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, 2013 (the “Form 10-K”).

Uncertainties regarding the global economic and financial environment 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. Costs of exploration, development and production have not yet adjusted to current economic conditions, or in proportion to the significant reduction in product prices. 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, and could further limit the Company's access to liquidity and credit, and could hinder its ability to satisfy its capital requirements.

In the past several years, capital and credit markets have experienced volatility and disruption. Given the levels of market volatility and disruption, the availability of funds from those markets may diminish 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 potential capital and credit market conditions, the Company cannot be certain that funding will be available 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, the Company 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 its business, financial condition, and results of operations.

The Obama administration has 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

Six months ended June 30, 2014 compared to six months ended June 30, 2013

Oil and gas revenues for the first six months of 2014 were $6,857,000, as compared to $5,673,000 for the same period in 2013, an increase of approximately $1,184,000 or 20.9%.

Natural gas revenue for the first six months of 2014 was $1,748,000 compared to $1,502,000 for the same period in 2013, an increase of approximately $246,000, or 16.4%. Natural gas sales volumes for the first six months of 2014 were approximately 356,000 mcf compared to approximately 374,000 mcf during the first six months of 2013, a decrease of approximately 18,000 mcf or 4.8%.

Average natural gas prices received were $4.85 per mcf in the first six months of 2014 as compared to $4.02 per mcf in the same time period in 2013, an increase of approximately $0.83 per mcf or 20.6%.

Oil sales for the first six months of 2014 were approximately $5,109,000 compared to approximately $4,171,000 for the first six months of 2013, an increase of approximately $938,000 or 22.5%. Oil sales volumes for the first six months of 2014 were approximately 52,146 bbls, compared to approximately 40,300 bbls during the same period in 2013, an increase of approximately 11,846 bbls, or 29.4%.

Average oil prices received were $94.51 per bbl in the first half of 2014 compared to $103.46 per bbl in the first half of 2013, a decrease of approximately $8.95 per bbl or 8.7%.

Revenues from lease operations were $249,000 in the first six months of 2014 compared to $187,000 in the first six months of 2013, an increase of $62,000 or 33.2%. This increase is due to increases in field supervision and increases in operator overhead charged to operated leases.

Revenues from gas gathering, compression and equipment rental for the first six months of 2014 were $72,000 compared to $63,000 for the same period in 2013, an increase of $9,000 or 14.3%.

Real estate revenue was approximately $121,000 during the first six months of 2014 compared to $123,000 for the first six months of 2013, a decrease of approximately $2,000, or 1.6%.

Interest income was $53,000 during the first six months of 2014 as compared to $42,000 during the same period in 2013, an increase of approximately $11,000 or 26.2%. This increase was due to larger cash balances transferred to interest earning certificates of deposit between the two periods.

Other revenues for the first six months of 2014 were $109,000 as compared to $43,000 for the same time period in 2013, an increase of $66,000 or 153.5%. This change is due to an increase in the amount of cash received for a farm-out agreement in the first six months of 2014 compared to the amount of cash received in the first six months of 2013. From time to time, the Company farms out some of its leasehold acreage to non-affiliated third parties for exploration and development drilling. Generally, the Company receives a one-time payment for the agreement. The revenues from these farm-out agreements vary in size and frequency and should not be considered as regularly recurring revenues that the Company receives.

Lease operating expenses in the first six months of 2014 were $1,060,000 as compared to $1,054,000 in the first six months of 2013, a net increase of approximately $6,000, or 0.6%.

Production taxes, gathering and marketing expenses in the first six months of 2014 were approximately $539,000 as compared to $504,000 for the first six months of 2013, an increase of approximately $35,000, or 6.9%. This increase is directly related to the increase in oil and natural gas revenues.

Pipeline and rental expenses for the first six months of 2014 were $27,000 compared to $21,000 for the same time period in 2013, an increase of $6,000, or 28.6%. This is due to an increase in repairs and maintenance expenses.

Real estate expenses in the first six months of 2014 were approximately $95,000 compared to $87,000 during the same period in 2013, an increase of approximately $8,000 or 9.2%.

Depreciation, depletion, and amortization expenses for first six months of 2014 were $1,038,000 as compared to $844,000 for the same period in 2013, an increase of $194,000, or 23.0%. $1,003,000 of the amount for the first six months of 2014 was for amortization of the full cost pool of capitalized costs compared to $808,000 for the same period of 2013, an increase of $195,000 or 24.1%. The Company re-evaluated its proved oil and natural gas reserve quantities as of December 31, 2013. This re-evaluated reserve base was adjusted for the first six months as of June 30, 2014 by estimating variances in average prices of oil and natural gas that occurred during the period, adding estimated quantities of oil and natural gas reserves acquired during the period, and deducting oil and natural gas reserves that were produced or sold during the period. A depletion rate of 3.270% for the first quarter of 2014 and a depletion rate of 3.804% for the second quarter of 2014 was calculated and applied to the Company's full cost pool of capitalized oil and natural gas properties compared to a total depletion rate of 6.461% for the first six months of 2013.

