SPINDLETOP OIL & GAS CO
Form 10-Q
November 14, 2012

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, 2012

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 of incorporation or organization)	(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	6,960,803
(Class)	(Outstanding at November 14, 2012)

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SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

FORM 10-Q

For the quarter ended September 30, 2012

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Part I - Financial Information

Item 1. - Financial Statements

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30 2012 (Unaudited)	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8,173,000	$ 6,695,000
Accounts receivable, Trade	1,263,000	1,609,000
Prepaid income tax	109,000	405,000
Other short-term investments	400,000	400,000
Total Current Assets	9,945,000	9,109,000
Property and Equipment - at cost		
Oil and gas properties (full cost method)	22,751,000	20,395,000
Rental equipment	399,000	399,000
Gas gathering system	145,000	145,000
Other property and equipment	251,000	245,000
Total Property and Equipment	23,546,000	21,184,000
Accumulated depreciation and amortization	(10,816,000)	(9,896,000)
Total Property and Equipment, Net	12,730,000	11,288,000
Real Estate Property - at cost		
Land	688,000	688,000
Commercial office building	1,580,000	1,580,000
Accumulated depreciation	(640,000)	(601,000)
Total Real Estate Property	1,628,000	1,667,000
Other Assets		
Other long-term investments	1,200,000	1,200,000
Other assets	-	15,000
Total Other Assets	1,200,000	1,215,000
Total Assets	$ 25,503,000	$ 23,279,000

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Notes payable, current portion	$ 120,000	$ 120,000
Accounts payable and accrued liabilities	3,458,000	3,222,000
Tax savings benefit	97,000	97,000
Total Current Liabilities	3,675,000	3,439,000
Noncurrent Liabilities		
Notes payable, long-term portion	630,000	720,000
Asset Retirement obligation	1,014,000	946,000
Total Noncurrent Liabilities	1,644,000	1,666,000
Deferred Income Tax Payable	2,336,000	2,806,000
Total Liabilities	7,655,000	7,911,000
Shareholders' Equity		
Common Stock, $.01 par value, 100,000,000 shares authorized; 7,677,471 shares issued and 7,660,803 shares outstanding at September 30, 2012; 7,677,471 shares issued and 7,660,803 shares outstanding at December 31, 2011.	77,000	77,000
Additional paid-in capital	943,000	943,000
Treasury Stock, at cost	(8,000)	(8,000)
Retained earnings	16,836,000	14,356,000
Total Shareholder's Equity	17,848,000	15,368,000
Total Liabilities and Shareholders' Equity	$ 25,503,000	$ 23,279,000

The accompanying notes are an integral part of these statements.

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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
	2012	2011	2012	2011
Revenues				
Oil and gas revenues	$ 6,051,000	$ 5,792,000	$ 2,078,000	$ 1,773,000
Revenue from lease operations	268,000	215,000	82,000	64,000
Gas gathering, compression, equip rental	106,000	133,000	33,000	55,000
Real estate rental income	186,000	344,000	56,000	117,000
Interest Income	59,000	54,000	21,000	23,000
Other	1,187,000	199,000	291,000	8,000
Total Revenues	7,857,000	6,737,000	2,561,000	2,040,000
Expenses				
Lease operations	1,685,000	1,538,000	659,000	551,000
Production taxes, gathering and marketing	558,000	579,000	193,000	200,000
Pipeline and rental operations	21,000	17,000	9,000	12,000
Real estate operations	111,000	134,000	39,000	45,000
Depreciation and amortization	959,000	832,000	288,000	239,000
ARO accretion expense	25,000	36,000	8,000	12,000
General and administrative	2,319,000	2,171,000	725,000	701,000
Interest expense	22,000	42,000	7,000	14,000
Total Expenses	5,700,000	5,349,000	1,928,000	1,774,000
Income Before Income Tax	2,157,000	1,388,000	633,000	266,000
Current income tax provision (benefit)	147,000	(22,000)	3,000	12,000
Deferred income tax provision (benefit)	(470,000)	57,000	(90,000)	(10,000)
Total income tax provision (benefit)	(323,000)	35,000	(87,000)	2,000
Net Income	$ 2,480,000	$ 1,353,000	720,000	264,000
Earnings per Share of Common Stock				
Basic and Diluted	$ 0.32	$ 0.18	$ 0.09	$ 0.03
Weighted Average Shares Outstanding				
Basic and Diluted	7,660,803	7,643,066	7,660,803	7,647,470

