

SPINDLETOP OIL & GAS CO
Form 10-Q
August 22, 2016

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, 2016

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)

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

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

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

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

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

Indicate by check mark whether the registrant 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 No

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

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

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

APPLICABLE ONLY TO 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, as of the latest practicable date.

Common Stock, \$0.01 par value 6,936,269

(Class) (Outstanding at Aug 22, 2016)

SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES

FORM 10-Q

For the quarter ended June 30, 2016

Index to Consolidated Financial Statements and Schedules

Part I – Financial Information:	Page
Item 1. – Financial Statements	
Consolidated Balance Sheets	
June 30, 2016 (Unaudited) and December 31, 2015	4 - 5
Consolidated Statements of Operations (Unaudited)	
Six Months Ended June 30, 2016 and 2015, and	6
Three Months Ended June 30, 2016 and 2015	
Consolidated Statements of Cash Flow (Unaudited)	
Six Months Ended June 30, 2016 and 2015	7
Notes to Consolidated Financial Statements	8
Item 2. – Management’s Discussion and Analysis of Financial	
Condition and Results of Operations	8
Item 4. – Controls and Procedures	13
Part II – Other Information:	
	14
Item 5. – Other Information	
Item 6. – Exhibits	15

Part I - Financial Information**Item 1. - Financial Statements****SPINDLETOP OIL & GAS CO. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11,787,000	\$ 12,845,000
Accounts receivable, trade	1,868,000	1,835,000
Income tax receivable	754,000	754,000
Other short-term investments	400,000	400,000
Total Current Assets	14,809,000	15,834,000
Property and Equipment - at cost		
Oil and gas properties (full cost method)	29,748,000	29,144,000
Rental equipment	406,000	406,000
Gas gathering system	115,000	115,000
Other property and equipment	296,000	296,000
	30,565,000	29,961,000
Accumulated depreciation and amortization	(23,202,000)	(22,577,000)
Total Property and Equipment	7,363,000	7,384,000
Real Estate Property - at cost		
Land	688,000	688,000
Commercial office building	1,580,000	1,580,000
Accumulated depreciation	(827,000)	(803,000)

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

Total Real Estate Property	1,441,000	1,465,000
Other Assets		
Other long-term investments	1,200,000	1,200,000
Other	8,000	6,000
Total Other Assets	1,208,000	1,206,000
Total Assets	\$ 24,821,000	\$ 25,889,000

The accompanying notes are an integral part of these statements.

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

	June 30, 2016 (Unaudited)	December 31, 2015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,357,000	\$ 5,809,000
Total Current Liabilities	5,357,000	5,809,000
Noncurrent Liabilities		
Asset retirement obligation	1,141,000	1,121,000
Total Noncurrent Liabilities	1,141,000	1,121,000
Deferred Income Tax Payable	68,000	490,000
Total Liabilities	6,566,000	7,420,000
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, 2016 and at December 31, 2015.	77,000	77,000
Additional paid-in capital	943,000	943,000
Treasury stock, at cost	(1,536,000)	(1,536,000)
Retained earnings	18,771,000	18,985,000
Total Shareholders' Equity	18,255,000	18,469,000
Total Liabilities and Shareholders' Equity	\$ 24,821,000	\$ 25,889,000

