

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(MARK ONE)
[X]

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-6247

ARABIAN AMERICAN DEVELOPMENT COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

75-1256622
(I.R.S. Employer
Identification No.)

10830 NORTH CENTRAL EXPRESSWAY
SUITE 175
DALLAS, TEXAS
(Address of principal executive offices)

75231
(Zip Code)

Registrant's Telephone Number, Including Area Code: (214) 692-7872

Securities Registered Pursuant to Section 12(b) of the Act:
NONE

Securities Registered Pursuant to Section 12(g) of the Act:

(TITLE OF CLASS)
Common Stock, par value \$0.10 per share

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

Indicate by check mark if disclosure of delinquent filers pursuant to
Item 405 of Regulation S-K 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 this Form 10-K or any
amendment to this Form 10-K. []

Number of shares of registrant's Common Stock, par value \$0.10 per
share, outstanding as of May 31, 2002: 22,731,994.

The aggregate market value on May 31, 2002 of the registrant's voting
securities held by non-affiliates was \$2,346,368.

DOCUMENTS INCORPORATED BY REFERENCE

No documents are incorporated by reference into this report.

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PART I

ITEM 1. BUSINESS.

GENERAL

Arabian American Development Company (the "Company") was organized as a
Delaware corporation in 1967. The Company's principal business activities
include refining various specialty petrochemical products and developing mineral
properties in Saudi Arabia and the United States. All of its mineral properties
are presently undeveloped and require significant capital expenditures before
beginning any commercial operations. The Company's undeveloped mineral interests
are primarily located in Saudi Arabia.

United States Activities. The Company's domestic activities are

primarily conducted through a wholly owned subsidiary, American Shield Refining Company (the "Refining Company"), which owns all of the capital stock of Texas Oil and Chemical Co. II, Inc. ("TOCCO"). TOCCO owns all of the capital stock of South Hampton Refining Company ("South Hampton"), and South Hampton owns all of the capital stock of Gulf State Pipe Line Company, Inc. ("Gulf State"). South Hampton owns and operates a specialty petrochemical products refinery near Silsbee, Texas that is one of the largest manufacturers of pentanes consumed domestically. Gulf State owns and operates three pipelines which connect the South Hampton refinery to a natural gas line, to South Hampton's truck and rail loading terminal and to a marine terminal owned by an unaffiliated third party. The Company also directly owns approximately 51% of the capital stock of a Nevada mining company, Pioche-Ely Valley Mines, Inc. ("Pioche"). Pioche does not conduct any substantial business activities. American Shield Coal Company, an inactive wholly owned subsidiary, was merged into the Company on October 26, 2001. See Item 2. Properties.

Saudi Arabian Activities. The Company holds a thirty (30) year mining lease (which commenced on May 22, 1993) covering an approximate 44 square kilometer area in the Al Masane area in southwestern Saudi Arabia. The Company has the option to renew or extend the term of the lease for additional periods not to exceed twenty (20) years. The Company was granted exploration licenses for the other areas in southwestern Saudi Arabia which have expired.

In 1999, the Company applied for an exploration license covering an area of approximately 2,850 square kilometers surrounding the mining lease area, where it has previously explored with the written permission of the Saudi Ministry of Petroleum and Mineral Resources.

Mexico Activities. TOCCO acquired 92% of the issued and outstanding shares of common stock of Productos Quimicos Coin, S.A. de C.V. ("Coin"), a specialty petrochemical products refining company, from Spechem, S.A. de C.V. on January 25, 2000 at a purchase

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price of \$2.5 million. The refinery is located in Coatzacoalcos, on the Yucatan Peninsula near Veracruz, Mexico. An administrative office is located in Mexico City.

See Item 2. Properties for additional discussions regarding all of the Company's properties and financing of the Al Masane project.

Note 12 to the Company's Consolidated Financial Statements contains information regarding the Company's industry segments and geographic financial information for the years ended December 31, 2001, 2000 and 1999. In addition, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the Company's liquidity, capital resources and operating results.

FOREIGN OPERATIONS

Since a substantial portion of the Company's mineral properties and related interests, and one of its specialty petrochemical refineries, are located outside of the United States, its business and properties are subject to foreign laws and foreign conditions, with the attendant varying risks and advantages. Foreign exchange controls, foreign legal and political concepts, foreign government instability, international economics and other factors create risks not necessarily comparable with those involved in doing business in the United States.

COMPETITION

The Company competes in both the petrochemical and mining industries. Accordingly, the Company is subject to intense competition among a large number of companies, both larger and smaller than the Company, many of which have financial and other resources (including facilities and personnel) greater than the Company. In the specialty products and solvents markets, the Refining Company has one principal and one other competitor. Generally, good economic conditions have meant strong demand for its specialty products and solvents. The acquisition of Coin is intended to strengthen the Refining Company's position in the market in Mexico and allow it to pursue increased sales volumes in the United States. All of the Refining Company's raw materials are purchased on the open market. The cost of these materials is a function of spot market oil and gas prices, which were down in 1998, began rising in mid-1999 and continued to rise dramatically throughout 2000. The prices peaked in late 2000 and then returned to more traditional levels throughout 2001.

ENVIRONMENTAL MATTERS

In 1993, while remediating a small spill area, The Texas Natural Resources Conservation Commission required South Hampton to drill a well to check for groundwater contamination under the spill area. Two pools of hydrocarbons were discovered to be floating on the groundwater at a depth of approximately 25 feet. One pool is under the site of a former gas processing plant owned and operated by Sinclair, Arco and others before its purchase by South Hampton in 1981. The other pool is under the South Hampton facility. Tests conducted at that time determined that hydrocarbons are contained on the property and are not moving in any direction. The recovery process was initiated in June 1998 and approximately \$53,000 was spent

setting up the system. The recovery is proceeding as planned and is expected to continue for several years until the pools are reduced to an acceptable level. Expenses of recovery and periodic migration testing will be recorded as normal operating expenses. Expenses for future year's recovery are expected to stabilize and be less per annum than the initial set up cost, although there can be no assurance of this effect. Consulting engineers estimate that as much as 20,000 barrels of recoverable material may be available to South Hampton for use in its refining process, but no reduction has been made in the accrual for remediation costs due to the uncertainties relating to the recovery process. South Hampton drilled additional wells in 2001 and in February 2002 to further delineate the boundaries of the pools and to ensure that, with the additional rainfall experienced in 2001, movement had not taken place. These tests confirmed that no movement of the hydrocarbon pools had taken place. As a result of the investigation, the current action plan was deemed acceptable. Also, see Item 3. Legal Proceedings.

The Clean Air Act Amendments of 1990 have had a positive effect on the Refining Company's business as plastics manufacturers are searching for ways to use more environmentally acceptable solvents in their processes. Plastics manufacturers have historically used C6 hydrocarbons (hexanes) as coolants and catalyst carrying agents. There is a current trend among plastics manufacturers toward the use of lighter and more recoverable C5 hydrocarbons (pentanes) which are a large part of the Refining Company's product line. Management believes its ability to manufacture high quality solvents in the C5 hydrocarbon market will provide a basis for growth over the next few years; however, there can be no assurance that such growth will occur. While the refinery continues to manufacture C6 solvents, its manufacturing of these solvents is being phased out. The Aromax(R) unit, which was jointly developed with Chevron Research Company, has the ability to convert C6 hydrocarbons into benzene and other more valuable aromatic compounds, which is one of the reasons the Refining Company initially participated in the Aromax(R) development project. Also, see Item 2. Properties.