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 2012	September 30 2011
Cash Flows from Operating Activities		
Net Income	$ 2,480,000	$ 1,353,000
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	959,000	832,000
Accretion of asset retirement obligation	25,000	36,000
Non-cash employee compensation paid with treasury stock	-	17,000
Changes in accounts receivable	346,000	(71,000)
Changes in prepaid income tax	296,000	268,000
Changes in accounts payable	236,000	422,000
Changes in asset retirement obligation	43,000	
Changes in deferred tax payable	(470,000)	57,000
Other	15,000	-
Net cash provided by operating activities	3,930,000	2,914,000
Cash Flows from Investing Activities		
Capitalized acquisition, exploration and development costs	(2,356,000)	(863,000)
Purchase of other property and equipment	(6,000)	
Purchase of other short-term investments	-	100,000
Purchase of other long-term investments	-	(300,000)
Capitalized tenant improvements and broker fees	-	(1,000)
Net cash used by investing activities	(2,362,000)	(1,064,000)
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	1,478,000	1,760,000
Cash at beginning of period	6,695,000	6,244,000
Cash at end of period	$ 8,173,000	$ 8,004,000
Interest paid in cash	$ 22,000	$ 43,000
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, 2011 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.

<u>Subsequent Events</u>

Effective October 30, 2012, the Company acquired 700,000 shares of its common stock in a “block” purchase for a total of $1,491,000 ($2.13 per share). The acquired shares are being held as Treasury Stock.

The Company has evaluated subsequent events through the issuance date of this report of November 14, 2012.

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," "might," "plan," "estimate," "project," "should," "will," "result" and similar expressions which do not relate 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.

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, 2011 (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 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

Nine months ended September 30, 2012 compared to nine months ended September 30, 2011

Oil and gas revenues for the first nine months of 2012 were $6,051,000, as compared to $5,792,000 for the same period in 2011, an increase of approximately $259,000 or 4.5%.

Natural gas revenues for the first nine months of 2012 were $2,051,000 compared to $2,693,000 for the same period in 2011, a decrease of $642,000, or 23.8%. Natural gas sales volumes for the first nine months of 2012 were approximately 568,000 mcf compared to approximately 515,000 mcf during the first nine months of 2011, an increase of approximately 53,000 mcf or 10.3%.

Average natural gas prices received were $3.55 per mcf in the first nine months of 2012 as compared to $5.21 per mcf in the same time period in 2011, a decrease of approximately $1.66 per mcf or 31.9%. This reduction in natural gas prices is the primary reason for the overall reduction in natural gas revenues between the periods.

Oil sales for the first nine months of 2012 were approximately $4,000,000 compared to approximately $3,099,000 for the first nine months of 2011, an increase of approximately $901,000 or 29.1%. Oil sales volumes for the first nine months of 2012 were approximately 41,000 bbls, compared to 39,000 bbls during the same period in 2011, an increase of approximately 2,000 bbls, or 5.1%.

Average oil prices received were $99.39 per bbl in the first nine months of 2012 compared to $79.23 per bbl in the first nine months of 2011, an increase of approximately $20.16 per bbl or 25.4%. This increase in oil prices is the primary reason for the overall increase in oil revenues between the periods.

Revenue from lease operations was $268,000 in the first nine months of 2012 compared to $215,000 in the first nine months of 2011, an increase of $53,000 or 24.6%. This increase results from operator overhead income and an increase in field operations supervision billed on operated wells during workovers.