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,		Three Months Ended June 30,	
	2016	2015	2016	2015
Revenues				
Oil and gas revenues	\$ 1,549,000	\$ 2,434,000	\$ 906,000	\$ 1,205,000
Revenues from lease operations	196,000	244,000	106,000	141,000
Gas gathering, compression, equipment rental	69,000	70,000	39,000	39,000
Real estate rental revenue	156,000	114,000	78,000	54,000
Interest Income	38,000	52,000	20,000	36,000
Other revenues	241,000	38,000	207,000	21,000
Total Revenues	2,249,000	2,952,000	1,356,000	1,496,000
Expenses				
Lease operating expenses	571,000	1,110,000	324,000	670,000
Production taxes, gathering and marketing expenses	226,000	288,000	126,000	151,000
Pipeline and rental expenses	26,000	19,000	16,000	11,000
Real estate expenses	71,000	81,000	32,000	35,000
Depreciation and amortization expenses	649,000	837,000	396,000	427,000
ARO accretion expense	17,000	21,000	8,000	11,000
General and administrative expenses	1,325,000	1,649,000	638,000	805,000
Total Expenses	2,885,000	4,005,000	1,540,000	2,110,000
Loss before income tax	(636,000)	(1,053,000)	(184,000)	(614,000)
Current income tax benefit	-	(434,000)	-	(384,000)
Deferred income tax benefit	(422,000)	(511,000)	(270,000)	(278,000)
Total income tax benefit	(422,000)	(945,000)	(270,000)	(662,000)
Net Income (Loss)	\$ (214,000)	\$ (108,000)	\$ 86,000	\$ 48,000
Earnings (Loss) per Share of Common Stock				
Basic and Diluted	\$ (0.03)	\$ (0.02)	\$ 0.01	\$ 0.01
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	
	June 30, 2016	June 30, 2015
Cash Flows from Operating Activities		
Net Loss	\$ (214,000)	\$ (108,000)
Reconciliation of net loss to net cash provided by operating activities		
Depreciation and amortization	649,000	837,000
Accretion of asset retirement obligation	17,000	21,000
Changes in accounts receivable	(33,000)	51,000
Changes in prepaid income tax	-	(484,000)
Changes in accounts payable & accrued liabilities	(452,000)	(324,000)
Changes in deferred tax payable	(422,000)	(511,000)
Other	(2,000)	13,000
Net cash used for operating activities	(457,000)	(505,000)
Cash Flows from Investing Activities		
Capitalized acquisition, exploration and development costs	(833,000)	(684,000)
Refund of prepaid drilling costs not spent	232,000	-
Net cash used for investing activities	(601,000)	(684,000)
Decrease in cash	(1,058,000)	(1,189,000)
Cash at beginning of period	12,845,000	14,294,000
Cash at end of period	\$ 11,787,000	\$ 13,105,000
Income taxes paid in cash	\$ -	\$ 50,000

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, 2015 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 22, 2016, 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," "might," "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, 2015 (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, 2016 compared to six months ended June 30, 2015

Oil and gas revenues for the first six months of 2016 were \$1,549,000, as compared to \$2,434,000 for the same period in 2015, a decrease of approximately \$885,000 or 36.4%.

Natural gas revenue for the first six months of 2016 was \$526,000 compared to \$886,000 for the same period in 2015, a decrease of approximately \$360,000, or 40.6%. Natural gas sales volumes for the first six months of 2016 were approximately 297,000 mcf compared to approximately 345,000 mcf during the first six months of 2015, a decrease of approximately 48,000 mcf or 13.9%. In general, this decrease was due primarily to a decrease in natural gas prices discussed below, and to a natural decline in production. In addition, several wells that went down were shut in rather than repaired as a result of lower natural gas prices which contributed to an overall decline in gas production between the periods.

Average natural gas prices received were \$1.57 per mcf in the first six months of 2016 as compared to \$2.51 per mcf in the same time period in 2015, a decrease of approximately \$0.94 per mcf or 37.5%.

Oil sales for the first six months of 2016 were approximately \$1,023,000 compared to approximately \$1,548,000 for the first six months of 2015, a decrease of approximately \$525,000 or 33.9%. Oil sales volumes for the first six months of 2016 were approximately 25,600, compared to approximately 30,900 bbls during the same period in 2015, a decrease of approximately 5,300 bbls, or 17.2%. This decrease was due primarily to a decrease in oil prices discussed below, and to a decline on oil production between the two periods related to several non-operated horizontal wells in East Texas in which the Company owns working and royalty interests.

Average oil prices received were \$31.43 per bbl in the first half of 2016 compared to \$49.92 per bbl in the first half of 2015, a decrease of approximately \$18.49 per bbl or 37.0%.

The primary reason for the decrease in natural gas and oil revenues during the first half of 2016 as compared to the first half of 2015 is the decline in prices at which we sell our oil and natural gas products. The prices for our products have decreased significantly in conjunction with the overall decline in oil and gas prices worldwide starting in the fourth quarter of 2014. The Company has experienced a similar decline in the selling prices of its products. Average quarterly natural gas prices per mcf for the Company for the year ended December 31, 2014 were \$4.64, \$4.71, \$4.45,

and \$4.06, respectively. Average quarterly crude oil prices per bbl for the Company for the year ended December 31, 2014 were \$113.76, \$100.55, \$98.05, and \$83.03 respectively. Average quarterly natural gas prices per mcf for the Company for the year ended December 31, 2015 were \$2.67, \$2.46, \$2.31, and \$2.45, respectively. Average quarterly crude oil prices per bbl for the Company for the year ended December 31, 2015 were \$46.33, \$54.48, \$45.68, and \$41.03 respectively. Average quarterly natural gas prices per mcf for the Company for the first half of 2016 were \$1.34, and \$1.77, respectively. Average quarterly crude oil prices per bbl for the Company for the first half of 2016 were \$46.33, and \$38.02 respectively.