PERSONNEL

The Company's officers who are resident in the United States are Mr. John A. Crichton, Chairman of the Board, and Mr. Drew Wilson, Jr., Secretary and Treasurer. Mr. Hatem El-Khalidi, the Company's President and Chief Executive Officer, supervises the Company's 28 employees in Saudi Arabia, consisting of the office personnel and field crews who conduct exploration and related activities. The Refining Company employs 92 persons.

ITEM 2. PROPERTIES.

UNITED STATES SPECIALTY PRODUCTS REFINERY

South Hampton owns and operates a specialty products refinery near Silsbee, Texas. The refinery presently consists of eight operating units which, while interconnected, make distinct products through differing processes: (i) a pentane-hexane unit; (ii) a catalytic reformer; (iii) an aromatics fractionation unit; (iv) a cyclopentane unit; (v) an Aromax(R) unit; (vi) an aromatics hydrogenation unit; and (vii) two specialty fractionation units. All of these units are currently in operation.

The pentane-hexane unit's design capacity is approximately 2,500 barrels per day ("BPD") of feedstock. The unit averaged 1,725 barrels per stream day during 2001. The unit consists of a series of fractionation towers and hydrotreaters capable of producing high purity solvents which are sold primarily to expandable polystyrene and high density polyethylene producers. South Hampton purchases most of its feedstock for this unit on the spot market.

The catalytic reforming unit is a standard industry design using a platinum-rhenium catalyst which produces an aromatics concentrate sold as feedstock for an aromatics extraction unit, as well as hydrogen which is utilized in other processes. The design capacity of the reformer is 800 BPD. The unit is operated as a source of hydrogen for the pentane-hexane unit and operates in tandem with the Aromax(R) unit as feedstock balances dictate. The unit's average production was 406 barrels per stream day in 2001.

The aromatics fractionation unit consists of two towers and has a design capacity of 750 BPD. The unit processes an aromatic feedstock stream into three specialized aromatic solvents used in various applications such as pesticides, paints and coatings and adhesives. This unit is leased to a customer for its own use pursuant to a contract providing for the payment of a minimum daily charge.

The cyclopentane unit consists of three specialized fractionation towers designed to produce a consistently high quality product which is used in the expandable polystyrene industry. The design capacity of the cyclopentane unit is 400 BPD. The unit operates according to the feedstock supplied by the pentane-hexane unit and averaged 214 barrels of production per stream day during 2001.

The Aromax(R) unit is the world's first commercial unit using a proprietary process of Chevron Research Company to produce a high benzene

content product which is sold as feedstock to refiners operating benzene extraction units. The process converts petroleum naphtha into liquid hydrocarbons having a high aromatic hydrocarbon content. The Aromax(R) unit's design capacity is 400 BPD and uses a by-product from the pentane-hexane unit as feedstock. The unit's average production throughput during 2001 was 97 barrels per stream day. Chevron Research Company has agreed to continue development of the Aromax(R) process. The unit continues to successfully operate as designed.

The aromatics hydrogenation unit was modified and expanded during the first half of 2000 to meet the needs of a new, long-term toll processing customer. The unit now consists of a hydro-desulphurization reactor with an adjoining stripper tower and a new hydro-treater section with an adjoining stripper/fractionation tower. The unit, which has a design capacity of 300 BPD, was constructed to produce a specialty product using a proprietary process and is under contract with the customer for a ten year period. The modifications cost approximately \$1.5 million and are expected to pay back in approximately two years, although there can be no assurance of this effect. The unit became operational in June 2000 and, after the normal start-up adjustments, has performed as intended.

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The specialty fractionation unit consists of a single fractionation tower and has a design capacity of 500 BPD. This unit was leased to a customer for its own use pursuant to a contract providing for the payment of a minimum daily charge. During the middle of 2001, this unit was inactivated and will be used for other purposes in the future. Several proposed projects are being evaluated which would make use of the existing equipment.

The specialty solvents fractionation unit consists of three fractionation towers, two of which operate under vacuum. The design capacity of this unit is 1,000 BPD. This unit processes a specialized high purity feedstock into four high purity white oil solvents. This unit is leased to a customer for its own use pursuant to a contract providing for the payment of a minimum daily charge.

South Hampton owns approximately 100 storage tanks with a total capacity of approximately 320,000 barrels. The refinery is situated on 125 acres of land, approximately 70 acres of which are developed. South Hampton purchased an additional eight acres in 2000. South Hampton also owns a truck and railroad loading terminal consisting of eight storage tanks, a rail spur and truck and tank car loading facilities.

As a result of various expansion programs and the toll processing contracts, essentially all of the standing equipment at South Hampton is operational. South Hampton has surplus equipment in storage on site with which to assemble additional processing units, such as a hydrocracking unit with a 2,000 BPD capacity.

Gulf State owns and operates three 8 inch pipelines aggregating approximately 50 miles in length that connect South Hampton's refinery to a natural gas line, to South Hampton's truck and rail loading terminal and to a marine terminal owned by an unaffiliated third party. South Hampton leases storage facilities at the marine terminal.

MEXICO SPECIALTY PRODUCTS REFINERY

The Mexico specialty petrochemical refinery is similar to South Hampton's refinery in Silsbee, Texas, and produces high purity solvents which are used in the expandable polystyrene and polystyrene foam industries. These solvents are additionally approved and used by developers of high-density polyethylene manufacturing processes for use in their licensed units. Coin markets its products in Mexico, Latin America and the United States. With this acquisition, the Company believes its refining operations are a significant supplier of high purity solvents in those markets. Coin employs 23 persons. The Mexico refinery was shut down for most of 2000 and 2001 due to the high cost of feedstock and low margins. During the fourth quarter of 2001, the plant began to operate at reduced capacity and in the first quarter of 2002 is running at full capacity. Future run rates will depend upon market conditions and feedstock prices. Management expects the plant should average operating at 60% of capacity in 2002, although there can be no assurances that this will occur.

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SAUDI ARABIA MINING PROPERTIES

Al Masane Project

The Al Masane project, consisting of a mining lease area of approximately 44 square kilometers, contains extensive ancient mineral workings and smelters. From ancient inscriptions in the area, it is believed that mining activities went on sporadically from 1000 BC to 700 AD. The ancients are believed to have extracted mainly gold, silver and copper.

Initial Exploration Work and Prior Feasibility Studies. The Saudi Arabian government granted the Company exploration licenses for the Al Masane and Wadi Qatan areas in 1971. Subsequently, the Company conducted substantial geological and geophysical activities in these areas. Core drilling and studies by independent consulting firms concluded that Al Masane's copper, zinc, gold

and silver prospects could be put in production sooner than the nickel prospect at Wadi Qatan. Metallurgical tests also showed difficulty in separating the nickel at Wadi Qatan. During 1977, a pre-feasibility mining study was conducted at Al Masane by the mining consulting firm of Watts, Griffis and McQuat Limited of Toronto, Canada ("WGM"). WGM recommended an extensive development program for the Al Masane prospect.

Phase I of WGM's recommended Al Masane development program was completed in April 1981. It involved construction of underground tunnels parallel to the ore bodies totaling 3.9 kilometers in length from which extensive underground core drilling was done in order to prove the quantity and quality of the ore reserves. This work was financed primarily with an \$11 million interest-free loan from the Saudi Arabian Ministry of Finance. As a result of this work, WGM concluded that sufficient ore reserves had been established to justify completion of a full bank feasibility study to determine the economic potential of establishing a commercial mining and ore treatment operation at Al Masane. WGM and SNC/GECO of Montreal, Canada conducted this study in 1982. They concluded that the Al Masane deposits would support commercial production of copper, zinc, gold and silver and recommended implementation of Phase II of the Al Masane development program, which would involve the construction of mining, ore treatment and support facilities. WGM's September 1984 reevaluation of the project resulted in no substantial changes of their initial conclusions and recommendations.