Revenue from gas gathering, compression and equipment rental for the first nine months of 2012 was $106,000 compared to $133,000 for the same period in 2011, a decrease of $27,000 or 20.3% resulting from lower natural gas volumes processed through the gathering systems.

Real estate income was approximately $186,000 during the first nine months of 2012 compared to $344,000 for the first nine months of 2011, a decrease of approximately $158,000, or 45.9%.

This decrease was due primarily to the expiration of a large lease contract in late 2011 which was not renewed along with some lease renewal incentives.

Interest income was $59,000 during the first nine months of 2012 as compared to $54,000 during the same period in 2011, an increase of approximately $5,000 or 9.3%.

Other income for the first nine months of 2012 was $1,187,000 as compared to $199,000 for the same time period in 2011, an increase of $988,000. This change is due primarily to the increase in cash received for farm-out agreements in the first nine months of 2012 over that received in the first nine months of 2011. 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 operations expense in the first nine months of 2012 was $1,685,000 as compared to $1,538,000 in the first nine months of 2011, a net increase of approximately $147,000, or 9.6%. Of this net increase, approximately $88,000 is due to increased workover activity, approximately $41,000 is due to new properties added since 2011, and a reduction of approximately $75,000 is due to a decrease in expenses from non-operated properties. The remaining $93,000 represents net increases and decreases on various properties due to general price increases and changes in levels of workover activity. These increases were offset by a one-time payment covering expenses from 2002 to 2011 associated with the acquisition of the working interest in the Davis Heirs #1 well during the first quarter of 2011.

Production taxes, gathering and marketing expenses in the first nine months of 2012 were approximately $558,000 as compared to $579,000 for the first nine months of 2011, a decrease of approximately $21,000, or 3.6%.

Pipeline and rental operations expenses for the first nine months of 2012 were $21,000 compared to $17,000 for the same time period in 2011, an increase of $4,000 or 23.5%. This is due to an increase in repairs and chemicals needed to maintain the equipment.

Real estate operations expense in the first nine months of 2012 was approximately $111,000 compared to $134,000 during the same period in 2011, a decrease of approximately $23,000 or 17.2%. Utility and janitorial expenses for the commercial office building have been reduced between the two time periods due to the lower occupancy rate in the Company’s office building.

Depreciation, depletion, and amortization for first nine months of 2012 was $959,000 as compared to $832,000 for the same period in 2011, an increase of $127,000, or 15.3%. Of the amount for the first nine months of 2012, $910,000 was for amortization of the full cost pool of capitalized costs compared to $742,000 for the same period of 2011, an increase of $168,000 or 22.6%. The Company re-evaluated its proved oil and natural gas reserve quantities as of December 31, 2011. This re-evaluated reserve base was adjusted for the first nine months as of September 30, 2012 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 2.375% for the first quarter of 2012, a depletion rate of 3.003% for the second quarter of 2012, and a depletion rate of 1.758% for the third quarter of 2012 (7.136% total for the nine month period) were calculated and applied to the Company’s full cost pool of capitalized oil and natural gas properties compared to a total depletion rate of 5.913% for the first nine months of 2011.

Asset Retirement Obligation (“ARO”) expense for the first nine months of 2012 was approximately $25,000 as compared to approximately $36,000 for the same time period in 2011; a decrease of approximately $11,000 or 30.6%.

General and administrative costs for the first nine months of 2012 were approximately $2,319,000 as compared to approximately $2,171,000 for the same time period of 2011, an increase of $148,000 or 6.8%. The increase is due primarily to increases in personnel costs and benefits.

Interest expense was approximately $22,000 for the first nine months of 2012 compared to approximately $42,000 for the same period in 2011, a decrease of approximately $20,000 or 47.6%. 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. In addition, according to the terms of the loan, the interest rate was re-determined effective December 27, 2011. The interest rate was changed from 6.11% annually to 3.61% annually.

