SPINDLETOP OIL & GAS CO
Form 10-K
April 15, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

or

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

Commission File No. 000-18774

SPINDLETOP OIL & GAS CO.
(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
None	N/A

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.01 par value

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 [X] 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Sec 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. [X]

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

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]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

$15,050,288 based upon a total of 1,710,260 shares held as of June 30, 2008 by persons believed to be non-affiliates of the Registrant; the basis of the calculation does not constitute a determination by the Registrant as defined in Rule 405 of the Securities Act of 1933, as amended, that such calculation, if made as of a date within 60 days of this filing, would yield a different value.

APPLICABLE ONLY TO REGISTRANTS 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 REGISTRANTS)

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

Common Stock, $0.01 par value	7,610,803
(Class)	(Outstanding at April 15, 2009)

DOCUMENTS INCORPORATED BY REFERENCE

None

PART I

Item 1. Description of Business

GENERAL

Spindletop Oil & Gas Co. is an independent oil and gas company engaged in the exploration, development and production of oil and natural gas; the rental of oilfield equipment; and through one of its subsidiaries, the gathering and marketing of natural gas. The terms the "Company", "We", "Us" or Spindletop are used interchangeably herein to refer to Spindletop Oil & Gas Co. and its wholly owned subsidiaries, Prairie Pipeline Co. ("PPC") and Spindletop Drilling Company ("SDC").

The Company has focused its oil and gas operations principally in Texas, although we operate properties in six states including: Texas, Oklahoma, New Mexico, Louisiana, Alabama and Arkansas. We operate a majority of our projects through the drilling and production phases. Our staff has a great deal of experience in the operations arena. We have traditionally leveraged the risks associated with drilling by obtaining industry partners to share in the costs of drilling. However, we typically retain a controlling interest in the prospects we drill.

In addition, the Company, through PPC, owns approximately 26.1 miles of pipelines located in Texas, which are used for the gathering of natural gas. These gathering lines are located in the Fort Worth Basin and are being utilized to transport the Company's natural gas as well as natural gas produced by third parties.

Website Access to Our Reports

We make available free of charge through our website, www.spindletopoil.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. Information on our website is not a part of this report.

Operating Approach

We believe that a major attribute of the Company is its long history with, and extensive knowledge of, the Fort Worth Basin of Texas. Our technical staff has an average of over 20 years oil and gas experience, most of it in the Fort Worth Basin.

One of our strengths has been the ability of the Company to look at cost effective ways to grow our production. We have traditionally increased our reserve base in one of two ways. Initially, in the 1970's and 1980's, the Company obtained its production through an exploration and development drilling program focused principally in Texas. Today, the Company has retained many of these wells as producing properties and holds a large amount of acreage by production.

From the 1990's through 2003, the Company took advantage of the lower product prices by cost effectively adding to its reserve base through value-priced acquisitions. We found that through selective purchases we could make producing property acquisitions that were more cost effective than drilling.

During this time period, the Company acquired a large number of operated and non-operated oil and gas properties in various states.

From 2003 through the fourth quarter of 2008, we returned our focus to a strategy of development drilling. In the current economic climate, we are taking a slower, more conservative approach to development of our leasehold acreage. We are looking at growth through acquisitions and limited drilling.

With current lower product prices and high costs to produce, we believe that it makes sense to carefully evaluate all our options and make sure that each transaction can be supported in today's lower price environment.

Our strategic focus is currently on the Barnett Shale play located in the Fort Worth Basin of North Texas. The organic rich Barnett Shale has been the source rock for the producing formations in the Fort Worth Basin. As an unconventional fractured reservoir, the Barnett Shale itself has become an attractive target due to technological advances in the drilling and stimulation of tight gas formations. This technology driven play has the potential of long life wells with the opportunity for multiple re-stimulations which can significantly increase the commercial life of Barnett Shale wells.

Strategic Business Plans

One of our key strategies is to enhance shareholder value through implementation of plans for controlled growth and development. The Company's long-term focus is to grow its oil and gas production through a strategic combination of selected property acquisitions, to the extent feasible, and an exploration and development program primarily based on developing its leasehold acreage. Additionally, the Company will continue to rework existing wells to increase production and reserves.

The Company's primary area of operation has been and will continue to be in Texas with an emphasis in the geological province known as the Fort Worth Basin. The Company is developing its Fort Worth Basin producing properties into the Barnett Shale formation. We want to capitalize on our strengths which include an extensive knowledge of the Fort Worth Basin, experience in operations in this geographic area, development of lease holdings, and utilization of existing infrastructure to minimize costs.

The Company will continue to generate and evaluate prospects using its own technical staff. The Company intends to fund operations primarily from cash flow generated by operations.

The Company will attempt to expand its pipeline system as needed to service the Company's new wells. Expansion will be dependent upon success in its exploration programs, since the majority of its existing pipelines are connected to wells that the Company operates.

Significant Project Areas

The Company owns various interests in wells located in 16 states and the Company's operations are currently located in six of those states which include Alabama, Arkansas, Louisiana, Oklahoma, New Mexico and Texas.

The Company holds approximately 90,873 gross acres under lease in six states. The majority of the leases are held by production. A breakout of the Company's leasehold acreage by geographic area is as follows:

	Operated Properties		Non-Operated Properties		Total		Percent of Total	
	Gross Acres	Net Acres	Gross Acres	Net Acres	Gross Acres	Net Acres	Gross	Net

North Texas Including the Fort Worth Basin	10,284	9,497	1,073	105	11,357	9,602	12.5	40.9
Arkansas	2,936	2,587	5,034	580	7,970	3,167	8.8	13.5
East Texas	2,613	2,297	5,342	446	7,955	2,743	8.8	11.7
Gulf Coast Texas	2,741	1,810	2,812	59	5,553	1,869	6.1	8.0
Alabama	1,480	789	612	56	2,092	845	2.3	3.6
West Texas	748	578	1,379	78	2,127	656	2.3	2.8
New Mexico	739	342	360	3	1,099	345	1.2	1.5
Louisiana	723	506	3,944	189	4,667	695	5.1	3.0
Texas Panhandle	640	640	1,200	122	1,840	762	2.0	3.2
Oklahoma	237	165	33,095	1,240	33,332	1,405	36.7	5.9
Utah	-	-	2,729	487	2,729	487	3.0	2.1
Wyoming	-	-	3,120	302	3,120	302	3.4	1.3
Kansas	-	-	800	224	800	224	0.9	1.0
North Dakota	-	-	800	122	800	122	0.9	0.5
Montana	-	-	2,450	109	2,450	109	2.7	0.5
Colorado	-	-	640	64	640	64	0.7	0.3
Mississippi	-	-	1,210	47	1,210	47	1.3	0.2
California	-	-	892	6	892	6	1.0	0.0
Michigan	-	-	240	6	240	6	0.3	0.0
Total	23,141	19,211	67,732	4,245	90,873	23,456	100.0	100.0

The majority of the Company's net reserves (66.7%) are located in Texas.

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A breakout of the Company's most significant reserves by geographic area is as follows:

North Texas Including the Fort Worth Basin	1,821,058 BOE	71.27 %
West Texas	220,693 BOE	8.64 %
East Texas	124,082 BOE	4.85 %
Arkansas	91,076 BOE	3.57 %
Oklahoma	84,343 BOE	3.30 %
Louisiana	55,655 BOE	2.18 %
Gulf Coast Texas	49,760 BOE	1.95 %
Alabama	46,373 BOE	1.81 %
New Mexico	37,662 BOE	1.47 %
Panhandle Texas	15,273 BOE	0.60 %
North Dakota	6,076 BOE	0.24 %
Wyoming	2,985 BOE	0.12 %
Total	2,555,036 BOE	100.00 %

Fort Worth Basin/Bend Arch Province

The Fort Worth Basin has been the focal point of the Company since its inception. Our technical personnel have an average of 20 years of exploration, drilling and production experience in the Basin. We also have an extensive collection of geologic and engineering data.

The Fort Worth Basin is a gas prone region with multiple pay zones ranging in depth from 1000-9000 feet. The Basin is currently experiencing a drilling boom due to increased natural gas prices and advances in fracturing technology that have unlocked natural gas reserves from the Barnett Shale Formation.

The Barnett Shale is a thick blanket type formation covering the entire Basin. The natural gas reserves in place are significant; however, due to the extremely low permeability of the shale, it has been technically difficult to recover these reserves. Recent advances in hydraulic fracturing and horizontal well technology have enabled economic recovery of natural gas reserves in the Fort Worth Basin.

According to the U.S. Geological Survey, an estimated 26.7 TCF of undiscovered natural gas, 98.5 MMBO of undiscovered oil, and 1.1 BBNGL of undiscovered natural gas liquids remains within the 54,000 square mile Bend Arch-Fort Worth Basin Province. More than 98 percent, or approximately 26.2 TCF of the undiscovered natural gas is contained in the organic-rich Mississippian Barnett Shale.

The Company has 11,357 gross acres under lease in the Bend Arch and Fort Worth Basin the majority of it held by production from shallower producing zones. We are planning to drill new wells into the Barnett Shale Formation on some of these leases. We are also actively seeking and acquiring new leases in the Barnett Shale trend.

Joint Drilling Development of North Texas Barnett Shale Leasehold

The Company along with Giant Energy Corp. ("Giant") entered into a Farmout and Exploration Agreement dated August 22, 2006 (the "Agreement"), with Williams Production-Gulf Coast Company, L.P. ("Williams"). The Agreement was subsequently amended to clarify a number of provisions in the original Farmout and Exploration Agreement. After drilling twelve of the prescribed number of horizontal Barnett Shale wells, ten on the Spindletop leasehold and two on the Giant leasehold, Williams gave notice of its election to terminate the Agreement in accordance with provisions contained in the Agreement, and subsequent amendments, effective September 19, 2008. No early termination penalties were incurred by Williams, or any of the parties to the Agreement, however, by opting not to drill all of the prescribed number of carried wells, the earned assignments to Williams shall be limited to 50% gross working interest in said wells along with a prescribed quantity of acreage surrounding each horizontal drain hole. As a consequence of the termination of the Agreement, Spindletop is now free to pursue other development opportunities on the leasehold acreage that Spindletop retained and that was not earned by Williams under the Agreement.