The Company continued its exploration work at Al Masane after 1984. Consequently, WGM upwardly revised its reserve estimates in 1989 and again concluded that a proposed mining operation was economically viable as well as having high potential for the discovery of additional ore zones.

Current Feasibility Studies. The Saudi government granted the Company a mining lease for the Al Masane area on May 22, 1993. The Company subsequently commissioned WGM to prepare a new fully bankable feasibility study to be used to obtain financing for commercial development of the project. The study, which was completed in 1994, contained specific recommendations to insure that project construction was accomplished expeditiously and economically. The engineering design and costing portions of the study were performed by Davy International of Toronto, Canada ("Davy"). WGM and Davy updated this study in 1996. A summary of the studies' findings are as follows:

The Al Masane ore is located in three mineralized zones known as Saadah, Al Houra and Moyeath. The following table sets forth a summary of the diluted minable, proven and probable ore reserves at the Al Masane project, along with the estimated average grades of these reserves:

<Table>
<Caption>

ZONE	RESERVE (TONNES)	COPPER (%)	ZINC (%)	GOLD (g/t)	SILVER (g/t)
<S>	<C>	<C>	<C>	<C>	<C>
Saadah	3,872,400	1.67	4.73	1.00	28.36
Al Houra	2,465,230	1.22	4.95	1.46	50.06
Moyeath	874,370	0.88	8.92	1.29	64.85
Total	7,212,000	1.42	5.31	1.19	40.20

</Table>

For purposes of calculating, proven and probable reserves, a dilution of 5% at zero grade on the Saadah zone and 15% at zero grade on the Al Houra and Moyeath zones was assumed. A mining recovery of 80% has been used for the Saadah zone and 88% for the Al Houra and Moyeath zones. Mining dilution is the amount of wallrack adjacent to the ore body that is included in the ore extraction process.

Proven reserves are those mineral deposits for which quantity is computed from dimensions revealed in outcrops, trenches, workings or drillholes, and grade is computed from results of detailed sampling. For ore deposits to be proven, the sites for inspection, sampling and measurement must be spaced so closely and the geologic character must be so well defined that the size, shape, depth and mineral content of reserves are well established. Probable reserves are those for which quantity and grade are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. However, the degree of assurance, although lower than that for proven reserves, must be high enough to assume continuity between points of observation.

The metallurgical studies conducted on the ore samples taken from the zones indicated that 87.7% of the copper and 82.6% of the zinc could be recovered in copper and zinc concentrates. Overall, gold and silver recovery from the ore was estimated to be 77.3% and 81.3%, respectively, partly into copper concentrate and partly as bullion through cyanide processing of zinc concentrates and mine tailings. Further studies recommended by consultants may improve those recoveries and thus the potential profitability of the project, however, there can be no assurances of this effect.

The mining and milling operation recommended by WGM for Al Masane would involve the production of 2,000 tonnes of ore per day (700,000 tonnes per year), with a mine life of over ten years. Annual production is estimated to be 34,900

tonnes of copper concentrate (25% copper per tonne) containing precious metal and 58,000 tonnes of zinc concentrate (54% zinc per tonne). Total output per year of gold and silver is estimated to be 22,000 ounces of gold and 800,000 ounces of silver from the copper concentrate and bullion produced. The construction of mining, milling and infrastructure facilities is estimated to take 21 months to complete. Construction necessary to bring the Al Masane project into production includes the construction of a 2,000 tonne per day concentrator, infrastructure with a 300 man housing facility and the installation of

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a cyanidation plant to increase the recovery of precious metals from the deposit. Project power requirements will be met by diesel generated power.

WGM recommended that the Al Masane reserves be mined by underground methods using trackless mining equipment. Once the raw ore is mined, it would be subjected to a grinding and treating process resulting in three products to be delivered to smelters for further refining. These products are zinc concentrate, copper concentrate and dore bullion. The copper and zinc concentrates also contain valuable amounts of gold and silver. These concentrates and the dore bullion to be produced from the cyanidation plant are estimated to be 22,000 ounces of gold and 800,000 ounces of silver and will be sold to copper and zinc custom smelters and refineries worldwide. After the smelter refining process, the metals could be sold by the Company or the smelter for the Company's account in the open market.

In the feasibility study, WGM states that there is potential to find more reserves within the lease area, as the ore zones are all open at depth. Further diamond drilling, which will be undertaken by the Company, is required to quantify the additional mineralization associated with these zones. A significant feature of the Al Masane ore zones is that they tend to have a much greater vertical plunge than strike length; relatively small surface exposures such as the Moyoath zone are being developed into sizeable ore tonnages by thorough and systematic exploration. Similarly, systematic prospecting of the small gossans in the area could yield significant tonnages of new ore.

The 1996 update shows the estimated capital cost to bring the project into operation to be \$89 million. At a production rate of 700,000 tonnes per year, the operating cost of the project (excluding concentrate freight, ship loading, smelter charges, depreciation, interest and taxes) was estimated to be \$38.49 per tonne of ore milled.

WGM prepared an economic analysis of the project utilizing cash flow projections. A base case was prepared that included those project elements which are most likely to be achieved. WGM believed that a majority of the base case assumptions used in the 1994 feasibility study remained valid, including the ore reserves, mill feed grade, production rate, metal recoveries and concentrate grade and smelter returns. Metal prices, capital costs, operating costs and the corporate structure were adjusted to reflect more current information. Capital and operating costs were adjusted in conformity with the updated estimates prepared by Davy.

The base case assumes the corporate structure of the entity to be formed to operate the project will be owned 50% by the Company and 50% by Saudi Arabian investors and that the owners of this entity would contribute an aggregate of \$26 million to the cost of the project. The base case further assumes financing for the project from commercial loans in the aggregate amount of \$25 million bearing interest at the rate of 8% per year and a loan in the amount of \$38 million from the Saudi Industrial Development Fund ("SIDF") repayable in equal annual installments over the initial life of the mine. Cash generated by the operation of the project would contribute the remainder of the project financing. The base case assumes that the \$11 million loan outstanding to the Saudi Arabian government will be paid by the Company in accordance with a repayment schedule to be agreed upon with the Saudi Arabian government from the Company's share of the project's cash flows. Based on these assumptions, and assuming

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the average prices of metal over the life of the mine to be \$1.05 per pound for copper, \$.60 per pound for zinc, \$400 per ounce of gold and \$6.00 per ounce of silver, WGM's economic analysis of the base case shows the project will realize an internal rate of return of 13.1%, the Company's and the Saudi Arabian investors' internal rates of return would be 27.3% and 12.1%, respectively, and projected net cash flow (after debt repayment) from the project of \$95.1 million. The 1994 feasibility study base case showed the project would realize a 14.05% internal rate of return. Cash flow under the base case is exclusive of income tax as the base case assumes that any such tax would be paid by individual investors and not by the project. Assuming a 10% discount rate, the net present value of the project as shown in the update is \$12.16 million compared to the \$15.5 million net present value of the project shown in the 1994 feasibility study. Based on the update, WGM believes that the economic analysis shows that the project remains viable.