Three months ended September 30, 2012 compared to three months ended September 30, 2011

Oil and natural gas revenues for the three months ended September 30, 2012 were $2,078,000, compared to $1,773,000 for the same time period in 2011, an increase of $305,000, or 17.2%.

Natural gas revenues for the third quarter of 2012 were $733,000 compared to $959,000 for the same period in 2011, a decrease of $226,000 or 23.6%. Natural gas volumes sold for the third quarter of 2012 were approximately 195,000 mcf compared to approximately 167,000 mcf during the same period in 2011, an increase of approximately 28,000 mcf, or 16.8%.

Average natural gas prices received were approximately $3.44 per mcf in the third quarter of 2012 as compared to approximately $5.32 per mcf during the same period in 2011, a decrease of approximately $1.88 or 35.3%. This reduction in natural gas prices is the primary reason for the overall reduction in natural gas revenues between the periods.

Oil sales for the third quarter of 2012 were approximately $1,345,000 compared to approximately $814,000 for the same period of 2011, an increase of approximately $531,000 or 65.2%. Oil volumes recorded for the third quarter of 2012 were approximately 16,000 bbls compared to approximately 8,600 bbls during the same period of 2011, an increase of 7,400 bbl or 86.1%. This increase is due primarily to receiving first payments covering several production months on new, non-operated properties.

Average oil prices received were approximately $96.13 per bbl in the third quarter of 2012 compared to $84.25 per bbl during the same period of 2011, an increase of approximately $11.88 per bbl, or 14.1%.

Revenue from lease operations for the third quarter of 2012 was approximately $82,000 compared to approximately $64,000 for the third quarter of 2011, an increase of $18,000 or 28.1%. This increase results from operator overhead income and an increase in field operations supervision billed on operated wells during workovers.

Revenue from gas gathering, compression and equipment rental for the third quarter of 2012 was approximately $33,000, compared to approximately $55,000, a decrease of $22,000 or 40.0% for the same period in 2011 resulting from lower natural gas volumes processed through the gathering systems.

Real estate income was approximately $56,000 during the third quarter of 2012 compared to $117,000 for the same time period of 2011, a decrease of approximately $61,000, or 52.1%. This decrease was due primarily to the expiration of a large lease contract in late 2011 which was not renewed along with some lease renewal incentives.

Interest income for the third quarter of 2012 was approximately $21,000 as compared with approximately $23,000 for the same period in 2011, a decrease of approximately $2,000 or 8.7%.

Other income for third quarter of 2012 was approximately $291,000 as compared with approximately $8,000 for the same period in 2011, an increase of approximately $283,000. This change is due to the increase in cash received for farm-out agreements in the third quarter of 2012 over that received in the same period of 2011. 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.

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Lease operations expense in the third quarter of 2012 was $659,000 as compared to $551,000 for the same period in 2011, a net increase of approximately $108,000, or 19.6%. Of this net increase, approximately $43,000 is due to increased workover activity, approximately $17,000 is due to new properties added since 2011, and approximately $13,000 is due to an increase in expenses from non-operated properties. The remaining $35,000 represents net increases and decreases on various properties due to general price increases and changes in levels of workover activity.

Production taxes, gathering, transportation and marketing expenses for the third quarter of 2012 were approximately $193,000 as compared to $200,000 during the third quarter of 2011, a net decrease of approximately $7,000 or 3.5%.

Pipeline and rental operations for the third quarter of 2012 were $9,000 compared to $12,000 for the same time period in 2011, a decrease of $3,000 or 25%.

Real estate expenses during the third quarter 2012 were approximately $39,000 compared to approximately $45,000 for the same period in 2011, a decrease of $6,000 or 13.3%. Utility and janitorial expenses on the commercial office building have been reduced between these two time periods due to the lower occupancy rate in the Company's office building.