During the fourth quarter of 2007, two other wells were drilled, the Buxton G.U. #1H well, located on our Weatherford, W block and the Fuller G.U.#1H well located on our Weatherford, SW block. Both wells are located in the southwest quarter of Parker County, Texas. The Buxton #1H well was drilled to a total measured depth of 8,850 ft. and began production of natural gas on June 3, 2008 at a rate of 767 MCFGPD and 813 BWPD. The well continues to produce large amounts of water while gas production has declined. The Company is evaluating whether it is a viable to continue to produce this well at current product pricing. The Fuller G.U. #1H was drilled to a measured depth of 9,076 ft. and completed in the Barnett Shale. The well was fractured and it is believed the fracture stimulation communicated with the underlying Ellenburger Formation based on the high volume of high chloride water flowed back and tested. The well is currently shut in. The Company holds a 50% working interest in both of these wells.

In the first quarter of 2008, the McKeon G.U. #1H well, located on our Peaster, SW block in the northwest quarter of Parker County, Texas, was spud and was drilled to a measured depth of 9,329 ft. and cased. Production of natural gas began on June 13, 2008 at a rate of 1,951 MCFGPD and 1,760 BWPD. The well was fractured and the fracture stimulation also appears to have communicated with the underlying the Ellenberger Formation based on the high water production. An additional workover was attempted to reduce the water production but was not successful. The well is currently shut-in.

Company's Development of North Texas Barnett Shale Leasehold outside of the Joint Drilling Development Project

During the third quarter of 2008, the Olex U.S. #8 well, located on our Krum SW Block in Denton Co., Texas was drilled to a depth of 8,827 ft. and cased. The well was fractured and tested subsequent to year end during the first quarter of 2009. It began production on March 17, 2009. The well is currently producing at an average rate of 1,056 MCFGPD and 40 BOPD. The Company owns a 52.5% working interest in this well.

Also, during the fourth quarter of 2008, the Poston #1 well, located on our Godley North Block in Johnson Co., Texas was drilled to a depth of 6,754 ft. and cased. Completion of this well is scheduled in the second quarter of 2009. The company owns a 91% working interest in this well.

In addition to the Company's Barnett Shale development drilling activities, the Company has worked on or participated in the following projects:

West Texas

In the second quarter of 2008, the Company initiated a recompletion on one of its existing wells in Ward Co., Texas on its Pyote Block. The Company attempted to deepen its University "K" #1 well to a depth of 14,900 ft. The Company worked on this well for a period of four months during the second and third quarters of 2008. The primary objective could not be reached due to the Company's inability to remove or drill through unexpected oilfield tools that were encountered deep in the wellbore. The Company recompleted the well in some shallow secondary objectives. The well was placed back in production and is producing approximately 5 BOPD and 10 MCFGPD. The Company owns a 100% working interest in this well.

The Company participated in the drilling of a well in Midland County, Texas. The Dixon #2TM well was spud on 12/30/2007. The well was drilled to a depth of 8,560 ft. The well was completed in the Sprayberry Formation and was placed into production on 5/1/2008 at an initial rate of 32 BOPD and 28 MCFGPD. The Company owns a 8.03542 % working interest in this well.

The Company also participated in two wells in Andrews County, Texas. The Miles #5 well was spud on 9/1/2008. The well was drilled to the San Andres Formation at a depth of 4,774 ft. The well was placed into production on 9/25/2008 at a rate of 44 BOPD and 18 MCFGPD. The Miles #7 well was spud on 10/22/2008 and drilled to a total depth of 4,855 ft. in the San Andres formation. Initial production on 11/25/2008 was 59 BOPD and 63 MCFGPD. The Company owns a 4.6875% working interest in both of these wells.

Oklahoma

The Company participated in the drilling of a well in Roger Mills County, Oklahoma. The Chamberlain # 6-2 well was spud on 3/8/2008 and drilled to a total depth of 12,726 ft. with first production on 4/24/2008 from the Redfork Formation. The initial rate was 526 MCFGPD and 0 BOPD. The Company owns a 6.2898% working interest in this well.

The Company participated in the drilling of two wells in Beckham County, Oklahoma during 2008. The Elk City Unit #2-12-17 well was spud on 7/17/2008 and drilled to a depth of 10,125' to the Hoxbar Formation. The well was placed in production on 10/27/2008 with an initial rate of 30 BOPD and 999 MCFGPD. The Elk City Unit #1-9-19 well was spud on 7/29/2008 and drilled to a depth of 9,975 ft to the Hoxbar Formation. This well has not yet been completed. The Company owns a 0.1419 % working interest in both of these wells.

The Company participated in the drilling of two wells in Canadian County, Oklahoma. The Betty 1-30 well was drilled to a total depth of 11,471 ft. to the Simpson Formation with first production on 2/20/2008. The initial

potential was 783 MCFGPD. The Company owns a 2.22186% working interest in this well. The Crowley #1-30 well was spud on 8/23/2008 and drilled to a total depth of 9,684 ft. with first production on 10/16/2008 from the Hunton formation. The initial rate was 12 BOPD and 122 MCFGPD. The Company owns a 13.26532% working interest in this well.

New Mexico

The Company participated in the drilling of a well in Eddy County, New Mexico. The Firefox Federal #1 well was spud on 11/3/2008 and completed 2/18/2009. The well was drilled to a total depth of 12,350 ft. in the Morrow formation. First production was on 3/11/2009 with an initial production of 1,013 MCFGPD and 27 BOPD. The Company owns a 0.62295% working interest in this well.

Montana

The Company participated in the drilling of a well in Phillips County, Montana. The Loring Unit #1279-2 well was spud on 8/11/2008 and completed on 9/4/2008. The well was drilled to a depth of 1,965 ft. to the Phillips Formation. Initial potential was 45 MCFGPD. The well averaged 45 MCFGPD during the first month of production. The Company owns a 12.50% working interest in this well.

Oil and Natural Gas Reserves

The net crude oil and gas reserves of the Company as of December 31, 2008 were 261,712 barrels of oil and condensate and 13.76 BCFG (billion cubic feet) of natural gas. Based on SEC guidelines, the reserves were classified as follows:

Proved Developed Producing	224,901 BO	and	8.280 BCFG
Proved Developed Non-Producing	28,047 BO	and	2.603 BCFG
Proved Undeveloped	8,764 BO	and	2.877 BCFG
Total Proved Reserves	261,712 BO	and	13.760 BCFG

Only reserves that fell within the Proved classification were considered. Other categories such as Probable or Possible Reserves were not considered.

No value was given to the potential future development of behind pipe reserves, untested fault blocks, or the potential for deeper reservoirs (other than Barnett Shale proved undeveloped reserves directly offset by producing wells which are slated for drilling in the next 5 years) underlying the Company's properties. Shut-in uneconomic wells and insignificant non-operated interests were excluded.

On a barrel of oil equivalent basis (6 MCF/BOE), the net reserves are

Natural Gas Reserves	2,293,325 BOE	90%
Oil Reserves	261,712 BOE	10%
Total Reserves	2,555,037 BOE	100%

Proved Developed Producing	1,604,908 BOE	63%
Proved Developed Non-Producing	461,813 BOE	18%
Proved Undeveloped	488,316 BOE	19%
Total Proved Reserves	2,555,037 BOE	100%

The Company has operational control over the majority of these reserves and can therefore to a large extent control the timing of development and production.

The Company's Operated Wells	2,389,437 BOE	94%
Non Operated Wells	165,600 BOE	6%
Total	2,555,037 BOE	100%

Financial Information Relating to Industry Segments

The Company has three identifiable business segments: exploration, development and production of oil and natural gas, gas gathering, and commercial real estate investment. Footnote 15 to the Consolidated Financial Statements filed herein sets forth the relevant information regarding revenues, income from operations and identifiable assets for these segments.

Narrative Description of Business

The Company is engaged in the exploration, development and production of oil and natural gas, and the gathering and marketing of natural gas. The Company is also engaged in commercial real estate leasing through the acquisition and partial occupancy of its corporate headquarters office building.

Principal Products, Distribution and Availability

The principal products marketed by the Company are crude oil and natural gas which are sold to major oil and gas companies, brokers, pipelines and distributors, and oil and gas properties which are acquired and sold to oil and gas development entities. Reserves of oil and gas are depleted upon extraction, and the Company is in competition with other entities for the discovery of new prospects.

The Company is also engaged in the gathering and marketing of natural gas through its subsidiary PPC, which owns 26.1 miles of pipelines and currently gathers approximately 1,520 Mcf of gas per day. Natural gas is gathered for a fee. Substantially all of the gas gathered by the Company is gas produced from wells that the Company operates and in which it owns a working interest.

The Company owns land and a two story commercial office building in Dallas, Texas, which it uses as its principal headquarters office. The Company leases the remainder of the building to non-related third party commercial tenants at prevailing market rates.

Patents, Licenses and Franchises

Oil and gas leases of the Company are obtained from the owner of the mineral estate. The leases are generally for a primary term of 1 to 5 years, and in some instances as long as 10 years, with the provision that such leases shall be extended into a secondary term and will continue during such secondary term as long as oil and gas are produced in commercial quantities or other operations are conducted on such leases as provided by the terms of the leases. It is generally required that a delay rental be paid on an annual basis during the primary term of the lease unless the lease is producing. Delay rentals are normally $1.00 to $25.00 per net mineral acre but can exceed this range.

The Company currently holds interests in producing and non-producing oil and gas leases. The existence of the oil and gas leases and the terms of the oil and gas leases are important to the business of the Company because future additions to reserves will come from oil and gas leases currently owned by the Company, and others that may be acquired, when they are proven to be productive. The Company is continuing to purchase oil and gas leases in areas where it currently has production, and also in other areas.

Dependence on Customers

The following is a summary of significant purchasers from oil and natural gas produced by the Company for the three-year period ended December 31, 2008:

	Year Ended December 31, (1)		
Purchaser	2008	2007	2006
Crosstex Energy Services, LP	42%	26%	3%
Enbridge Energy Partners (formerly Enbridge North Texas	26%	36%	38%
Targa Midstream Service, LIM (formerly Dynegy Midstream Services, LIM	6%	3%	-%
Shell Trading (US) Company	5%	6%	8%
Eastex Crude Company	3%	2%	-%
Devon Gas Services, L.P	2%	2%	4%
Teppco Crude Oil, LP	2%	5%	3%
Genesis	1%	-%	-%
Gateway Gathering & Marketing	1%	-%	-%
ETC Texas Pipeline	1%	2%	5%

Navajo Refining Co.	1%	2%	-%
Plains Marketing, L.P.	-%	1%	6%

(1) Percent of Total Oil & Gas Sales

Oil and gas is sold to approximately 96 different purchasers under market sensitive, short-term contracts computed on a month to month basis.