The decreases in the Company's product prices have a direct effect on its cash flow and profits.

Revenues from lease operations were \$196,000 in the first six months of 2016 compared to \$244,000 in the first six months of 2015, a decrease of approximately \$48,000 or 19.67%. This decrease is due primarily to an approximate \$14,000 decrease in field supervision charges due to a reduction in the number of operated wells that were disposed of or that were shut in. In addition to the reduced number of operated wells, a reduction in the COPAS overhead rate adjustment led to a decrease of approximately \$33,000 in operator overhead charged to the leases.

Revenues from gas gathering, compression and equipment rental for the first six months of 2016 were \$69,000 compared to \$70,000 for the same period in 2015, a decrease of \$1,000 or 1.4%.

Real estate revenue was approximately \$156,000 during the first six months of 2016 compared to \$114,000 for the first six months of 2015, an increase of approximately \$42,000, or 36.8%. This increase is due to the addition of a new tenant at the Company's corporate office building effective December 1, 2015.

Interest income was \$38,000 during the first six months of 2016 as compared to \$52,000 during the same period in 2015, a decrease of approximately \$14,000 or 26.9%. Interest income is derived from investments in both short-term and long-term certificates of deposit as well as money market accounts at banks. Interest income is lower due to generally lower interest rates and cash balances during the periods.

Other revenues for the first six months of 2016 were \$241,000 as compared to \$38,000 for the same time period in 2015, an increase of \$203,000. This is due primarily due to the recognition of fees earned under drilling ventures.

Lease operating expenses in the first six months of 2016 were \$571,000 as compared to \$1,110,000 in the first six months of 2015, a net decrease of \$539,000, or 48.6%. Approximately \$150,000 of the decrease is due to a reduction in operating expenses billed by third-party operators on non-operated properties. There was an approximate \$98,000 decrease in expenses due to several wells that were either divested or plugged during 2015. A decrease in workovers of approximately \$280,000 was due to reduced activity as the result of lower oil and natural gas price economics. The remaining represents net increases and decreases on various properties due to general price fluctuations and levels of operation activity.

Production taxes, gathering and marketing expenses in the first six months of 2016 were approximately \$226,000 as compared to \$288,000 for the first six months of 2015, a decrease of approximately \$62,000, or 21.5%. These decreases related directly to the decline in oil and gas production and revenues as described in the above paragraphs.

Pipeline and rental expenses for the first six months of 2016 were \$26,000 compared to \$19,000 for the same time period in 2015, an increase of \$7,000, or 36.8%. This change is primarily due to an increase in repairs and maintenance expenses.

Real estate expenses in the first six months of 2016 were approximately \$71,000 compared to \$81,000 during the same period in 2015, a decrease of approximately \$10,000 or 12.4%. This decrease is due primarily to lower utilities, maintenance and repair expenses.

Depreciation, depletion, and amortization expenses for first six months of 2016 were \$649,000 as compared to \$837,000 for the same period in 2015, a decrease of \$188,000, or 22.5%. \$615,000 of the amount for the first six months of 2016 was for amortization of the full cost pool of capitalized costs compared to \$803,000 for the same period of 2015, a decrease of \$188,000 or 23.4%. The Company re-evaluated its proved oil and natural gas reserve quantities as of December 31, 2015. This re-evaluated reserve base was adjusted for the first six months as of June 30, 2016 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 3.350% for the first quarter of 2016 and a depletion rate of 4.481% for the second quarter of 2016 was calculated and applied to the Company's full cost pool of capitalized oil

and natural gas properties compared to rates of 2.929% and 2.795% for the first two quarters of 2015 respectively. Although the depletion rate for the first six months of 2016 is greater than the depletion rate for the same period in 2015, the decrease of \$188,000 in expense noted above is due to the depletion rate of 7.831% being applied to a smaller undepleted full cost pool after the full cost pool was reduced by an impairment charge of \$5,116,000 at December 31, 2015.