Mining Lease. As the holder of the Al Masane mining lease, the Company is solely responsible to the Saudi Arabian government for the rental payments and other obligations provided for by the mining lease and repayment of the previously discussed \$11 million loan. The Company's interpretation of the

mining lease is that repayment of this loan will be made in accordance with a repayment schedule to be agreed upon with the Saudi Arabian government from the Company's share of the project's cash flows. The initial term of the lease is for a period of thirty (30) years from May 22, 1993, with the Company having the option to renew or extend the term of the lease for additional periods not to exceed twenty (20) years. Under the lease, the Company is obligated to pay advance surface rental in the amount of 10,000 Saudi riyals (approximately \$2,667 at the current exchange rate) per square kilometer per year (approximately \$117,300 annually) during the period of the lease. In addition, the Company must pay income tax in accordance with the income tax laws of Saudi Arabia then in force and pay all infrastructure costs. The Saudi Arabian Mining Code provides that income tax will not be due during the first stage of mining operations, which is the period of five years starting from the earlier of (i) the date of the first sale of products or (ii) the beginning of the fourth year since the issue of the mining lease. The lease gives the Saudi Arabian government priority to purchase any gold production from the project as well as the right to purchase up to 10% of the annual production of other minerals on the same terms and conditions then available to other similar buyers and at current prices then prevailing in the free market. Furthermore, the lease contains provisions requiring that preferences be given to Saudi Arabian suppliers and contractors, that the Company employ Saudi Arabian citizens and provide training to Saudi Arabian personnel.

Reference is made to the map on page 15 of this Report for information concerning the location of the Al Masane project.

Project Financing. As detailed above, the estimated total capital cost to bring the Al Masane project into production is \$89 million. The Company does not presently have sufficient funds to bring this project into production. Also, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a further discussion of these matters.

Pursuant to the mining lease agreement, when the Al Masane project is profitable the Company is obligated to form a Saudi public stock company with the Saudi Arabian Mining

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Company, a corporation wholly owned by the Saudi Arabian government ("Ma'aden"), as successor to and assignee of the mining interests formerly held by the Petroleum Mineral Organization ("Petromin"). Ma'aden is the Saudi Arabian government's official mining company. In 1994, the Company received instructions from the Saudi Ministry of Petroleum and Mineral Resources stating that it is possible for the Company to form a Saudi company without Petromin (now Ma'aden), but the sale of stock to the Saudi public could not occur until the mine's commercial operations were profitable for at least two years. The instructions added that Petromin (now Ma'aden) still had the right to purchase shares in the Saudi public stock company any time it desires. Title to the mining lease and the other obligations specified in the mining lease would be transferred to the Saudi public stock company. However, the Company would remain responsible for the repaying the \$11 million loan to the Saudi Arabian government.

In order to commercially develop the Al Masane project, the Company entered into a joint venture arrangement with Al Mashreq Company for Mining Investments ("Al Mashreq"), a Saudi limited liability company owned by Saudi Arabian investors (including certain of the Company's shareholders). The partners formed The Arabian Shield Company for Mining Industries Ltd., a Saudi limited liability company ("Arabian Mining"), which was officially registered and licensed in August 1998 to conduct business in Saudi Arabia and authorized to mine and process minerals from the Al Masane lease area. Arabian Mining received conditional approval for a \$38.1 million interest-free loan from SIDF, and deposited \$26 million of equity capital into its bank account.

Due to the severe decline in the open market prices for the minerals to be produced by the Al Masane project and the financial crisis affecting Eastern Asia in 1998, SIDF and other potential lenders required additional guarantees and other financing conditions which were unacceptable to the Company and Al Mashreq. As a consequence, Al Mashreq withdrew from the joint venture and all equity capital was returned. By letter dated May 11, 1999, the Company informed the Ministry of Petroleum and Mineral Resources that the joint venture was dissolved and that implementation of the project would be delayed until open market prices for the minerals to be produced by the Al Masane project improve to the average price levels experienced during the period from 1988 through 1997. At that time, the Company will attempt to locate a joint venture partner, form a joint venture and, together with the joint venture partner, attempt to obtain acceptable financing to commercially develop the project. There can be no assurances that the Company would be able to locate a joint venture partner, form a joint venture or obtain financing from SIDF or any other sources. In the meantime, the Company intends to maintain the Al Masane mining lease through the payment of the annual advance surface rental, the implementation of a drilling program to attempt to increase proven and probable reserves and to attempt to improve the metallurgical recovery rates beyond those stated in the feasibility study, which may improve the commercial viability of the project at lower metal prices than those assumed in the feasibility study. During 2001, the open market prices for the minerals to be produced by the Al Masane project were below the average price levels experienced during 1988 through 1997.

The Minister of Petroleum and Mineral Resources announced on April 2, 2002 that a new revised Saudi Arabian Mining Code would be issued before the end of 2002. The Minister added that this new code will expedite the issuance of licenses and has new incentives to encourage investment by

the private sector, both Saudi and foreign, in the development of mineral resources in Saudi Arabia. In light of this development, the Company is discussing with the Ministry of Petroleum and Natural Resources its current and future plans for its operations based on current and projected metal prices, as well as the status of the Company's application for the exploration license for the Greater Al Masane area.

Other Exploration Areas in Saudi Arabia

During the course of its exploration and development work in the Al Masane area, the Company has carried on exploration work in other areas in Saudi Arabia. In 1971, the Saudi Arabian government awarded the Company exclusive mineral exploration licenses to explore and develop the Wadi Qatan area in southwestern Saudi Arabia. The Company was subsequently awarded an additional license in 1977 for an area north of Wadi Qatan at Jebel Harr. These licenses have expired.

In 1999, the Company applied for an exploration license covering an area of approximately 2,850 square kilometers, which surrounds the Al Masane mining lease area and includes the Wadi Qatan and Jebel Harr areas. This area is referred to as the Greater Al Masane area. The Company has been authorized in writing by the Saudi Arabian government to carry out exploration work in the area. Previous exploration work has been carried on and paid for by the Company. The application for the new exploration licenses is still pending and is expected to be acted upon after the new Saudi Arabian Mining Code is issued, which is expected to be before the end of 2002.

Reference is made to the map on page 15 of this Report for information concerning the location of the foregoing areas.

Wadi Qatan and Jebel Harr. The Wadi Qatan area is located in southwestern Saudi Arabia. Jebel Harr is north of Wadi Qatan. Both areas are approximately 30 kilometers east of the Al Masane area. These areas consist of 40 square kilometers, plus a northern extension of an additional 13 square kilometers. The Company's geological, geophysical and limited core drilling disclosed the existence of massive sulfides containing an average of 1.2% nickel. Reserves for these areas have not yet been classified and additional exploration work is required. When the Company obtains an exploration license for the Wadi Qatan and Jebel Harr areas, the Company intends to continue its exploratory drilling program in order to prove whether enough ore reserves exist to justify a viable mining operation, however there is no assurance that a viable mining operation could be established.

Greater Al Masane. On June 22, 1999, the Company submitted a formal application for a five-year exclusive mineral exploration license for the Greater Al Masane area of approximately 2,850 square kilometers, which surrounds the Al Masane mining lease area and includes the Wadi Qatan and Jebel Harr areas. The Company previously worked in the Greater Al Masane area after obtaining written authorization from the Saudi Ministry of Petroleum and Mineral Resources and has expended over \$3 million on exploration work. Geophysical, geochemical and geological work and diamond core drilling on the Greater Al Masane area has revealed mineralization similar to that discovered at Al Masane. A detailed exploration program and expenditures budget accompanied the application. The Company indicated on its application that

it would welcome the participation of Ma'aden in this license. Ma'aden, which has expressed an interest in the Greater Al Masane area, also was informed by the Company that its participation as a joint venture partner in the license would be welcomed.