Except as set forth above, there are no other customers of the Company that individually accounted for more than 5% of the Company's oil and gas revenues during the three years ended December 31, 2008.

The Company currently has no hedged contracts.

Development Activities

The Company's primary oil and gas prospect acquisition efforts have been in known producing areas in the United States with emphasis devoted to Texas.

The Company intends to use a portion of its available funds to participate in drilling activities. Any drilling activity is performed by independent drilling contractors. The Company does not refine or otherwise process its oil and gas production.

Exploration for oil and gas is normally conducted with the Company acquiring undeveloped oil and gas prospects, and carrying out exploratory drilling on the prospect with the Company retaining a majority interest in the prospect. Interests in the property are sometimes sold to key employees and associated companies at cost. Also, interests may be sold to third parties with the Company retaining an overriding royalty interest, carried working interest, or a reversionary interest.

A prospect is a geographical area designated by the Company for the purpose of searching for oil and gas reserves and reasonably expected by it to contain at least one oil or gas reservoir. The Company utilizes its own funds along with the issuance of common stock and options to purchase common stock in some cases, to acquire oil and gas leases covering the lands comprising the prospects. These leases are selected by the Company and are obtained directly from the landowners, as well as from land men, geologists, other oil companies, some of whom may be affiliated with the Company, and by direct purchase, farm-in, or option agreements. After an initial test well is drilled on a property, any subsequent development of such prospect will normally require the Company's participation for the development of the discovery.

Special Tax Provisions

See Footnote 8 to Consolidated Financial Statements regarding the accounting for income taxes.

Employees

The Company employs or contracts for the services of a total of approximately 60 people. Twenty-seven are full-time employees or contractors. The remainder are part-time independent contractors or employees. We believe that our relationships with our employees are good.

In order to effectively utilize our resources in respect to our development program, we employ the services of independent consultants and contractors to

perform a variety of professional and technical services, including in the areas of lease acquisition, land-related documentation and contracts, drilling and completion work, pumping, inspection, testing, maintenance and specialized services. We believe that it can be more cost effective to utilize the services of consultants and independent contractors for some of these services.

We depend to a large extent on the services of certain key management personnel and officers, and the loss of any these individuals could have a material adverse effect on our operations. The Company does not maintain key-man life insurance policies on its employees.

Financial information about foreign and domestic operations and export sales
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All of the Company's business is conducted domestically, with no export sales.

Compliance with Environmental Regulations

Our oil and natural gas operations are subject to numerous U.S. Federal, state and local laws and regulations relating to the protection of the environment, including those governing the discharge of materials into the water and air, the generation, management and disposal of hazardous substances and wastes and clean-up of contaminated science. We could incur material costs, including clean-up costs, fines and civil and criminal sanctions and third party claims for property damage and personal injury as a result of violations of, or liabilities under, environmental laws and regulations. Such laws and regulations not only expose us to liability for our own activities, but may also expose us to liability for the conduct of others or for actions by us that were in compliance with all applicable laws at the time those actions were taken. In addition, we could incur substantial expenditures complying with environmental laws and regulations, including future environmental laws and regulations which may be more stringent.

On June 21, 2007, the acting United States attorney for the Eastern District of Texas filed an Information against Spindletop Drilling Company, a subsidiary of the registrant in a case styled The United States of America v. Spindletop Drilling Company, Case No. 5:07CR16 filed in the United States District Court for the Eastern District of Texas, Texarkana Division. The Information alleged a violation of Title 16, USC Sec 703 (unlawful taking of migratory birds), charged Spindletop Drilling Company with a Class B misdemeanor petty offense advising that on or about September 6, 2006 in Titus County, Texas allegedly took migratory birds including approximately twelve (12) Northern Mockingbirds (Mimus Polyglottos) and one (1) Mourning Dove (Zenaida Macroura), all in violation of 16 USC Sec 703 and 707(a). Spindletop Drilling Company owns and operates an oil pit located on the "Pewitt D" lease located in Titus County, Texas. Although Spindletop Drilling Company had netting in place, several small birds were found in the pit in early September, 2006.

Although the incident was inadvertent, on June 26, 2007, in order to resolve the matter, Spindletop Drilling Company entered into a plea agreement agreeing to one count of the Information which charged a violation of 16 USC Sec 703 and stipulated and agreed that two years probation, $10,000 in restitution payable to the National Fish and Wildlife Foundation, no fine, and a $25 special assessment would best advance the objectives under the law. The court gave final approval of this agreement on October 4, 2007.

During the first quarter of 2007, Spindletop Drilling Company corrected the netting on the property and implemented other safeguards to further protect the migratory birds and property in question.

Glossary of Oil and Gas Terms

The following are abbreviations and definitions of terms commonly used in the oil and gas industry that are used in this Report. The terms defined herein may be found in this report in both upper and lower case or a combination of both.

"BBL" means a barrel of 42 U.S. gallons

"BBNGL" means billion barrels of natural gas liquids.

"BCF" or "BCFG" means billion cubic feet.

"BOE" means barrels of oil equivalent; converting volumes of natural gas to oil equivalent volumes using a ratio of six Mcf of natural gas to one Bbl of oil.

"BOPD" means barrels of oil per day.

"BTU" means British Thermal Units. British Thermal Unit means the quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

"Completion" means the installation of permanent equipment for the production of oil or gas.

"Development Well" means a well drilled within the proved area of an oil or gas reservoir to the depth of a strata graphic horizon known to be productive.

"Dry Hole" or "Dry Well" means a well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

"Exploratory Well" means a well drilled to find and produce oil or gas reserves not classified as proved, to find a new production reservoir in a field previously found to be productive of oil or gas in another reservoir or to extend a known reservoir.

"Farm-Out" means an agreement pursuant to which the owner of a working interest in an oil and gas lease assigns the working interest or a portion thereof to another party who desires to drill on the leased acreage. Generally, the assignee is required to drill one or more wells in order to earn its interest in the acreage. The assignor usually retains a royalty or reversionary interest in the lease. The interest received by an assignee is a "farm-in" and the assignor issues a "farm-out."

"Farm-In" see "Farm-Out" above.

"Gas" means natural gas.

"Gross" when used with respect to acres or wells, refers to the total acres or wells in which we have a working interest.

"Infill Drilling" means drilling of an additional well or wells provided for by an existing spacing order to more adequately drain a reservoir.

"MCF" or "MCFG" means thousand cubic feet.

"MCFE" means MCF of natural gas equivalent; converting volumes of oil to natural gas equivalent volumes using a ratio of one BBL of oil to six MCF of natural gas.

"MCFGPD" means thousand cubic feet of gas per day.

"MMBO" means million barrels of oil.

"MMBTU" means ones million BTUs.

"Net" when used with respect to acres or wells, refers to gross acres or wells multiplied, in each case, by the percentage working interest owned by the Company.

"Net Production" means production that is owned by the Company less royalties and production due others.

"Non-Operated" or "Outside Operated" means wells that are operated by a third party.

"Operator" means the individual or company responsible for the exploration, development, production and management of an oil or gas well or lease.

"Overriding Royalty" means a royalty interest which is usually reserved by an owner of the leasehold in connection with a transfer to a subsequent owner.

"Present Value" ("PV") when used with respect to oil and gas reserves, means the estimated future gross revenues to be generated from the production of proved reserves calculated in accordance with the guidelines of the SEC, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation (except to the extent a contract specifically provides otherwise), without giving effect to non-property related expenses such as general and administrative expenses, debt service, future income tax expense and depreciation, depletion and amortization, and discounted using an annual discount rate of 10%.

"Productive Wells" or "Producing Wells" consist of producing wells and wells capable of production, including wells waiting on pipeline connections.

"Proved Developed Reserves" means reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural

forces and mechanisms of primary recovery will be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

"Proved Reserves" means the estimated quantities of crude oil and natural gas which upon analysis of geological and engineering data appear with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

(i) Reservoirs are considered proved if either actual production or conclusive formation tests support economic producibility. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(iii) Estimates of proved reserves do not include the following: (A) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves"; (B) crude oil and natural gas, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics or economic factors; (C) crude oil and natural gas that may occur in undrilled prospects; and (D) crude oil and natural gas that may be recovered from oil shales, coal, gilsonite and other such resources.

"Proved Undeveloped Reserves" means reserves that are recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for completion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

"Recompletion" means the completion for production of an existing well bore in another formation from that in which the well has been previously completed.

"Reserves" means proved reserves.

"Reservoir" means a porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

"Royalty" means an interest in an oil and gas lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage. Royalties may be either landowner's royalties, which are reserved by the owner of the leased acreage at the time the lease is granted, or overriding royalties, which are usually reserved by an owner of the leasehold in connection with a transfer to a subsequent owner.

"TCF" means trillion cubic feet.

"2-D Seismic" means an advanced technology method by which a cross-section of the earth's subsurface is created through the interpretation of reflecting seismic data collected along a single source profile.

"3-D Seismic" means an advanced technology method by which a three dimensional image of the earth's subsurface is created through the interpretation of reflection seismic data collected over a surface grid. 3-D seismic surveys allow for a more detailed understanding of the subsurface than do conventional surveys and contribute significantly to field appraisal, development and production.

"Working Interest" means an interest in an oil and gas lease that gives the owner of the interest the right to drill for and produce oil and gas on the leased acreage and requires the owner to pay a share of the costs of drilling and production operations. The share of production to which a working interest owner is entitled will always be smaller than the share of costs that the working interest owner is required to bear, with the balance of the production accruing to the owners of royalties.

"Workover" means operations on a producing well to restore or increase production.

Item 1A. Risk Factors

Risks related directly to our Company

You should carefully consider the following risk factors, in addition to the other information set forth in this Report, before investing in shares of our common stock. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common stock. Some information in this Report may contain "forward-looking" statements that discuss future expectations of our financial condition and results of operation. The risk factors noted in this section and other factors could cause our actual results to differ materially from those contained in any forward-looking statements.

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 have decreased significantly from highs in 2008. In the last six months, oil prices have decreased by two thirds off their highest prices and natural gas prices have decreased in half or more during this time period. 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 Spindletop'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 have experienced unprecedented volatility and disruption during the last half of 2008 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.