Depreciation, depletion, and amortization for the third quarter of 2012 was $288,000 as compared to $239,000 for the same period in 2011, an increase of $49,000, or 20.5%. Of the amount for the third quarter of 2012, $296,000 was for amortization of the full cost pool of capitalized costs compared to $209,000 for the third quarter of 2011, an increase of $87,000 or 41.6%. The Company re-evaluated its proved oil and natural gas reserve quantities as of December 31, 2011. This re-evaluated reserve base was adjusted for the first nine months as of September 30, 2012 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 2.375% for the first quarter of 2012, a depletion rate of 3.003% for the second quarter of 2012, and a depletion rate of 1.758% for the third quarter of 2012 (7.136% total for the nine month period) 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 5.913% for the first nine months of 2011.

Asset Retirement Obligation ("ARO") expense for the third quarter of 2012 was approximately $8,000 as compared to approximately $12,000 for the same time period in 2011; a decrease of approximately $4,000 or 33.3%.

General and administrative costs for the third quarter of 2012 were $725,000 compared to $701,000 for the same period in 2011, an increase of approximately $24,000 or 3.4%.

Interest expense was approximately $7,000 for the third quarter of 2012 compared to approximately $14,000 for the same period in 2011, a decrease of approximately $7,000, or 50%. 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. In addition, according to the terms of the loan, the interest rate was re-determined effective December 27, 2011. The interest rate was changed from 6.11% annually to 3.61% annually.

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, 2012 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

East Texas

On June 29, 2012, the A. M. Easterling-Gresham SA #1H well was spudded in the Halliday (Woodbine) field of Leon Co., Texas. The well reached total measured depth of 14,274 ft. on July 21, 2012. During the third quarter, the well was cased and completed in the Woodbine Formation. The operator of the well has reported that the well tested on a 32/64th choke at a rate of 919 bopd & 139 mcfgpd from the Woodbine formation. The well has a 6,730 ft. lateral and was completed with 24 stages of fracturing. The Company owns a non-operated 14.5833% working interest and a 10.9375% net revenue interest in the well.

On August 8, 2012, the Keeling #1H well was spudded in the Halliday (Woodbine) field of Leon Co., Texas. The well reached a total depth of 15,985 ft. The well was cased to a depth of 14,072 ft. on September 15, 2012, and is currently being completed.

North Texas

Effective July 1, 2012, the Company acquired operations and a 100% working interest and 80.576743% net revenue interest in five wells in the Newark E. (Barnett Shale) field of Denton County, Texas. The Wyatt #1 through #5 wells were producing at a rate of 40 mcfgpd, 59 mcfgpd, 48 mcfgpd, 62 mcfgpd and 77 mcfgpd, respectively, as of the effective date. All five wells produce from the Barnett Shale Formation.

Alabama

Effective April 11, 2012, the Company participated for a 10.2049% non-operated working interest and 7.653675% net revenue interest in the drilling of the Cedar Creek Land and Timber 28-15 #1 well in the Little Cedar Creek Field in Conecuh, Alabama. This well was drilled to a total depth of 11,745 ft. and completed on July 31, 2012, in the Smackover Formation. On August 24, 2012, the well was flow tested at a rate of 351 bopd and 401 mcfgpd and no water on an 18/64th choke with FTP of 380 psi.

Effective July 30, 2012, the Company participated for a 10.2049% non-operated working interest and 7.653675% net revenue interest in the drilling of the Cedar Creek Land and Timber 27-13 #1 well in the Little Cedar Creek Field in Conecuh, Alabama. This well was drilled to a total depth of 11,800 ft. and was cased on September 3, 2012. The well was perforated in the Smackover from 11,480-11,490 ft. then acidized with 2,000 gals of 15% FE acid. The well was swab tested at a rate of 3.2 boph with no water. The well is currently shut-in and is waiting to be fractured.

For all of the above wells, the Company cautions that the initial production rates of a newly completed well or a 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

* 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 14, 2012	By:/s/ Chris G. Mazzini Chris G. Mazzini President, Principal Executive Officer
Date: November 14, 2012	By:/s/ Michelle H. Mazzini Michelle H. Mazzini Vice President, Secretary
Date: November 14, 2012	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 fis