As previously stated, the Company does not possess current formal exploration licenses for any of the above areas. The absence of such licenses creates uncertainty regarding the Company's rights and obligations, if any, in these areas. The Company believes it has satisfied the Saudi Arabian government's requirements in these areas and that the government should honor the Company's claims. If the Saudi Arabian government does not issue the Greater Al Masane exploration license, the Company believes that it will be entitled to a refund of the approximately \$3 million it has expended on exploration work in the area, since the Company was authorized by the Saudi Arabian government to carry out exploration work in this area while waiting for the exploration license to be issued.

UNITED STATES MINERAL INTERESTS

The Company's mineral interests in the United States are its ownership interests in Pioche. Pioche has been inactive for many years.

Nevada Mining Properties. Pioche's properties include 48 patented and 5 unpatented claims totaling approximately 1,500 acres. All the claims are located in the Pioche Mining District, Lincoln County, Nevada. There are prospects and mines on these claims that previously produced silver, gold, lead, zinc and copper. The ore bodies are both oxidized and sulfide deposits, classified into three groups: fissure veins in quartzite, mineralized granite porphyry and replacement deposits in carbonate rocks (limestone and dolomites). There is a 300-ton-a-day processing mill on property owned by Pioche. The mill is not

currently in use and a significant expenditure would be required in order to put the mill into continuous operation, if commercial mining is to be conducted on the property.

American Shield Coal Company, an inactive wholly owned subsidiary, was merged into the Company on October 26, 2001.

OFFICES

The Company has a year-to-year lease on space in an office building in Jeddah, Saudi Arabia, used for office occupancy. The Company also leases a house in Jeddah that is used as a technical office and for staff housing. The Company continues to lease office space in Dallas, Texas on a month-to-month basis. It also owns a base camp and accompanying facilities and equipment at the Al Masane project site.

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[MAP]

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ITEM 3. LEGAL PROCEEDINGS.

South Hampton, together with several other companies, is a defendant in five lawsuits filed in Jefferson County and Orange County, Texas filed in the period from December 1997 to December 2000 by former employees of the southeast Texas plants of Goodyear Tire & Rubber Company, DuPont, Atlantic Richfield and South Hampton. In each of these suits the plaintiff claims illnesses and diseases resulting from alleged exposure to chemicals, including benzene, butadiene and/or isoprene, during their employment. The plaintiffs claim the defendant companies engaged in the business of manufacturing, selling and/or distributing these chemicals in a manner which subjected each and all of them to liability for unspecified actual and punitive damages. One of the lawsuits brought in Jefferson County, Texas was settled in 2001, with South Hampton contributing \$10,000 toward the settlement. Another lawsuit is presently being settled in 2002 with South Hampton agreeing to pay a total of \$60,000 in quarterly payments by the end of the year. In February 2002, a new lawsuit was filed in Jefferson County, Texas, which contains claims similar to the other suits. South Hampton intends to vigorously defend itself against these lawsuits and believes it has adequate insurance coverage to protect it financially from any damage awards that might be incurred.

In August 1997, the Executive Director of the Texas National Resource Conservation Commission ("TNRCC") filed a preliminary report and petition with the TNRCC alleging that South Hampton violated various TNRCC rules, TNRCC permits issued to South Hampton, a TNRCC order issued to South Hampton, the Texas Water Code, the Texas Clean Air Act and the Texas Solid Waste Disposal Act. The violations generally relate to the management of volatile organic compounds in a manner that allegedly violates the TNRCC's air quality rules and the storage, processing and disposal of hazardous waste in a manner that allegedly violates the TNRCC's industrial and hazardous waste rules. The TNRCC's Executive Director recommends the TNRCC enter an order assessing administrative penalties against South Hampton in the amount of \$709,408 and order South Hampton to undertake such actions as are necessary to bring its operations at its refinery and its bulk terminal into compliance with Texas Water Code, the Texas Health and Safety Code, TNRCC rules, permits and orders. South Hampton is, and intends to continue to, vigorously defending itself against this proceeding. Appropriate modifications were made by South Hampton where it appeared there were legitimate concerns. A preliminary hearing was held in November 1997, but no further action has been taken.

On February 2, 2000, the TNRCC amended its pending administrative enforcement action against South Hampton to add allegations dating through May 21, 1998 of 35 regulatory violations relating to air quality control and industrial solid waste requirements. The TNRCC proposes that administrative penalties be increased to approximately \$765,000 and that certain corrective action be taken. South Hampton intends to vigorously defend itself against these additional allegations, the proposed penalties and proposed corrective actions.

On December 13, 2001, the TNRCC notified South Hampton that it found several violations of TNRCC rules during a record review in October 2001 and proposed a settlement for \$59,375. South Hampton settled this particular claim in April 2002 for approximately \$5,900.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of 2001.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

NASDAQ notified the Company in May 2000 that the Company's common stock

would be delisted in August 2000 if the Company was unable to demonstrate compliance with the minimum bid price requirements. The Company appealed this proposed action in August 2000 and a hearing on the appeal was held in October 2000. As a result of the hearing, the Company's common stock was delisted on October 12, 2000. The Company then submitted an appeal request to a higher NASDAQ authority and, at a hearing in February 2001, the prior delisting decision was affirmed.

The Company's common stock traded on the NASDAQ National Market until October 2000 and currently trades on OTC Bulletin Board under the symbol: ARSD. The following table sets forth for the periods from January 1, 2000 through October 12, 2000, the high and low sale prices for each quarter as reported on the NASDAQ National Market and, for the period from October 13, 2000 through December 31, 2001, the range of high and low bid prices for each quarter as reported by the OTC Bulletin Board. The quotations from the OTC Bulletin Board reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

<Table>
<Caption>

	NASDAQ	
	High	Low
<S>	<C>	<C>
Fiscal Year Ended December 31, 2000		
First Quarter ended March 31, 2000	\$2.06	\$0.91
Second Quarter ended June 30, 2000	\$1.41	\$0.63
Third Quarter ended September 30, 2000	\$0.81	\$0.56
Fourth Quarter through October 12, 2000	\$0.69	\$0.56

</Table>

<Table>
<Caption>

	OTC Bulletin Board	
	High	Low
<S>	<C>	<C>
Fourth Quarter from October 13, 2000 to December 31, 2000	\$0.44	\$0.25
Fiscal Year Ended December 31, 2001		
First Quarter ended March 31, 2001	\$0.44	\$0.23
Second Quarter ended June 30, 2001	\$0.35	\$0.23
Third Quarter ended September 30, 2001	\$0.31	\$0.22
Fourth Quarter ended December 31, 2001	\$0.23	\$0.11

</Table>

At March 31, 2002, there were 732 record holders of the Company's common stock. The Company has not paid any dividends since its inception and, at this time, does not have any plans to pay any dividends in the foreseeable future. The provisions of the Refining Company loan agreements restrict the upstream declaration and payment of dividends and other distributions to the Company during any fiscal quarter to the lesser of (i) \$150,000 or (ii) 50% of the Refining Company's earnings before interest, taxes, depreciation and amortization less interest expense

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for that fiscal quarter, provided there is no event of default under the relevant loan agreement. See Note 8 to the Company's Consolidated Financial Statements.

On November 15, 1999, the Company issued 500 shares of its common stock to a long term employee of South Hampton in recognition of his services. In connection with the acquisition of Coin by TOCCO, on December 23, 1999 the Company sold 300,000 shares of its common stock to TOCCO at \$1.00 per share to assist TOCCO with the financing of the acquisition. The Company relied upon the private offering exemption of Section 4(2) of the Securities Act of 1933 in both of these transactions.