We face significant competition, and many of our competitors have resources in excess of our available resources.

The oil and gas industry is highly competitive. We encounter competition from other oil and gas companies in all areas of our operations, including the acquisition of producing properties and sale of crude oil and natural gas. Our competitors include major integrated oil and gas companies and numerous independent oil and gas companies, individuals and drilling and income programs. Many of our competitors are large, well established companies with substantially larger operating staffs and greater capital resources than us. Such companies may be able to pay more for productive oil and gas properties and exploratory prospects and to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. Our ability to acquire additional properties and to discover reserves in the future will depend upon our ability to evaluate and select suitable properties and to consummate transactions in this highly competitive environment.

Exploratory drilling is a speculative activity that may not result in commercially productive reserves and may require expenditures in excess of budgeted amounts.

Drilling activities are subject to many risks, including the risk that no commercially productive oil or gas reservoirs will be encountered. There can be no assurance that new wells drilled by us will be productive or that we will recover all or any portion of our investment. Drilling for oil and gas may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. The cost of drilling, completing and operating wells is often uncertain. Our drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, many of which are beyond our control, including economic conditions, mechanical problems, pressure or irregularities in formations, title problems, weather conditions, compliance with governmental requirements and shortages in or delays in the delivery of equipment and services. In today's environment, shortages make drilling rigs, labor and services difficult to obtain and could cause delays or inability to proceed with our drilling and development plans. Such equipment shortages and delays sometimes involve drilling rigs where inclement weather prohibits the movement of land rigs causing a high demand for rigs by a large number of companies during a relatively short period of time. Our future drilling activities may not be successful. Lack of drilling success could have a material adverse effect on our financial condition and results of operations.

Our operations are also subject to all the hazards and risks normally incident to the development, exploitation, production and transportation of, and the exploration for, oil and gas, including unusual or unexpected geologic formations, pressures, down hole fires, mechanical failures, blowouts, explosions, uncontrollable flows of oil, gas or well fluids and pollution and

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other environmental risks. These hazards could result in substantial losses to us due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage and suspension of operations. We participate in insurance coverage maintained by the operator of its wells, although there can be no assurances that such coverage will be sufficient to prevent a material adverse effect to us in such events.

The vast majority of our oil and gas reserves are classified as proved reserves. Recovery of the Company's future proved undeveloped reserves will require significant capital expenditures. Our management estimates that aggregate capital expenditures of approximately $4,475,000 will be required to fully develop some of these reserves in the next twenty-four months. No assurance can be given that our estimates of capital expenditures will prove accurate, that our financing sources will be sufficient to fully fund our planned development activities or that development activities will be either successful or in accordance with our schedule. Additionally, any significant decrease in oil and gas prices or any significant increase in the cost of development could result in a significant reduction in the number of wells drilled and/or reworked. No assurance can be given that any wells will produce oil or gas in commercially profitable quantities.

We are subject to uncertainties in reserve estimates and future net cash flows.

This annual report contains estimates of our oil and gas reserves and the future net cash flows from those reserves, which have been prepared by Netherland, Sewell & Associates, Inc., independent petroleum engineers. There are numerous uncertainties inherent in estimating quantities of reserves of oil and gas and in projecting future rates of production and the timing of development expenditures, including many factors beyond our control. The reserve estimates in this annual report are based on various assumptions, including, for example, constant oil and gas prices, operating expenses, capital expenditures and the availability of funds, and therefore, are inherently imprecise indications of future net cash flows. Actual future production, cash flows, taxes, operating expenses, development expenditures and quantities of recoverable oil and gas reserves may vary substantially from those assumed in the estimates. Any significant variance in these assumptions could materially affect the estimated quantity and value of reserves set forth in this prospectus. Additionally, our reserves may be subject to downward or upward revision based upon actual production performance, results of future development and exploration, prevailing oil and gas prices and other factors, many of which are beyond our control.

The present value of future net reserves discounted at 10% (the "PV-10") of proved reserves referred to in this annual report should not be construed as the current market value of the estimated proved reserves of oil and gas attributable to our properties. In accordance with applicable requirements of the SEC, the estimated discounted future net cash flows from proved reserves are generally based on prices and costs as of the date of the estimate, whereas actual future prices and costs may be materially higher or lower. Actual future net cash flows also will be affected by: (i) the timing of both production and related expenses; (ii) changes in consumption levels; and (iii) governmental regulations or taxation. In addition, the calculation of the present value of the future net cash flows using a 10% discount as required by

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the SEC is not necessarily the most appropriate discount factor based on interest rates in effect from time to time and risks associated with our reserves or the oil and gas industry in general. Furthermore, our reserves may be subject to downward or upward revision based upon actual production, results of future development, supply and demand for oil and gas, prevailing oil and gas prices and other factors. See "Properties - Oil and Gas Reserves."

We are subject to risks associated with the current U.S. Government Administration's proposed budget features.

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

We are subject to various operating and other casualty risks that could result in liability exposure or the loss of production and revenues.

Our oil and gas business involves a variety of operating risks, including, but not limited to, unexpected formations or pressures, uncontrollable flows of oil, gas, brine or well fluids into the environment (including groundwater contamination), blowouts, fires, explosions, pollution and other risks, any of which could result in personal injuries, loss of life, damage to properties and substantial losses. Although we carry insurance at levels that we believe are reasonable, we are not fully insured against all risks. We do not carry business interruption insurance. Losses and liabilities arising from uninsured or under-insured events could have a material adverse effect on our financial condition and operations.

From time to time, due primarily to contract terms, pipeline interruptions or weather conditions, the producing wells in which we own an interest have been subject to production curtailments. The curtailments range from production being partially restricted to wells being completely shut-in. The duration of curtailments varies from a few days to several months. In most cases, we are provided only limited notice as to when production will be curtailed and the duration of such curtailments. We are not currently experiencing any material curtailment of our production.

We intend to increase to some extent our development and, to a lesser extent, exploration activities. Exploration drilling and, to a lesser extent, development drilling of oil and gas reserves involve a high degree of risk that no commercial production will be obtained and/or that production will be insufficient to recover drilling and completion costs. The cost of drilling, completing and operating wells is often uncertain. Our drilling operations may be curtailed, delayed or canceled as a result of numerous factors, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment. Furthermore, completion of a well does not assure a profit on the investment or a recovery of drilling, completion and operating costs.

We depend to a large extent on the services of Chris G. Mazzini, our President, Chairman of the Board, and Chief Executive Officer. The loss of the services of Mr. Mazzini would have a material adverse effect on our operations. We have not entered into any employment contracts with our executive officer and have not obtained key personnel life insurance on Mr. Mazzini.

Certain of our affiliates control a majority of our outstanding common stock, which may affect your vote as a shareholder.

Our executive officers, directors and their affiliates hold approximately 77% Of our outstanding shares of common stock. As a result, officers, directors and their affiliates and such shareholders have the ability to exert significant influence over our business affairs, including the ability to control the election of directors and results of voting on all matters requiring shareholder approval. This concentration of voting power may delay or prevent a potential change in control.

Certain of our affiliates have engaged in business transactions with the Company, which may result in conflicts of interest.

Certain officers, directors and related parties, including entities controlled by Mr. Mazzini, the President and Chief Executive Officer, have engaged in business transactions with the Company which were not the result of arm's length negotiations between independent parties. Our management believes that the terms of these transactions were as favorable to us as those that could have been obtained from unaffiliated parties under similar circumstances. All future transactions between us and our affiliates will be on terms no less favorable than could be obtained from unaffiliated third parties and will be approved by a majority of the disinterested members of our Board of Directors.

Our common stock is traded on the Over-the-Counter Bulletin Board ("OTC BB"), symbol "SPND".

The liquidity of our common stock may be adversely affected, and purchasers of our common stock may have difficulty selling our common stock, if our common stock does not continue to trade in that or another suitable trading market.

There is presently only a limited public market for our common stock, and there is no assurance that a ready public market for our securities will develop. It

is likely that any market that develops for our common stock will be highly volatile and that the trading volume in such market will be limited. The trading price of our common stock could be subject to wide fluctuations in response to quarter-to-quarter variations in our operating results, announcements of our drilling results and other events or factors.
In addition, the U.S. stock market has from time to time experienced extreme price and volume fluctuations that have affected the market price for many companies and which often have been unrelated to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our securities.

We do not intend to declare dividends in the foreseeable future.

Our Board of Directors presently intends to retain all of our earnings for the expansion of our business. We therefore do not anticipate the distribution of

cash dividends in the foreseeable future. Any future decision of our Board of Directors to pay cash dividends will depend, among other factors, upon our earnings, financial position and cash requirements.

We are subject to certain title risks.

Our company employees and contract land professionals have reviewed title records or other title review materials relating to substantially all of our producing properties. The title investigation performed by us prior to acquiring undeveloped properties is thorough, but less rigorous than that conducted prior to drilling, consistent with industry standards. We believe we have satisfactory title to all our producing properties in accordance with standards generally accepted in the oil and gas industry. Our properties are subject to customary royalty interests, liens incident to operating agreements, liens for current taxes and other burdens, which we believe do not materially interfere with the use of or affect the value of such properties. At December 31, 2008, our leaseholds for some of our net acreage were being kept in force by virtue of production on that acreage in paying quantities. The remaining net acreage was held by lease rentals and similar provisions and requires production in paying quantities prior to expiration of various time periods to avoid lease termination.

We expect to make acquisitions of oil and gas properties from time to time subject to available resources. In making an acquisition, we generally focus most of our title and valuation efforts on the more significant properties. It is generally not feasible for us to review in-depth every property we purchase and all records with respect to such properties. However, even an in-depth review of properties and records may not necessarily reveal existing or potential problems, nor will it permit us to become familiar enough with the properties to assess fully their deficiencies and capabilities. Evaluation of future recoverable reserves of oil and gas, which is an integral part of the property selection process, is a process that depends upon evaluation of existing geological, engineering and production data, some or all of which may prove to be unreliable or not indicative of future performance. To the extent the seller does not operate the properties, obtaining access to properties and records may be more difficult. Even when problems are identified, the seller may not be willing or financially able to give contractual protection against such problems, and we may decide to assume environmental and other liabilities in connection with acquired properties.