Asset Retirement Obligation ("ARO") expense for the first six months of 2014 was approximately $59,000 as compared to approximately $20,000 for the same time period in 2013, an increase of approximately $39,000 or 195.0%. This increase is due to a recalculation of the estimated present value to plug producing properties compared to the estimate made in the previous year. This recalculation was made after the Company re-evaluated its proved oil and natural gas reserves at the end of 2013.

General and administrative expenses for the first six months of 2014 were approximately $1,742,000 as compared to approximately $1,536,000 for the same time period of 2013, an increase of approximately $206,000 or 13.4%. Substantially all of the increase is due to increased salary, wages and employee benefits as several new employees have been added since the first half of 2013.

The Company incurred no interest expense for the first six months of 2014 compared to approximately $13,000 for the same period in 2013, a decrease of approximately $13,000 or 100.0%. Effective December 27, 2013, the Company prepaid the remaining principal plus accrued interest on its bank loan for the Company's office building.

Three months ended June 30, 2014 compared to three months ended June 30, 2013

Oil and natural gas revenues for the three months ended June 30, 2014 were $3,587,000, compared to $3,528,000 for the same time period in 2013, an increase of $59,000, or 1.7%.

Natural gas revenue for the second quarter of 2014 were $857,000 compared to $863,000 for the same period in 2013, a decrease of $6,000 or 0.7%. Natural gas volumes sold for the second quarter of 2014 were approximately 172,000 mcf compared to approximately 178,000 mcf during the same period of 2013, a decrease of approximately 6,000 mcf, or 3.4%.

Average natural gas prices received were approximately $4.71 per mcf in the second quarter of 2014 as compared to approximately $4.85 per mcf during the same period in 2013, a decrease of approximately $0.14 or 2.9%.

Oil sales for the second quarter of 2014 were approximately $2,730,000 compared to approximately $2,665,000 for the same period of 2013, an increase of approximately $65,000 or 2.4%. Oil volumes sold for the second quarter of 2014 were approximately 31,246 bbls compared to approximately 24,700 bbls during the same period of 2013, an increase of 6,546 bbl or 26.5%.

Average oil prices received were approximately $100.55 per bbl in the second quarter of 2014 compared to $107.89 per bbl during the same period of 2013, a decrease of approximately $7.34 per bbl, or 6.8%.

Revenues from lease operations for the second quarter of 2014 was approximately $133,000 compared to approximately $96,000 for the second quarter of 2013, an increase of $37,000 or 38.5%. This increase is due to increases in field supervision and increases in operator overhead charged to operated leases.

Revenues from gas gathering, compression and equipment rental for the second quarter of 2014 were approximately $43,000, compared to approximately $35,000, an increase of approximately $8,000 or 22.9% for the same period in 2013.

Real estate revenue was approximately $60,000 during the second quarter of 2014 compared to $64,000 for the same time period of 2013, a decrease of approximately $4,000, or 6.3%.

Interest income for the second quarter of 2014 was approximately $37,000 as compared with approximately $24,000 for the same period in 2013, an increase of approximately $13,000 or 54.2%. This increase was due to larger cash balances transferred to interest earning certificates of deposit between the two periods.

Other revenues for second quarter of 2014 were approximately $33,000 as compared with approximately $16,000 for the same period in 2013, an increase of approximately $17,000 or 106.3%.

Lease operating expenses in the second quarter of 2014 were $724,000 as compared to $609,000 for the same period in 2013, a net increase of approximately $115,000, or 18.9%. This net increase is due primarily to additional lease operating costs recorded for several new non-operated leases that were acquired since the first quarter of 2013.

Production taxes, gathering, transportation and marketing expenses for the second quarter of 2014 were approximately $297,000 as compared to $337,000 during the second quarter of 2013, a net decrease of approximately $40,000 or 11.9%. This decrease is due primarily to the decreased production and sale of crude oil between the periods.

Pipeline and rental expenses for the second quarter of 2014 were $7,000 compared to $13,000 for the same time period in 2013, a net decrease of $6,000 or 46.2%. This decrease is due primarily to fewer repairs and maintenance expense.

Real estate expenses during the second quarter 2014 were approximately $40,000 compared to approximately $39,000 for the same period in 2013, an increase of approximately $1,000 or 2.6%.