In March 2000, the Company issued 469,000 shares of its common stock, valued at \$1.00 per share, to Al Mashreq for the cancellation of \$469,000 of indebtedness incurred in connection with the payment of advance surface rentals on the Al Masane project. The Company relied upon the exemption set forth in Regulation S under the Securities Act of 1933 in this transaction.

In 2001, the Company cancelled a receivable of \$128,000 from its President and Chief Executive Officer taken in payment several years ago for the purchase of 57,000 shares of common stock at approximately \$2.25 per share. Upon cancellation, the shares were returned to the Company. The Company's share price at that date was \$.30 which resulted in a charge to expense of approximately \$111,000.

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ITEM 6. SELECTED FINANCIAL DATA.

The following is a five-year summary of selected financial data of the Company (in thousands, except per share amounts):

<Table>
<Caption>

	2001	2000	1999	1998	1997
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 32,713	\$ 42,612	\$ 27,791	\$ 25,089	\$ 26,174
Net Income (Loss)	\$ (2,095)	\$ (4,288)	\$ 2,740	\$ 3,442	\$ 818
Net Income (Loss) Per Share-Diluted	\$ (.09)	\$ (.19)	\$.12	\$.16	\$.04
Total Assets (at December 31)	\$ 55,748	\$ 57,599	\$ 52,848	\$ 46,683	\$ 45,153
Notes Payable (at December 31)	\$ 11,744	\$ 11,924	\$ 11,874	\$ 11,874	\$ 11,376
Total Long-Term Obligations (at December 31)	\$ --	\$ --	\$ 4,314	\$ 1,953	\$ 4,110

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

GENERAL

Statements in Items 7 and 7A, as well as elsewhere in, or incorporated by reference in, this Annual Report on Form 10-K regarding the Company's financial position, business strategy and plans and objectives of the Company's management for future operations and other statements that are not historical facts, are "forward-looking statements" as that term is defined under applicable Federal securities laws. In some cases, "forward-looking statements" can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "contemplates," "proposes," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such statements. Such risks, uncertainties and factors include, but are not limited to, general economic conditions domestically and internationally; insufficient cash flows from operating activities; difficulties in obtaining financing; outstanding debt and other financial and legal obligations; competition; industry cycles; feedstock, specialty petrochemical product and mineral prices; feedstock availability; technological developments; regulatory changes; environmental matters; foreign government instability; foreign legal and political concepts; and foreign currency fluctuations, as well as other risks detailed in the Company's filings with the U.S. Securities and Exchange Commission, including this Annual Report on Form 10-K, all of which are difficult to predict and many of which are beyond the Company's control.

LIQUIDITY AND CAPITAL RESOURCES

The Company operates in two business segments, specialty petrochemicals (which is composed of the entities owned by the Refining Company) and mining. Its corporate overhead needs are minimal. A discussion of each segment's liquidity and capital resources follows.

Specialty Petrochemicals Segment. Historically, this segment has contributed substantially all of the Company's internally generated cash flows. However, significant

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increases in the prices of feedstock and natural gas resulted in a loss from operations in 2000 of \$2.8 million which, in turn, resulted in violations of certain loan agreement covenants and a lack of liquidity. Beginning in February 2001, the decline of feedstock and natural gas prices returned the Refining Company to a positive cash flow, which it attained for the remainder of the year. Demand for specialty solvents, while not enough to justify operating the plant at capacity, was strong enough to cover fixed and variable costs. The toll processing segment of the business remained strong throughout the year and contributed to the Refining Company's steady performance. When the economy returns to a growth position, profitability is expected to return to the levels seen in previous growth years. In the latter part of 2001 and in early 2002, customer demand required that product be imported from its Mexico refinery in order to meet sales commitments.

South Hampton entered into a \$3.25 million credit agreement in September 1999 with Southwest Bank of Texas, N.A., located in Houston, Texas (the "Bank"). The terms and conditions of this credit agreement are discussed in Note 8 to the Company's Consolidated Financial Statements. South Hampton is not in compliance with certain covenants contained in the loan agreement. In the event this segment were to undertake a major capital expenditure, such as construction of a new facility, financing for this activity would most likely come from some combination of internal resources, a debt placement with a financial institution or a joint venture partner. Any major capital expenditure requires the Bank's advance review and approval.

In connection with the acquisition of the common stock of Coin, South Hampton and Gulf State entered into a \$3.5 million credit agreement in December 1999 with Heller Financial Leasing, Inc. The credit agreement is evidenced by a 47 month promissory note bearing interest at the rate of 10.55% per annum. The terms and conditions of this credit agreement are discussed in Note 8 to the Company's Consolidated Financial Statements. The credit agreement is secured by a pledge of all of the capital stock of South Hampton and Gulf State, a first lien on all of South Hampton's and Gulf State's present and future machinery and equipment and a ground lease relating to South Hampton's real property, and is guaranteed by the Company, the Refining Company and TOCCO. South Hampton and Gulf State are not in compliance with certain covenants contained in the loan

agreement.

Coin is not in compliance with certain covenants contained in its loan agreements.

The provisions of the Refining Company loan agreements restrict the upstream declaration and payment of dividends or other distributions to the Company during any fiscal quarter to the lesser of (i) \$150,000 or (ii) 50% of the Refining Company's earnings before interest, taxes, depreciation and amortization less interest expense for that fiscal quarter, provided there is no event of default under the relevant loan agreement. See Note 8 to the Company's Consolidated Financial Statements.

Mining Segment. This segment is in the development stage. Its most significant asset is the Al Masane mining project in Saudi Arabia, which is a net user of the Company's available cash and capital resources. As discussed in Item 2. Properties, implementation of the project has been delayed until the open market prices for the minerals to be produced by the mine improve. At that time, the Company will attempt to locate a joint venture partner, form a joint venture and,

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together with the joint venture partner, attempt to obtain acceptable financing to commercially develop the project. There is no assurance that a joint venture partner can be located, a joint venture formed or, if it is formed, that the joint venture would be able to obtain acceptable financing for the project.

Management also is addressing two other significant financing issues within this segment. These issues are the \$11.0 million note payable due the Saudi Arabian government and accrued salaries and termination benefits of approximately \$1,260,000 due employees working in Saudi Arabia (this amount does not include any amounts due the Company's President and Chief Executive Officer who also primarily works in Saudi Arabia and is owed accrued salary and termination benefits of approximately \$1,049,000).

Regarding the note payable, this loan was originally due in ten annual installments beginning in 1984. The Company has not made any repayments nor has it received any payment demands or other communications regarding the note payable from the Saudi government. By memorandum to the King of Saudi Arabia in 1986, the Saudi Ministers of Finance and Petroleum recommended that the \$11.0 million note be incorporated into a loan from SIDF to finance 50% of the cost of the Al Masane project, repayment of the total amount of which would be made through a mutually agreed upon repayment schedule from the Company's share of the operating cash flows generated by the project. The Company remains active in Saudi Arabia and received the Al Masane mining lease at a time when it had not made any of the agreed upon repayment installments. Based on its experience to date, management believes that as long as the Company diligently attempts to explore and develop the Al Masane project no repayment demand will be made. The Company has communicated to the Saudi government that its delay in repaying the note is a direct result of the government's lengthy delay in granting the Al Masane lease and requested formal negotiations to restructure this obligation. Based on its interpretation of the Al Masane mining lease and other documents, management believes the government is likely to agree to link repayment of this note to the Company's share of the operating cash flows generated by the commercial development of the Al Masane project and to a long-term installment repayment schedule. In the event the Saudi government were to demand immediate repayment of this obligation, which management considers unlikely, the Company would be unable to pay the entire amount due. If a satisfactory rescheduling agreement could be reached, and there are no assurances that one could be, the Company believes it could obtain the necessary resources to meet the rescheduled installment payments by making certain changes at the Refining Company.