Our business is highly capital-intensive requiring continuous development and acquisition of oil and gas reserves. In addition, capital is required to operate and expand our oil and gas field operations and purchase equipment. At December 31, 2008, we had working capital of $7,929,000. We anticipate that we will be able to meet our cash requirements for the next 12 months. However, if such plans or assumptions change or prove to be inaccurate, we could be required to seek additional financing sooner than currently anticipated.

We have funded our operations, acquisitions and expansion costs primarily through our internally generated cash flow. Our success in obtaining the necessary capital resources to fund future costs associated with our operations and expansion plans is dependent upon our ability to: (i) increase revenues through acquisitions and recovery of our proved producing and proved developed non-producing oil and gas reserves; and (ii) maintain effective cost controls

at the corporate administrative office and in field operations. However, even if we achieve some success with our plans, there can be no assurance that we will be able to generate sufficient revenues to achieve significant profitable operations or fund our expansion plans.

We have substantial capital requirements necessary for undeveloped properties for which we may not be able to obtain adequate financing.

Development of our properties will require additional capital resources. We have no commitments to obtain any additional debt or equity financing and there can be no assurance that additional financing will be available, when required, on favorable terms to us. The inability to obtain additional financing could have a material adverse effect on us, including requiring us to curtail significantly our oil and gas acquisition and development plans or farm-out development of our properties. Any additional financing may involve substantial dilution to the interests of our shareholders at that time.

Oil and natural gas prices fluctuate widely and low prices could have a material adverse impact on our business and financial results.

Our revenues, profitability and the carrying value of its oil and gas properties are substantially dependent upon prevailing prices of, and demand for, oil and gas and the costs of acquiring, finding, developing and producing reserves. Our ability to obtain borrowing capacity, to repay future indebtedness, and to obtain additional capital on favorable terms is also substantially dependent upon oil and gas prices. Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile in the future. Prices for oil and gas are subject to wide fluctuations in response to: (i) relatively minor changes in the supply of, and demand for, oil and gas; (ii) market uncertainty; and (iii) a variety of additional factors, all of which are beyond our control. These factors include domestic and foreign political conditions, the price and availability of domestic and imported oil and gas, the level of consumer and industrial demand, weather, domestic and foreign government relations, the price and availability of alternative fuels and overall economic conditions. Furthermore, the marketability of our production depends in part upon the availability, proximity and capacity of gathering systems, pipelines and processing facilities. Volatility in oil and gas prices could affect our ability to market our production through such systems, pipelines or facilities. As of December 31, 2008, approximately 82% of our gas production is currently sold to five gas purchasing firms on a month-to-month basis at prevailing spot market prices. Oil prices remained subject to unpredictable political and economic forces during 2008, 2007 and 2006, and experienced fluctuations similar to those seen in natural gas prices for the year. We believe that oil prices will continue to fluctuate in response to changes in the policies of the Organization of Petroleum Exporting Countries ("OPEC"), changes in demand from many Asian countries, current events in the Middle East, security threats to the United States, and other factors associated with the world political and economic environment. As a result of the many uncertainties associated with levels of production maintained by OPEC and other oil producing countries, the availabilities of worldwide energy supplies and competitive relationships and consumer perceptions of various energy sources, we are unable to predict what changes will occur in crude oil and natural gas prices.

We may be responsible for additional costs in connection with abandonment of properties.

We are responsible for payment of plugging and abandonment costs on its oil and gas properties pro rata to our working interest. Based on our experience, we anticipate that in most cases, the ultimate aggregate salvage value of lease and well equipment located on our properties should equal to the costs of abandoning such properties. There can be no assurance, however, that we will be successful in avoiding additional expenses in connection with the abandonment of any of our properties. In addition, abandonment costs and their timing may change due to many factors, including actual production results, inflation rates and changes in environmental laws and regulations.

Risks that Involve the Oil & Gas Industry in General.

We are subject to various governmental regulations which may cause us to incur substantial costs.

Our operations are affected from time to time in varying degrees by political developments and federal, state and local laws and regulations. In particular, oil and gas production related operations are or have been subject to price controls, taxes and other laws and regulations relating to the oil and gas industry. Failure to comply with such laws and regulations can result in substantial penalties. The regulatory burden on the oil and gas industry increases our cost of doing business and affects our profitability. Although we believe we are in substantial compliance with all applicable laws and regulations, because such laws and regulations are frequently amended or reinterpreted, we are unable to predict the future cost or impact of complying with such laws and regulations.

Sales of natural gas by us are not regulated and are generally made at market prices. However, the Federal Energy Regulatory Commission ("FERC") regulates interstate natural gas transportation rates and service conditions, which affect the marketing of natural gas produced by us, as well as the revenues received by us for sales of such production. Sales of our natural gas currently are made at uncontrolled market prices, subject to applicable contract provisions and price fluctuations that normally attend sales of commodity products.

Since the mid-1980's, the FERC has issued a series of orders, culminating in Order Nos. 636, 636-A and 636-B ("Order 636"), that have significantly altered the marketing and transportation of natural gas. Order 636 mandated a fundamental restructuring of interstate pipeline sales and transportation service, including the unbundling by interstate pipelines of the sale, transportation, storage and other components of the city-gate sales services such pipelines previously performed. One of the FERC's purposes in issuing the orders was to increase competition within all phases of the natural gas industry. Order 636 and subsequent FERC orders issued in individual pipeline restructuring proceedings have been the subject of appeals, and the courts have largely upheld Order 636. Because further review of certain of these orders is still possible, and other appeals may be pending, it is difficult to exactly predict the ultimate impact of the orders on us and our natural gas marketing efforts. Generally, Order 636 has eliminated or substantially reduced the interstate pipelines' traditional role as wholesalers of natural gas, and has substantially increased competition and volatility in natural gas markets.

While significant regulatory uncertainty remains, Order 636 may ultimately enhance our ability to market and transport our natural gas, although it may also subject us to greater competition, more restrictive pipeline imbalance tolerances and greater associated penalties for violation of such tolerances.

The FERC has announced several important transportation-related policy statements and proposed rule changes, including the appropriate manner in which interstate pipelines release capacity under Order 636 and, more recently, the price which shippers can charge for their released capacity. In addition, in 1995, the FERC issued a policy statement on how interstate natural gas pipelines can recover the costs of new pipeline facilities. In January 1997, the FERC issued a policy statement and a request for comments concerning alternatives to its traditional cost-of-service rate making methodology. A number of pipelines have obtained FERC authorization to charge negotiated rates as one such alternative. While any additional FERC action on these matters would affect us only indirectly, these policy statements and proposed rule changes are intended to further enhance competition in natural gas markets. We cannot predict what the FERC will take on these matters, nor can we predict whether the FERC's actions will achieve its stated goal of increasing competition in natural gas markets. However, we do not believe that we will be treated materially differently than other natural gas producers and marketers with which we compete.

The price we receive from the sale of oil is affected by the cost of transporting such products to market. Effective January 1, 1995, the FERC implemented regulations establishing an indexing system for transportation rates for oil pipelines, which, generally, would index such rates to inflation, subject to certain conditions and limitations. These regulations could increase the cost of transporting oil by interstate pipelines, although the most recent adjustment generally decreased rates. These regulations have generally been approved on judicial review. We are not able to predict with certainty the effect, if any, of these regulations on its operations. However, the regulations may increase transportation costs or reduce wellhead prices for oil.

The State of Texas and many other states require permits for drilling operations, drilling bonds and reports concerning operations and impose other requirements relating to the exploration for and production of oil and gas. Such states also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and gas properties, the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of such wells. The statutes and egulations of certain states limit the rate at which oil and gas can be produced from our properties. However, we do not believe we will be affected materially differently by these statutes and regulations than any other similarly situated oil and gas company.

We are subject to various environmental risks which may cause us to incur substantial costs.

Our operations and properties are subject to extensive and changing federal, state and local laws and regulations relating to environmental protection, including the generation, storage, handling and transportation of oil and gas and the discharge of materials into the environment, and relating to safety and health. The recent trend in environmental legislation and regulation generally is toward stricter standards, and this trend will likely continue. These laws and regulations may require the acquisition of a permit or other authorization before construction or drilling commences and for certain other activities; limit or prohibit construction, drilling and other activities on certain lands lying within wilderness and other protected areas; and impose substantial liabilities for pollution resulting from our operations. The permits required for our various operations are subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce compliance with their regulations, and violations are subject to fines, penalties or injunctions. In the opinion of management, we are in substantial compliance with current applicable environmental laws and regulations, and we have no material commitments for capital expenditures to comply with existing environmental requirements. Nevertheless, changes in existing environmental laws and regulations or in interpretations thereof could have a significant impact on us. The impact of such changes, however, would not likely be any more burdensome to us than to any other similarly situated oil and gas company.

The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), also known as the "Superfund" law, and similar state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the disposal site or sites where the release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at the site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources. Furthermore, neighboring landowners and other third parties may file claims For personal injury and property damage allegedly caused by the hazardous substances released into the environment.

We generate typical oil and gas field wastes, including hazardous wastes that are subject to the Federal Resources Conservation and Recovery Act and comparable state statutes. The United States Environmental Protection Agency and various state agencies have limited the approved methods of disposal for certain hazardous and non-hazardous wastes. Furthermore, certain wastes generated by our oil and gas operations that are currently exempt from regulation as "hazardous wastes" may in the future be designated as "hazardous wastes," and therefore be subject to more rigorous and costly operating and disposal requirements.

The Oil Pollution Act ("OPA") imposes a variety of requirements on responsible parties for onshore and offshore oil and gas facilities and vessels related to the prevention of oil spills and liability for damages resulting from such spills in waters of the United States. The "responsible party" includes the

owner or operator of an onshore facility or vessel or the lessee or permittee of, or the holder of a right of use and easement for, the area where an onshore facility is located. OPA assigns liability to each responsible party for oil spill removal costs and a variety of public and private damages from oil spills. Few defenses exist to the liability for oil spills imposed by OPA. OPA also imposes financial responsibility requirements. Failure to comply with ongoing requirements or inadequate cooperation in a spill event may subject a responsible party to civil or criminal enforcement actions.