Asset Retirement Obligation (“ARO”) expense for the first six months of 2016 was approximately \$17,000 as compared to approximately \$21,000 for the same time period in 2015, a decrease of approximately \$4,000 or 19.1%. This decrease 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 2015.

General and administrative expenses for the first six months of 2016 were approximately \$1,325,000 as compared to approximately \$1,649,000 for the same time period of 2015, a decrease of approximately \$324,000 or 19.7%. This decrease is due to a reduction in the number of personnel employed by the Company during 2015 and during the first half of 2016, along with related reductions in salary, payroll taxes, benefits and other direct employee expenses.

Three months ended June 30, 2016 compared to three months ended June 30, 2015

Oil and natural gas revenues for the three months ended June 30, 2016 were \$906,000, compared to \$1,205,000 for the same time period in 2015, a decrease of 299,000, or 24.8%.

Natural gas revenues for the second quarter of 2016 were \$280,000 compared to \$426,000 for the same period in 2015, a decrease of \$146,000 or 34.3%. Natural gas volumes sold for the second quarter of 2016 were approximately 155,000 mcf compared to approximately 173,000 mcf during the same period of 2015, a decrease of approximately 18,000 mcf, or 10.4%.

Average natural gas prices received were approximately \$1.77 per mcf in the second quarter of 2016 as compared to approximately \$2.46 per mcf during the same period in 2015, a decrease of approximately \$0.69 or 28.1%.

Oil sales for the second quarter of 2016 were approximately \$626,000 compared to approximately \$779,000 for the same period of 2015, a decrease of approximately \$153,000 or 19.6%. Oil volumes sold for the second quarter of 2016 were approximately 15,300 bbls compared to approximately 14,300 bbls during the same period of 2015, an increase of 1,000 bbl or 7.0%.

Average oil prices received were approximately \$38.02 per bbl in the second quarter of 2016 compared to \$54.48 per bbl during the same period of 2015, a decrease of approximately \$16.46 per bbl, or 30.2%.

Revenues from lease operations for the second quarter of 2016 were approximately \$106,000 compared to approximately \$141,000 for the second quarter of 2015, a decrease of approximately \$35,000 or 24.8%. This decrease is due primarily to an approximate \$13,000 decrease in field supervision charges and an approximate decrease of \$22,000 in operator overhead charged to the leases due to a reduction in the number of operated wells that were disposed of or that were shut in. In addition to the reduced number of operated wells, a reduction in the COPAS overhead rate adjustment led to a decrease of approximately \$22,000 in operator overhead charged to the leases.

Revenues from gas gathering, compression and equipment rental for the second quarter of 2016 were approximately \$39,000, compared to approximately \$39,000 remaining substantially the same.

Real estate revenue was approximately \$78,000 during the second quarter of 2016 compared to \$54,000 for the same time period of 2015, an increase of approximately \$24,000 or 44.4%. This increase is due to the addition of a new tenant at the Company's corporate office building effective December 1, 2015.

Interest income for the second quarter of 2016 was approximately \$20,000 as compared with approximately \$36,000 for the same period in 2015, a decrease of approximately \$16,000 or 44.4%. Interest income is derived from investments in both short-term and long-term certificated of deposit. Interest income is lower due to generally lower interest rates and cash balances during the periods.

Other revenues for second quarter of 2016 were approximately \$207,000 as compared with approximately \$21,000 for the same period in 2015. This increase is primarily due to the recognition of fees earned under drilling ventures during the second quarter of 2016.

Lease operating expenses in the second quarter of 2016 were \$324,000 as compared to \$670,000 in the second quarter of 2015, a net decrease of approximately \$346,000, or 51.6%. Approximately \$66,000 of the decrease is due to a reduction in operating expenses billed by third-party operators on non-operated properties. There was an approximate \$81,000 decrease in expenses due to several wells that were either divested or plugged during 2015. A decrease in workovers of approximately \$186,000 was due to reduced activity as the result of lower oil and natural gas price economics. The remaining represents net increases and decreases on various properties due to general price fluctuations and levels of operation activity.

Production taxes, gathering, transportation and marketing expenses for the second quarter of 2016 were approximately \$126,000 as compared to \$151,000 during the second quarter of 2015, a net decrease of

approximately \$25,000 or 16.6%. These decreases related directly to the decline in oil and gas production and revenues as described in the above paragraphs.