With respect to the accrued salaries and termination benefits due employees working in Saudi Arabia, the Company plans to continue employing these individuals until it is able to generate sufficient excess funds to begin payment of this liability. Management will then begin the process of gradually releasing certain employees and paying its obligation as they are released from the Company's employment.

At this time, the Company has no definitive plans for the development of its domestic mining assets. It periodically receives proposals from outside parties who are interested in possibly developing or using certain assets. Management will continue to review these proposals as they are received, but at this time does not anticipate making any significant domestic mining capital expenditures or receiving any significant proceeds from the sale or use of these assets.

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If the Company seeks additional outside financing, there is no assurance that sufficient funds can be obtained. It is also possible that the terms of any additional financing that the Company would be able to obtain would be unfavorable to the Company and its existing shareholders.

The report of the Company's independent auditors states that the \$2.1 million loss incurred in 2001, the excess of current liabilities over current assets and the violations of certain covenants of loan agreements raise substantial doubt about the Company's ability to continue as a going concern.

RESULTS OF OPERATIONS

Comparison of the Years 2001 to 2000

Specialty Petrochemicals Segment. Total refined product sales decreased approximately 28% or \$11.3 million in 2001, with \$4.7 million of the decrease due to the reduced revenues of Coin. Cost of sales (excluding depreciation) decreased approximately \$12.4 million or 30% in 2001, including \$4.5 million attributable to Coin. The reduction in sales was primarily due to lower sales volumes in the weaker economy of 2001. In 2000, substantial volumes were imported from the Mexico refinery to meet volume demands from U.S. customers. As the economy grew weaker in 2001, the economic incentive to import product went away and the Refining Company relied upon production from the U.S. plant to meet U.S. sales. Average sale prices rose 4% across product lines. Even though the volume was down, the Refining Company returned to positive cash flow in February 2001 due to the drop in feedstock prices and the return of adequate margins on sales. Average feedstock prices dropped approximately 14% in 2001 from the prior year.

The Refining Company arranged two financial swap agreements in July and October 2001 to protect its feedstock prices from sudden increases. While the swaps were looked upon as insurance against possible sudden and extreme price increases in the market due to terrorist activity or other unforeseen events, the actual market prices worked against the Refining Company's position in the swaps by falling below the positions taken. The feedstock costs for the last six months of 2001 were approximately \$340,000 higher than they would have been had the swaps not been in place. With the instability of the world political situation, management still believes it is prudent to continue to take advantage of the protection offered by the swaps and intends to keep them in place until at least the end of 2002. The swap agreements arranged for the remainder of 2002 are more favorable to the anticipated feedstock prices than those that have expired.

The toll processing business continued to be important to the segment's business in meeting its profitability and cash flow goals. The processing fees increased from \$2.3 million in 2000 to over \$3.7 million in 2001. This 59% increase was due in part to increased throughput and also to a full year's fees from a unit that was built and became operational in late 2000. The toll processing customers are steadily building up the volume that is processed in the plant and the segment has budgeted for increases in the coming year.

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General and administrative expenses for this segment increased slightly in 2001 from 2000. Interest expense rose in 2001 to \$1,460,000 from \$984,000 in 2000. This 48% increase was due primarily to the addition of debt for the purchase of Coin in late January 2000, for Coin's existing debt, which in 2000 resulted in eleven months of expense instead of a full year and for penalty interest on Coin's delinquent debt. The increase in miscellaneous income in 2001 of \$22,200 was due primarily to reduced commission expenses.

Mining Segment and General Corporate Expenses. None of the Company's other operations generate significant operating or other revenues. The minority interest amount represents the Pioche and Coin minority stockholders' share of the losses from the Pioche and Coin operations. Pioche losses are primarily attributable to the costs of maintaining the Nevada mining properties.

The Company periodically reviews and evaluates its mineral exploration and development projects as well as its other mineral properties and related assets. The recoverability of the Company's carrying values of its development properties are assessed by comparing the carrying values to estimated future net cash flows from each property. In 2001, for purposes of estimating future cash flows, the price assumptions contained in the 1996 update to the Al Masane project's feasibility study, which was prepared by WGM, have been updated by an independent consultant. See Item 2. Properties. These price assumptions are averages over the projected life of the Al Masane mine and are \$1.04 per pound for copper, \$.60 per pound for zinc, \$400 per ounce for gold, and \$6.00 per ounce for silver. For its other mineral properties and related assets, carrying values were compared to estimated net realizable values based on market comparables. Using these price assumptions, no asset impairments existed.

The Company intends to assess the carrying values of its assets on an ongoing basis. Factors which may affect carrying values include, but are not limited to, mineral prices, capital cost estimates, the estimated operating costs of any mines and related processing, ore grade and related metallurgical characteristics, the design of any mines and the timing of any mineral production. There are no assurances that, particularly in the event of a prolonged period of depressed mineral prices, the Company will not be required to take a material write-down of its mineral properties.

The Company has net operating loss carryforwards of approximately \$20 million at December 31, 2001, of which approximately \$414,000 is limited to the Refining Company's future taxable income. These loss carryforwards expire during the years 2002 through 2021.

Accounting Standards Not Adopted

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," that established uniform methodology for accounting for estimated costs associated with legal obligations related to retirement of assets. The statement will be adopted January 1, 2003. The Company is in the

process of analyzing the effect of adoption.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The statement is effective for fiscal years beginning after December 15, 2001. The Company does not believe that the implementation of

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this standard will have a material effect on its financial position, results of operations or cash flows.

Comparison of Years 2000 to 1999

Specialty Petrochemicals Segment. Total revenues increased approximately 53% or \$14.8 million in 2000. This increase was due to revenues of Coin of \$5.9 million (Coin was acquired in January 2000), an increase in sales volume of approximately two million gallons or 6.5%, an increase in toll processing fees of approximately \$850,000 or 58% and a general increase in product prices. However, costs increased also and were detrimental to the final results of operations. Cost of sales (excluding depreciation) increased approximately \$13.5 million or 63% from 1999, excluding the effect of the Coin acquisition. Average feedstock prices rose almost 70% in 2000 to \$.81 per gallon in comparison to an average of \$.48 per gallon in 1999. Consequently, the gross profit on refined product sales (excluding depreciation) for 2000 decreased by 90% to \$0.5 million from \$4.9 million in 1999, excluding the effect of the Coin acquisition. With domestic operating costs rising approximately 72% due primarily to the rapid rise in the cost of natural gas, which is used for fuel in the refineries, the operating income of this segment fell from a \$3.1 million profit in 1999 to a loss of \$2.8 million in 2000. Coin contributed \$.9 million to the operating loss. It is difficult, in a competitive market, for this segment to raise product prices as rapidly as costs were escalating in 2000. The refineries use natural gasoline for feedstock. Natural gasoline is the heavier liquid produced by natural gas processing plants and by LPG fractionators. Higher natural gas prices in 2000, in conjunction with the higher crude oil prices experienced by the industry for much of the year, drove the cost of other petroleum liquids to higher than historical levels. The high BTU value of the liquids associated with natural gas production caused many gas producers to not process their gas or to leave as much of the heavier molecules as possible in the gas streams thereby causing a shortage of the liquids in the normal markets and higher prices.