Depreciation, depletion, and amortization expenses for the second quarter of 2014 were $560,000 as compared to $457,000 for the same period in 2013, an increase of $103,000, or 22.5%. $543,000 of the amount for the second quarter of 2014 was for amortization of the full cost pool of capitalized costs compared to $438,000 for the second quarter of 2013, an increase of $105,000 or 24.0%. The Company re-evaluated its proved oil and natural gas reserve quantities as of December 31, 2013. This re-evaluated reserve base was adjusted for the first six months as of June 30, 2014 by estimating variances in average prices of oil and natural gas that occurred during the period, adding estimated quantities of oil and natural gas reserves acquired during the period, and deducting oil and natural gas reserves that were produced or sold during the period. A depletion rate of 3.270% for the first quarter of 2014 and a depletion rate of 3.804% for the second quarter of 2014 was calculated and applied to the Company's full cost pool of capitalized oil and natural gas properties compared to a total depletion rate of 6.461% for the first six months of 2013.

Asset Retirement Obligation ("ARO") expense for the second quarter of 2014 was approximately $30,000 as compared to approximately $10,000 for the same time period in 2013, an increase of approximately $20,000. This increase is due to a recalculation of the estimated present value to plug producing properties compared to the estimate made in the previous year. This recalculation was made after the Company re-evaluated its proved oil and natural gas reserves at the end of 2013.

General and administrative expenses for the second quarter of 2014 were $855,000 compared to $768,000 for the same period in 2013, an increase of approximately $87,000 or 11.3%. Substantially all of the increase is due to increased salary, wages and employee benefits as several new employees have been added since the first half of 2013.

The Company incurred no interest expense for the second quarter of 2014 compared to approximately $7,000 for the same period in 2013. Effective December 27, 2013, the Company prepaid the remaining principal plus accrued interest on its bank loan for the Company’s office building.

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 June 30, 2014 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

West Texas

Effective April 1, 2014, the Company acquired an additional 25.0% working interest with a 17.5% net revenue interest in its Petit Pois lease located in Glasscock County, Texas. This additional acquisition brought the Company's interest in the lease and in its Petit Pois #1 well to a total 51.5% working interest with a 36.05% net revenue interest.

Effective April 1, 2014, the Company acquired an additional 10.0% working interest with an 8.0% net revenue interest in its Opal lease located in Martin County, Texas. This additional acquisition brought the Company's interest in the Opal #1 well to a total 55.858330% working interest with a 44.686667% net revenue interest.

Effective June 30, 2014, the Company acquired operations and a 100% working interest with a 75% net revenue interest in the Jones #1 well located in Gaines County, Texas. The well produces oil from perforations at a depth of 11,050 ft. to 11,084 ft. in the block A-7 (Devonian) Field.

East Texas

During the third quarter of 2014, the Company acquired an additional 0.208680% working interest with a 0.169929% net revenue interest in its Watts Gas Unit #1 located in Marion County, Texas. This additional acquisition brought the Company's interest in the well to a total 51.635940% working interest with a 41.65680% net revenue interest. The Company also acquired non-operated working interests in two oil wells located in Marion County, Texas. The Company acquired a 1.5625% working interest and a 1.22784% net revenue interest in the C.M. Watts #1 well, and a 1.400720% working interest with a 1.129830% net revenue interest in the Wendell Brevard #1 well.

New Mexico

Effective May 1, 2014, the Company acquired an additional 1.041667% working interest with a 0.859375% net revenue interest in each of its Ross Federal #1, #2, and #3 wells located in Chavez County, New Mexico. This additional acquisition brought the Company's interest in each of these wells to a total 85.416668% working interest with a 70.468749% net revenue interest.

Effective May 1, 2014, the Company acquired an additional 1.082494% working interest with a 0.936357% net revenue interest in its Jack Federal #1 well located in Chavez County, New Mexico. This additional acquisition brought the Company's interest this well to a total 85.083052% working interest with a 73.596839% net revenue interest.

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 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.

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* 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: August 19, 2014 By: /s/ Chris G. Mazzini

Chris G. Mazzini

President, Principal Executive Officer

Date: August 19, 2014 By: /s/ Michelle H. Mazzini

Michelle H. Mazzini

Vice President, Secretary

Date: August 19, 2014 By: /s/ Robert E. Corbin

Robert E. Corbin

Controller, Principal Financial and

Accounting Officer

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.

Dated: August 19, 2014

/s/ Chris G. Mazzini

CHRIS G. MAZZINI

President, Principal Executive Officer

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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.

Dated: August 19, 2014

/s/ Robert E. Corbin

ROBERT E. CORBIN

Controller, Principal Financial and

Accounting Officer

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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 June 30, 2014 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.

Dated: August 19, 2014

/s/ Chris G. Mazzini

CHRIS G. MAZZINI

President, Principal Executive Officer

/s/ Robert E. Corbin

ROBERT E. CORBIN

Controller, Principal Financial and

Accounting Officer