We own or lease properties that for many years have produced oil and gas. We also own natural gas gathering systems. It is not uncommon for such properties to be contaminated with hydrocarbons. Although we or previous owners of these interests may have used operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties or on or under other locations where such wastes have been taken for disposal. These properties may be subject to federal or state requirements that could require us to remove any such wastes or to remediate the resulting contamination. All of our properties are operated by third parties over whom we have limited control. Notwithstanding our lack of control over properties operated by others, the failure of the previous owners or operators to comply with applicable environmental regulations may, in certain circumstances, adversely impact us.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

OIL AND GAS PROPERTIES

The following table sets forth pertinent data with respect to the Company-owned oil and gas properties, all located within the continental United States, as estimated by the Company:

	Year Ended December 31,		
	2008	2007	2006
Gas and Oil Properties, net (1):			
Proved developed gas reserves-Mcf (2)			
Proved developed producing	8,280,000	10,206,000	5,320,000
Proved developed non-producing	2,603,000	742,000	2,033,000
Proved undeveloped gas reserves-Mcf (3)	2,877,000	3,419,000	6,033,000
Total proved gas reserves-Mcf	13,760,000	14,367,000	13,386,000

Proved Developed Crude Oil and Condensate reserves-Bbls (2)			
Proved developed producing	225,000	292,000	291,000
Proved developed non-producing	28,000	42,000	50,000
Proved Undeveloped crude oil and Condensate reserves-Bbls (3)	9,000	11,000	16,000
Total proved crude oil and condensate Reserves-Bbls	261,000	345,000	357,000

(1) The estimate of the net proved oil and gas reserves, future net revenues,

and the present value of future net revenues.

(2) "Proved Developed Oil and Gas Reserves" are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

(3) "Proved Undeveloped Reserves" are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. See Footnote 18 to the Financial Statements, Supplemental Reserve Information (Unaudited), for further explanation of the changes for 2006 through 2008.

Productive Wells

The following table sets forth our domestic productive wells and includes both operated wells and wells operated by third parties at December 31, 2008.

Gas Wells		Oil Wells		Total Wells	
Gross	Net	Gross	Net	Gross	Net
269	86.08	102	53.08	371	139.16

Acreage

The following table sets forth our undeveloped and developed gross and net leasehold acreage for our operated and non-operated wells at December 31, 2008. Undeveloped acreage includes leased acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas, regardless of whether or not such acreage contains proved reserves. Undeveloped acreage should not be confused with undrilled acreage Held by Production under the terms of a lease.

Undeveloped Acreage		Developed Acreage		Total Acreage	
Gross	Net	Gross	Net	Gross	Net
2,783	2,220	88,090	21,237	90,874	23,457

All the leases for the undeveloped acreage summarized in the preceding table will expire at the end of their respective primary terms unless prior to that date, the existing leases are renewed or production has been obtained from the acreage subject to the lease, in which event the lease will remain in effect until the cessation of production. As is customary in the industry, we generally acquire oil and gas acreage without any warranty of title except as to claims made by, through or under the transferor. Although we have title to developed acreage examined prior to acquisition in those cases in which the economic significance of the acreage justifies the cost, there can be no assurance that losses will not result from title defect or from defects in the assignment of leasehold rights.

Wells Drilled and Completed

The Company's working interests in both operated and outside operated exploration and development wells completed during the years indicated were as follows:

	Year Ended December 31,					
	2008		2007		2006	
	Gross	Net	Gross	Net	Gross	Net
Exploratory Wells (1):						
Productive	-	-	-	-	-	-
Non-Productive	-	-	-	-	-	-
Total	-	-	-	-	-	-
Development Wells (2):						
Productive	11.000	1.962	17.000	4.714	10.000	0.627
Non-Productive	-	-	-	-	1.000	0.006
Total	11.000	1.962	17.000	4.714	11.000	0.633
Total Exploration & Development Wells:						
Productive	11.000	1.962	17.000	4.714	10.000	0.627
Non-Productive	-	-	-	-	1.000	0.006
Total	11.000	1.962	17.000	4.714	11.000	0.633

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(1) An exploratory well is a well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir.

(2) A development well is a well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

The following tables set forth additional data with respect to production from Company-owned oil and gas operated and non-operated properties, all located within the continental United States:

	For the years ended December 31				
	2008	2007	2006	2005	2004
Oil and Gas Production, net:					
Natural Gas (Mcf)	1,231,835	880,662	671,527	655,568	577,099
Crude Oil & Condensate (Bbl)	32,663	24,472	25,443	21,323	23,098
Average Sales Price per Unit Produced:					
Natural Gas ($/Mcf)	$ 8.41	$ 6.63	$ 5.55	$ 6.74	$ 5.44
Crude Oil & Condensate($/Bbl)	$ 71.21	$ 65.17	$ 53.14	$ 52.50	$ 38.90

Average Production Cost per Equivalent Barrel (1) (2)	$ 14.98	$ 14.36	$ 15.14	$ 13.38	$ 11.69

(1) Includes severance taxes and ad valorem taxes.

(2) Gas production is converted to equivalent barrels at the rate of six MCFG per barrel, representing relative energy content of natural gas to oil.

The Company owns producing royalties and overriding royalties under properties located in Texas. The revenue from these properties is not significant.

The Company is not aware of any major discovery or other favorable or adverse event that is believed to have caused a significant change in the estimated proved reserves since December 31, 2008.

OFFICE SPACE

The Company owns a commercial office building. The property is a two story multi-tenant, garden office building with a sub-grade parking garage. The 26 year old building contains approximately 46,286 rentable square feet and sits on a 1.4919 acre block of land situated in north Dallas, Texas in close proximity to hotels, restaurants and shopping areas (the Galleria/Valley View Mall) with easy access to Interstate Highway 635 (LBJ Freeway) and Dallas Parkway (North Dallas Toll Road). The Company occupies approximately 10,317 rentable square feet of the building as its primary office headquarters, and leases the remaining space in the building to non-related third party commercial tenants at prevailing market rates.

The address of the Company's principal executive offices is One Spindletop Centre, 12850 Spurling Road, Suite 200, Dallas, Texas 75230. The telephone number is (972) 644-2581.

PIPELINES

The Company owns, through its subsidiary, PPC, 26.1 miles of natural gas pipelines in Parker, Palo Pinto and Eastland Counties, Texas. These pipelines are steel and polyethylene and range in size from 2 inches to 4 inches. These pipelines primarily gather natural gas from wells operated by the Company and in which the Company owns a working interest, but also for other parties.

The Company normally does not purchase and resell natural gas, but gathers gas for a fee. The fees charged in some cases are subject to regulations by the State of Texas and the Federal Energy Regulatory Commission. Average daily volumes of gas gathered by the pipelines owned by the Company were 1,520, 1,112, and 714 MCF per day for 2008, 2007, and 2006 respectively.

Oilfield Production Equipment

The Company owns various natural gas compressors, pumping units, dehydrators and various other pieces of oil field production equipment.

Substantially all of the equipment is located on oil and gas properties operated by the Company and in which it owns a working interest. The rental fees are charged as lease operating fees to each property and each owner.

M-R Oilfield Services, LP is an oilfield service company which provides to the Company, roustabout, swabbing and completion services at rates which are at or below market. This limited partnership has Chris G. Mazzini and Michelle H. Mazzini as its limited partners. This oil field services company currently does work exclusively for the Company and its related company, Giant Energy Corp although it has contemplated doing work for unrelated third parties as well. The Company benefits by having immediate access to services.

Item 3. Legal Proceedings

Neither the Registrant nor its subsidiaries nor any officers or directors is a party to any material pending legal proceedings for or against the Company or its subsidiary nor are any of their properties subject to any proceedings.

During the fourth quarter of the fiscal year covered by this report, no proceeding previously reported was terminated.

Item 4. Submission Of Matters Of Security Holders To A Vote

During the fourth quarter of the registrant's fiscal year covered by this report, no matter was submitted to a vote of security holders of the registrant.

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PART II

Item 5. Market For The Company's Common Stock, Related Stockholder Matters And Issuer Purchases Of Equity Securities.

The Company's common stock trades over-the-counter under the symbol "SPND".

Prior to 2004, no significant public trading market had been established for the Company's common stock. The Company does not believe that listings of bid and asking prices for its stock are indicative of the actual trades of its stock, since trades are made infrequently. However during 2004, there was a material increase in the number of shares traded and a material increase in the stock price. The following table shows high and low trading prices for each quarter in 2006, 2007 and 2008.

	Price Per Share High	Low
2006		
First Quarter	5.15	3.26
Second Quarter	6.00	4.57
Third Quarter	6.25	4.95
Fourth Quarter	7.00	4.50
2007		
First Quarter	6.10	5.00
Second Quarter	6.10	4.05
Third Quarter	5.55	5.00
Fourth Quarter	5.70	5.15
2008		
First Quarter	6.50	5.00

Second Quarter	10.95	5.23
Third Quarter	8.80	4.25
Fourth Quarter	4.00	1.75

During the First Quarter of 2009, subsequent to year end, the following high and low prices were recorded for the Company's common stock.

	Price Per Share	
	High	Low
2009		
First Quarter	3.00	1.75

There is no amount of common stock that is subject to outstanding warrants to purchase, or securities convertible into, common stock of the Company.

As of March 31, 2009, there were approximately 550 record holders of the Company's Common Stock.

The following chart compares the yearly percentage change in the cumulative total stockholder return on the Company's Common Stock during the five years ended December 31, 2008 with the cumulative total return of the Standard and Poor's 500 Stock Index and of the Dow Jones U.S. Exploration and Production Index (formerly Dow Jones Secondary Oil Stock Index). The comparison assumes $100 was invested on December 31, 2003 in the Company's Common Stock and in each of the foregoing indices and assumes reinvestment of dividends. The Company paid no dividends on its Common Stock during the five-year period.

Stock Performance Chart

(See Chart in PDF Format filed Separately)

The Company has not paid any dividends since its reorganization and it is not contemplated that it will pay any dividends on its Common Stock in the foreseeable future. The Business Loan Agreement entered into between the Company and JPMorgan Chase Bank for the purpose of acquiring its commercial office building contains restrictions on the payment of dividends in the event a default under terms of the Business Loan Agreement has occurred and is continuing or would result from the payment of such dividends or distributions.

The Registrant currently serves as its own stock transfer agent and registrar.

During the fourth quarter of the fiscal year ended December 31, 2008, the Company did not repurchase any of its equity securities. The Board of Directors has not approved nor authorized any standing repurchase program.

Item 6. Selected Financial Data

The selected financial information presented should be read in conjunction with the consolidated financial statements and the related notes thereto.