Pipeline and rental expenses for the second quarter of 2016 were \$16,000 compared to \$11,000 for the same time period in 2015, an increase of \$5,000 or 45.5%. This change is primarily due to the timing of repairs and maintenance expense.

Real estate expenses during the second quarter 2016 were approximately \$32,000 compared to approximately \$35,000 for the same period in 2015, a decrease of approximately \$3,000 or 8.6%.

Depreciation, depletion, and amortization expenses for the second quarter of 2016 were \$396,000 as compared to \$427,000 for the same period in 2015, a decrease of \$31,000, or 7.26%. \$379,000 of the amount for the second quarter of 2016 was for amortization of the full cost pool of capitalized costs compared to \$406,000 for the second quarter of 2015, a decrease of \$27,000 or 6.7%. The Company re-evaluated its proved oil and natural gas reserve quantities as of December 31, 2015. This re-evaluated reserve base was adjusted for the first six months as of June 30, 2016 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 3.350% for the first quarter of 2016 and a depletion rate of 4.481% for the second quarter of 2016 was calculated and applied to the Company's full cost pool of capitalized oil and natural gas properties compared to rates of 2.929% and 2.795% for the first two quarters of 2015 respectively. Although the depletion rate for the second quarter of 2016 is greater than the depletion rate for the same period in 2015, the decrease of \$31,000 in expense noted above is due to the depletion rate of 4.481% being applied to a smaller undepleted full cost pool after the full cost pool was reduced by an impairment charge of \$5,116,000 at December 31, 2015.

Asset Retirement Obligation ("ARO") expense for the second quarter of 2016 was approximately \$8,000 as compared to approximately \$11,000 for the same time period in 2015, a decrease of approximately \$3,000 or 27.3%. This decrease 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 2015.

General and administrative expenses for the second quarter of 2016 were \$638,000 compared to \$805,000 for the same period in 2015, a decrease of approximately \$167,000 or 20.8%. The decrease is primarily due to lower salaries and benefits and contract labor, offset by higher franchise tax expense, in the second quarter of 2016 compared to the second quarter of 2015. This decrease is primarily due to a reduction in the number of personnel employed by the Company during 2015 and during the first half of 2016, along with related reductions in salary, payroll taxes, benefits and other direct employee expenses.

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, 2016 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 May 4, 2016, the Company, as operator, spudded its Edwards Unit #1 well on its Leona East prospect in the Halliday Woodbine field in Leon County, Texas. The well reached a total depth of 7,358 ft. on May 13, 2016 and production casing was set and cemented on May 16, 2016. The Upper Woodbine Sand was perforated from 7,112-7,124 ft., stimulated with 1,000 gallons of acid. The well was frac'ed with 150,050 lbs of 20/40 sand and 2,269 bbls of cross linked gel on August 8, 2016 and placed on pump on August 11, 2016.

Effective July 1, 2016, the company acquired a 100% working interest with a 78% net revenue interest along with operations on the Hill #1 well located in Leon County, Texas. The well and associated 612 acre leasehold is located within the Alabama Ferry (Glen Rose D., West) field and produces from the Glen Rose D formation from perforations at a depth of 10,194'-10,264'. The well was producing 17 bopd, 3 bswpd and 45 mcfcpd as of the effective date.

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.

* 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 22, 2016 By: /s/ Chris G. Mazzini

Chris G. Mazzini

President, Principal Executive Officer

Date: August 22, 2016 By: /s/ Michelle H. Mazzini

Michelle H. Mazzini

Vice President, Secretary

Date: August 22, 2016 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

disclosed in this report any change in the registrant's internal control over financial reporting that occurred during (d) 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 22, 2016

/s/ Chris G. Mazzini

CHRIS G. MAZZINI

President, Principal Executive Officer

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:

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;

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

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

disclosed in this report any change in the registrant's internal control over financial reporting that occurred during (d) 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 22, 2016

/s/ Robert E. Corbin

ROBERT E. CORBIN

Controller, Principal Financial and

Accounting Officer

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, 2016 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 22, 2016

/s/ Chris G. Mazzini

CHRIS G. MAZZINI

President, Principal Executive Officer

/s/ Robert E. Corbin

ROBERT E. CORBIN

Controller, Principal Financial and

Accounting Officer