	For the years ended December 31				
	2008	2007	2006	2005	2004
Total Revenue	$14,064,000	$ 8,707,000	$ 6,174,000	$ 6,395,000	$ 4,515,000
Net Income (Loss)	3,521,000	1,808,000	920,000	1,417,000	1,266,000
Earnings per Share	$ 0.46	$ 0.24	$ 0.12	$ 0.19	$ 0.16

	As of December 31,				
	2008	2007	2006	2005	2004
Total Assets	$21,289,000	$15,631,000	$13,024,000	$11,387,000	$ 9,715,000
Long-Term Debt	1,080,000	1,200,000	1,320,000	1,440,000	-

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Liquidity and Capital Resources

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.

Results of Operations:

2008 Compared to 2007

Oil revenue for 2008 was approximately $2,326,000 compared to $1,595,000 for 2007, an increase of approximately $731,000 or 45.8%. This was due to an increase in average oil prices from $65.17 per bbl in 2007 to $71.21 per bbl in

2008, an increase of 9.27%. In addition to the increase in oil prices, oil production increased from approximately 24,500 bbls in 2007 to approximately 32,650 bbls in 2008, an increase of 33.26%. This increase was primarily due to increased revenue from the East Texas oil properties of approximately $194,000.

Gas revenue for 2008 was approximately $10,364,000 compared to $5,842,000 for 2007, an increase of approximately $4,522,000 or 77.41%. This was due primarily to an increase in average gas prices from $6.63 per Mcf in 2007 to $8.41 per Mcf in 2008, an increase of 26.85%. In addition to the increase in gas prices, production increased from approximately 881,000 Mcf in 2007 to approximately 1,232,000 Mcf in 2008, an increase of 351,000 Mcf or 39.84%. The

majority of the increase in gas production was from our new Barnett Shale horizontal gas wells. There was a decrease of approximately $289,000 from our Olex wells in Denton County, Texas. Our new Barnett Shale horizontal gas wells accounted for approximately $3,100,000 of the increase over 2007 sales due to production for a full year on most of the wells as well as increase gas prices from 2007 to 2008. Gas sales for 2008 from non-operated wells increased by approximately $462,000 as compared with 2007. In addition, we had an increase in gas revenue from the University "K" workover of approximately $690,000.

Lease operating expenses for 2008 were $3,521,000 compared to $2,459,000, a net increase of $1,062,000 or 43.18%. Many wells were operated in 2008 at a decrease in expenses compared to 2007. These efficiencies were offset by several projects including workover expenses. Remedial activity on our heavy oil wells in Titus County, Texas was approximately $210,000 greater than in 2007. Workover expenses on our Ward, County wells were approximately $161,000 greater than in 2007. Lease operating expenses attributable to several new Barnett Shale horizontal wells in Parker County, Texas were approximately $580,000 greater than for the previous year. The remaining net increase in operating expenses is due to the overall increase for oil field services, equipment, and labor as well as additional remedial repir projects that are in addition to normal operating expenses. In addition to increases in operating expenses, the Company anticipates receiving a credit of approximately $264,000 for a high cost gas exemption of severance taxes covering four new Barnett Shale wells drilled in 2007 and 2008. This anticipated credit, when approved by and received from the State Comptroller of Texas, will be offset against severance taxes payable.

Depreciation and amortization for 2008 was $1,215,000 compared to $728,000 for 2007, an increase of $487,000, or 66.90%. The Company re-evaluated its proved oil and gas reserves as of December 31, 2008, and increased its depletion rate for 2008 to 8.520% compared to 5.883% in the previous year. This increased rate is the result of the Company's reserve base decreasing due to the lower oil and gas prices used in the 2008 evaluation than in the 2007 evaluation. (See Footnote 18 to the Financial Statements). This decrease of the reserve base coupled with an increase in production over the previous year caused the depletion percentage to increase. In addition to the rate of depletion, the Company's undeleted amount of the full cost pot, against which the depletion rate is applied, increased from $10,518,000 in 2007 to $12,806,000 in 2008, and increase of $2,288,000 or 21.75%.

General and administrative expenses for 2008 was $3,198,000 compared to $2,221,000 for 2007, an increase of approximately $977,000 between years or 44.0%. This increase is due mainly to payroll costs and associated employee benefit costs. Personnel costs and benefits accounted for approximately $2,649,000 of the total general and administrative costs in 2008 as compared to $1,600,000 in 2007. This increase was due to the addition of several full-time employees during 2008 and the last half of 2007.

2007 Compared to 2006

Oil revenues increased in 2007 over 2006 by approximately $243,000 an increase of 18%. This was due to an increase in average oil prices from $53.14 per bbl in 2006 to $65.17 per bbl in 2007 offset slightly by a decrease in production from approximately 25,400 bbls in 2006 to approximately 24,500 bbls in 2007. Decreased production of approximately 900 bbls or 3.5% came primarily from mechanical issues associated with some of the Company's operated wells.

Gas revenue increased in 2007 from 2006 by approximately $2,118,000, an increase of 56.9%. This was due primarily to an increase in average gas prices from $5.55 per Mcf in 2006 to $6.63 per Mcf in 2007, combined with an increase in production from approximately 672,000 Mcf in 2006 to approximately 881,000 Mcf in 2007, an increase of 31.1%. The majority of the increase in gas production was from our new Barnett Shale horizontal gas wells. Approximately $495,000 of the increase was from our Olex wells in Denton County, Texas. Our new Barnett Shale horizontal gas wells accounted for approximately $1,414,000 of the increase over 2006 sales. Gas sales from non-operated wells decreased by approximately $345,000 as compared with 2006.

Interest income is up approximately $24,000 due to the Company's policy of investing excess cash funds in higher earning money market accounts and certificates of deposit as opposed to checking accounts, as well as the higher level of cash balances earning interest during 2007 as compared to 2006. Interest rates were also slightly higher than in the previous year.

Lease operating expenses were $353,000 (17%) higher in 2007 because costs to operate increased. As oil and gas prices have escalated, the costs of oil field services and equipment have also increased.

Amortization of the full cost pot (depletion) increased by approximately $183,000 in 2007. This increase was due to the undepleted basis of the full cost pot increasing from an estimated $8,600,00 in 2006 to an estimated $10,500,000 in 2007, with the depletion rate increasing from 5.041% in 2006 to 5.883% in 2007.

General and administrative expenses increased approximately $687,000 between years 2006 and 2007. Almost all of the increase was due to direct and indirect personnel costs of salary, contract labor, payroll taxes, benefits and associated expenses associated with the increased number of technical and professional personnel added to the Company's staff during 2007. Additionally, a portion of the increase is attributable to the outsourcing of the Company's payroll and benefits to Administaff, a Professional Employer Organization.

The decrease in other revenues is due mainly to receipt of approximately $24,000 more received in 2006 over the amounts received in 2007 for farm-outs of leasehold interests held by the Company.

The increase in interest expense for 2007 was due to approximately $48,000 of interest expense paid to interest owners on funds that had been suspended awaiting the completion of title work to determine and verify the ownership of the respective interests.

Certain Factors That Could Affect Future Operations

Certain information contained in this report, as well as written and oral statements made or incorporated by reference from time to time by the Company and its representatives in other reports, filings with the Securities and Exchange Commission, press releases, conferences, teleconferences or otherwise, may be deemed to be 'forward-looking statements' within the meaning of Section 21E of the Securities Exchange Act of 1934 and are subject to the 'Safe Harbor' provisions of that section.

Forward-looking statements include statements concerning the Company's and management's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying such forward-looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", and similar expressions are intended to identify such forward-looking statements. Actual results and developments could differ materially from those expressed in or implied by such statements due to these and other factors.

Item 8. Consolidated Financial Statements And Schedules Index At Page 49

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None

Item 9A(T). Controls And Procedures

Evaluation of Disclosure Controls and Procedures

A review and evaluation was performed by management under the supervision and with the participation of the Principal Executive Officer and Principal Financial Officer of the effectiveness of the Company's disclosure controls and procedures, as required by Rule 13a-15(b) of the Securities Exchange Act of 1934 as of December 31, 2008. Based upon that most recent evaluation, which was completed as of the end of the period covered by this Form 10-K, the Principal Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at December 31, 2008 to ensure that information required to be disclosed in reports that the Company is required to file under the Securities Exchange Act of 1934 is recorded, processed, summarized and timely reported as provided in the Securities and Exchange Commission ("SEC") rules and forms. As a result of this evaluation, there were no changes in the Company's internal control over financial reporting during the three months ended December 31, 2008 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Management Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-5(b) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of the Company's principal executive and principal financial officers and effected by the Company's board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States ("GAAP, US") and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of a company;

- provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, US and that receipts and expenditures of a company are being made only in accordance with authorization of management and directors of a company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of human error and the circumvention or overriding of controls, material misstatements may not be prevented or detected on a timely basis. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes and conditions or that the degree of compliance with policies or procedures may deteriorate. Accordingly, even internal controls determined to be effective can provide only reasonable assurance that information required to be disclosed in and reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and represented within the time periods required.

Management of the Company has assessed the effectiveness of its internal control over financial reporting at December 31, 2008. To make this assessment, the Company used the criteria for effective internal control over financial reporting described in Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management of the Company concluded that as of December 31, 2008, the internal control system over financial reporting met those criteria and was effective.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's

registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting.

There has been no change in the Registrant's internal control over financial reporting during the fourth fiscal quarter ended December 31, 2008, that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 9B. Other Information

Not Applicable

PART III

Item 10. Directors And Executive Officers Of The Registrant

The Directors and Executive Officers of the Company and certain information concerning them is set forth below:

Name	Age	Position
Chris G. Mazzini	51	Chairman of the Board, Director and President
Michelle H. Mazzini	47	Director, Vice President, Secretary, Treasurer
David E. Allard	50	Director

On April 2, 2008, Mr. David E. Allard, was appointed as a member of the Board of Directors of Spindletop Oil & Gas Co.

All directors hold offices until the next annual meeting of the shareholders or until their successors are duly elected and qualified. Officers of the Company serve at the discretion of the board of directors.

Business Experience

Chris Mazzini, Chairman of the Board of Directors and President, graduated from the University of Texas at Arlington in 1979 with a Bachelor of Science degree in Geology. He started his career in the oil and gas industry in 1978, and began as a Petroleum Geologist with Spindletop in 1979, working the Fort Worth Basin of North Texas. He became Vice President of Geology at Spindletop in 1982, and served in that capacity until he left the Company in 1985 when he founded Giant Energy Corp. ("Giant"). Mr. Mazzini has served as President of Giant since then. He rejoined the Company in December 1999 when he, through Giant, purchased controlling interest. Mr. Mazzini has been Chairman of the Board of Directors and President of the Company since 1999 and is a Certified and Licensed Petroleum Geologist. Mr. Mazzini has worked numerous geological basins throughout the United States with an emphasis on the Fort Worth Basin. He is responsible for several new field discoveries in the Fort Worth Basin.

Michelle Mazzini, Vice President and General Counsel, received her Bachelor of Science Degree in Business Administration (Major: Accounting) from the University of Southwestern Louisiana (now named University of Louisiana at Lafayette) where she graduated magna cum laude in 1985. She earned her law degree from Louisiana State University where she graduated Order of the Coif in 1988. Ms. Mazzini began her career with Thompson & Knight, a large law firm in Dallas, where she focused her practice on general corporate and finance transactions. She also worked as Corporate Counsel for Alcatel USA, a global telecommunications manufacturing corporation where her practice was broad-based. Ms. Mazzini serves as Vice President and General Counsel of the

Company.

Mr. Allard has been employed (since May 2008) by Wescott, LLC, a Dallas, Texas based investment holding company. He was Chief Financial Officer (February 2005 to May 2008) of Digital Witness Surveillance, a Dallas, Texas based development stage software provider; Executive Vice President and Secretary (April 2003 to February 2, 2005) of Internet America, Inc. Mr. Allard was Chief Operating Officer (2000-2002) of Primedia Workplace Learning, a workplace training business; Executive Vice President and Chief Financial Officer (1999-2000) of E-Train, Inc., a provider of online job training and seminars; Special Advisor (1998-1999) of Thayer Capital Partners; Chief Operating Officer (1997-1998) of Career Track, Inc. (a subsidiary of Transcontinental Realty Investors, Inc.); Senior Vice President and Vice President - Business Development (1992-1996) of Wescott Communications, Inc.; Partner (1985-1992) of Farmer and Allard, P.C. (a CPA firm); Audit Manager/CPA (1983-1985) of Grant Thornton LLP (a CPA Firm). Mr. Allard has been a Certified Public Accountant since 1983.

Key and Technical Employees

In addition to the services provided by Mr. Mazzini and Ms. Mazzini (both of whom have biographies listed above), the Company also relies extensively on the key and the technical employees identified below.

Michael G. Boos, Geologist, earned a Bachelor of Science degree in Geology from the University of Delaware in 1979. After performing geophysical research for the State of Delaware seeking hydrothermal energy sources, Mr. Boos worked independently for many years as a Petroleum Exploration Consultant and as a Staff Explorationist for a local oil company. He has numerous field discoveries in the Mid-Continent to his credit. In 1993 Mr. Boos joined Spindletop's Geological Gepartment. He pursued a Masters degree through the University of Texas system, and later worked as a Geologist and Senior Project Manager for several national environmental consulting firms until rejoining Spindletop in October, 2008. His petroleum exploration experience includes Alaska's North Slope (Prudhoe Bay), many of the continental U.S. producing basins, as well as Central and South America. He has testified as an Expert Witness before the Texas Railroad Commission (TRRC) on several occasions. He is a founding member of both the Geological Information Library of Dallas (GILD, now Geomap) and the American Association of Petroleum Geologists (AAPG) Environmental Division, and is a licensed Professional Geologist (P.G.) in the states of Texas and Tennessee.

Dave Chivvis, Petroleum Engineer, joined the Company at the end of May, 2008. Mr. Chivvis earned his Bachelor of Science degree in Petroleum Engineering from

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Texas A&M University in 1993. After graduation, he worked in Dallas for Cox Resources Corporation. At this small independent oil and gas company, he worked in various engineering areas from operations to acquisitions in Texas, Oklahoma, Louisiana, and Arkansas. Mr. Chivvis then moved to Los Angeles in 2001 to pursue other opportunities before moving back to Texas to join the Company.

Robert E. Corbin, Controller, has been a full-time employee of Spindletop since April 2002. From May 2001 until April 2002, Mr. Corbin was an Independent Accounting Consultant and devoted substantially all of his time to Spindletop. He has been active in the oil and gas industry for over 34 years, during which time he has served as financial officer of a publicly-held company as well as several private oil and gas companies and partnerships. Mr. Corbin graduated from Texas Tech University in 1969 with a BBA degree in Accounting and began his accounting career as an auditor with Arthur Andersen & Co. in 1970.

Mr.Corbin is a Certified Public Accountant.

Charles (Chuck) D. Howell, Jr., Geologist, joined the Company in April, 2008. Mr. Howell earned a Bachelor of Science in Geology from Southern Methodist University in 1999. Currently, he is finishing his Ph.D. in Geology at the University of Texas at Dallas. Mr. Howell has been in the energy industry since 2003. He began his career at Pioneer Natural Resources working in the Gulf of Mexico. During 2005, Mr. Howell was an Independent Consulting Geologist for Anadarko Petroleum Corporation and worked on development of the historic Salt Creek Oil Field. In 2007, immediately before joining Spindletop Oil and Gas Company, he was a Geologist for Chevron Energy Technology Company in Houston, Texas and was part of a team of stratigraphic specialists for the West Coast of Africa. Mr. Howell is a long-standing and active member of the American Association of Petroleum Geologists, the Society for Sedimentary Geology, the Geological Society of America, the International Association of Sedimentologists, and remains associated with the Ichnology Research Group.

Mike Keen, Operations Manager, joined the Company in March, 2006. Mr. Keen has over 28 years experience in the oil and gas industry. He graduated magna cum laude from Rose-Hulman Institute of Technology in May 1975 with a Bachelor of Science degree in Mechanical Engineering. Mr. Keen started his career with Texaco, Inc. in Great Bend, Kansas working primarily in the mid-continent area. Mr. Keen then moved to North Texas and went to work for Mitchell Energy Corporation primarily focusing on the Fort Worth Basin. He also worked for Huffco in Indonesia, Aminoil in South Texas and most recently for Envirogas, primarily in the Appalachian and Illinois Basins, before switching to the "downstream" side of the industry to work for Indiana Gas Company the largest gas utility in Indiana at the time.

Dick A. Mastin, Petroleum Landman, has been a full-time employee of the Company since February, 2006. Mr. Mastin graduated cum laude from Stephen F. Austin State University in 1980 with a Bachelor of Science in Forestry and a minor in General Business. From September of 1980 until December of 1985, Mr. Mastin worked for Spindletop Oil & Gas Co. as a Petroleum Landman. He received his Masters of Science in Management and Administrative Sciences from the University of Texas at Dallas in 1990. In January of 1987, he took a position with the Dallas office of the Federal Bureau of Investigation. After a year

with the Bureau, he accepted a position with the Internal Revenue Service as a Revenue Agent. Fifteen of his eighteen years with the Service were spent in the Large and Mid-Sized Business unit auditing tax returns of the largest business entities.

Glenn E. Sparks is the Land Director and also acts as Associate General Counsel to the Company. Mr. Sparks was previously employed as a Landman by the Company from 1982 through 1986, prior to attending law school. Mr. Sparks holds a B.B.A. with a concentration in Finance from the University of Texas at Arlington, and a J.D. from Texas Tech University School of Law. From 1990 to 2005, Mr. Sparks practiced law in a private practice focusing primarily on oil and gas law and real estate, as a partner in the law firm of Logan & Sparks, PLLC, and has acted as outside legal counsel for the Company in numerous oil and gas transactions during his years in private practice. Mr. Sparks left his private law practice and joined the Company again as an employee in his current position in 2005. Mr. Sparks is Board Certified in Oil & Gas Mineral Law by the Texas Board of Legal Specialization.

Family Relationships

Michelle Mazzini, Vice President, Secretary and General Counsel is the wife of Chris Mazzini, Chairman of the Board and President.

Involvement in Certain Legal Proceedings

None of the directors or executive officers of the Registrant, during the past five years, has been involved in any civil or criminal legal proceedings, bankruptcy filings or has been the subject of an order, judgment or decree of any Federal or State authority involving Federal or State securities laws.

Item 11. Executive Compensation

Cash Compensation

On October 1, 2008, Mr. Mazzini and Ms. Mazzini became employees of the Company. From October 1, 2008 to December 31, 2008 neither Mr. Mazzini nor Ms. Mazzini were paid cash compensation in excess of $100,000.00 each as they were employed by Giant. For the years ended December 31, 2007 and 2006, neither Mr. Mazzini nor Ms. Mazzini received any salary from the Company. Management fees the Company paid to Giant were used to reimburse a portion of Mr. Mazzini's, Ms. Mazzini's and other Giant employees' salaries for time spent working on matters for the Company.

The Company has no stock option or incentive plan, does not grant any plan-based awards or awards of equity securities. The Company has no pension plan for its employees.

Compensation Pursuant to Plan

None

Other Compensation

Key employees and officers of the Company may sometimes be assigned overriding royalty interests and/or carried working interests in prospects acquired by or generated by the Company. These interests normally vary from less than one percent to three percent for each employee or officer. There is no set formula or policy for such program, and the frequency and amounts are largely controlled by the economics of each particular prospect. We believe that these types of compensation arrangements enable us to attract, retain and provide additional incentives to qualified and experienced personnel

Effective March 22, 2007, the Company issued 5,000 shares of restricted common stock to a key employee pursuant to an employment package. The shares of common stock were issued out of Treasury Stock and reduced the amount of the Company's common stock held in Treasury from 81,668 to 76,668 shares. This transaction was recorded in accordance with FAS 123-R that became effective January 1, 2006.

Effective August 15, 2007, the Company issued 10,000 shares of restricted common stock to a key employee pursuant to an employment package. The shares of common stock were issued out of Treasury Stock and reduced the amount of the Company's common stock held in Treasury from 76,668 to 66,668 shares. This transaction was recorded in accordance with FAS 123-R that became effective January 1, 2006.

During 2006, the Company issued 10,000 shares of restricted common stock out of Treasury Stock to a key employee, and during 2005, the Company issued 20,000 shares of restricted stock out of Treasury Stock to the same employee pursuant to an employment package. See Footnote No. 7, to the Financial Statements for further detail.

Compensation of Directors

Directors who are employees of the Company are not currently compensated for their services on the board. In 2008, Mr. Allard was