Toll processing continued to be a growing contributor to the segment's business. As stated earlier, processing fees increased 58% in 2000 from 1999. This increase in the toll processing business is indicative of the direction of the U.S. refining and petrochemical industries. Many companies are outsourcing smaller jobs and processes that were formerly done internally. The Refining Company has been in the toll processing business for over 30 years, enjoys a good reputation within the industry and believes it offers customers several competitive advantages over other suppliers of these services. Management intends to expand its involvement in this area as opportunities arise. Approximately \$1.5 million and \$1.6 million was invested in capital projects for toll processing in 2000 and 1999, respectively.

General and administrative expenses increased \$.9 million in 2000 to \$3.5 million, primarily due to the acquisition of Coin. Interest expense and bank fees rose in 2000 to \$1,369,000 from \$118,000 in 1999. This increase was due to the addition of debt for the purchase of Coin, Coin's existing debt and the increased use of the working capital credit line due to the rising cost of feedstock. The increase in interest income was due to the increased amount of excess cash, primarily restrictive cash. The 95% decrease in miscellaneous income in 2000 of \$310,601 is due primarily to reduced tank rental income.

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High feedstock prices and high fuel costs have made it difficult to generate acceptable margins on operations. For the approximate 11-month period in 2000 when Coin was a subsidiary of the Company, the total refined product sales were \$5.9 million, while the costs of sales (excluding depreciation) were \$5.8 million, resulting in a gross profit of approximately \$100,000. However, after general and administrative expenses, depreciation and interest expenses, Coin had a net loss for the period of \$1.4 million. In response to these economic anomalies, Coin shut the refinery down for several months in the fall and winter months of 2000. Coin continued to generate sales and maintain market share by buying product on the open market and from its U.S. parent and reselling the product to existing customers. While the margins generated in this manner are not sufficient to maintain the refinery's operations indefinitely, management expects a return to normal operation once fuel and feedstock prices return to more favorable levels. Coin's customer base remains intact and its equipment remains in good operating condition, which should enable the refinery to produce and ship product without undue delay once production recommences.

Mining Segment and General Corporate Expenses. None of the Company's other operations generate significant operating or other revenues. The minority interest amount represents the Pioche and Coin minority stockholders' share of the losses from the Pioche and Coin operations. Pioche losses are primarily attributable to the costs of maintaining the Nevada mining properties.

The Company periodically reviews and evaluates its mineral exploration and development projects as well as its other mineral properties and related assets. The recoverability of the Company's carrying values of its development properties are assessed by comparing the carrying values to estimated future net cash flows from each property. In 2000, for purposes of estimating future cash flows, the price assumptions contained in the 1996 update to the Al Masane project's feasibility study, which was prepared by WGM, were used. See Item 2. Properties. These price assumptions are averages over the projected life of the Al Masane mine and are \$1.05 per pound for copper, \$.60 per pound for zinc, \$400 per ounce for gold, and \$6.00 per ounce for silver. For its other mineral properties and related assets, carrying values were compared to estimated net realizable values based on market comparables. Using these price assumptions, no asset impairments existed.

The Company assesses the carrying values of its assets on an ongoing basis. Factors which may affect carrying values include, but are not limited to, mineral prices, capital cost estimates, the estimated operating costs of any mines and related processing, ore grade and related metallurgical characteristics, the design of any mines and the timing of any mineral production. There are no assurances that, particularly in the event of a prolonged period of depressed mineral prices, the Company will not be required to take a material write-down of its mineral properties.

Due primarily to the 1988 write-off of its coal lease investments, the Company had net operating loss carryforwards of approximately \$28.0 million at December 31, 2000, of which approximately \$1.7 million is limited to the Refining Company's future taxable income. These loss carryforwards expire during the years 2001 through 2020.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The market risk inherent in the Company's financial instruments represents the potential loss resulting from adverse changes in interest rates, foreign currency rates and commodity prices. The Company's exposure to interest rate changes results from its variable rate debt instruments which are vulnerable to changes in short term United States prime interest rates. At December 31, 2001 and 2000, the Company had \$6.8 million and \$8.9 million, respectively, in variable rate debt outstanding. A hypothetical 10% change in interest rates underlying these borrowings would result in annual changes in the Company's earnings and cash flows of approximately \$47,200 and \$90,000 at December 31, 2001 and 2000, respectively.

The Company is also exposed to market risk in the exchange rate of the Saudi Arabian riyal and the Mexican peso as measured against the United States dollar. The Company does not view these exposures as significant and has not acquired or issued any foreign currency derivative financial instruments.

The Refining Company purchases all of its raw materials, consisting of feedstock and natural gas, on the open market. The cost of these materials is a function of spot market oil and gas prices. As a result, the Refining Company's revenues and gross margins could be affected by changes in the price and availability of feedstock and natural gas. As market conditions dictate, the Refining Company from time to time will engage in various hedging techniques including swap agreements. The Refining Company does not use such financial instruments for trading purposes and is not a party to any leveraged derivatives.

At December 31, 2001, the Refining Company had two financial swap agreements in effect, one of which expired in January 2002 and the other of which expires in July 2002. The Refining Company entered into another swap agreement in February 2002 which remains in effect for the remainder of 2002. The swap agreements cover approximately 50% of the Refining Company's average monthly feedstock needs. Market risk is estimated as a hypothetical 10% increase in the cost of feedstock over the market price prevailing on December 31, 2001. Assuming 2002 total refined product sales volumes at the same rate as 2001, such an increase would result in an increase in the cost of feedstock of approximately \$1.105 million in fiscal 2002, before considering the effect of the swap agreements outstanding as of December 31, 2001.

At December 31, 2000, there were no such investments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements of the Company and the financial statement schedules, including the independent auditor's report thereon, are included elsewhere in this document.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following tables sets forth the name and age of each director of the Company, the date of his election as a director and all other positions and offices with the Company presently held by him.

NAME; BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS -----	AGE ---	DATE OF ELECTION -----
John A. Crichton..... Chairman of the Board of the Company since 1967; Chief Executive Officer of the Company from 1967 to February 1994	85	May 1967
Hatem El-Khalidi..... President of the Company since 1975; prior to 1975 Vice President of the Company; Chief Executive Officer of the Company since February 1994	77	April 1968
Mohammed O. Al-Omair..... (Executive Vice President, Saudi Fal Group of Companies, Riyadh, Saudi Arabia since 1985 (investments); President, Advanced Systems Ltd., Riyadh, Saudi Arabia since 1985 (mainframe computers)	58	May 1993
Ghazi Sultan..... Chairman, Sultan Group of Companies, Jeddah, Saudi Arabia since 1987 (investments and marble mining); Director General, Safwah Company, Jeddah, Saudi Arabia since 1987 (investments); Deputy Minister of Petroleum and Mineral Resources of the Kingdom of Saudi Arabia 1966-1987	65	Sept. 1993

Each director of the Company is elected annually to serve until his successor is elected and qualified. Each person listed in the foregoing table has served as a director since the date of election indicated. In connection with an increase in the number of positions on the Board of Directors in 1993, at the request of Sheik Fahad Al-Athel, the Company appointed Mohammed O. Al-Omair, who had served as a director of the Company from November 1989 to March 1991, to fill one of the newly-created vacancies.

The following table sets forth the name of each executive officer of the Company, his age and all the positions and offices with the Company held by him:

Name ----	Positions -----	Age ---
John A. Crichton	Chairman of the Board and Director	85
Hatem El-Khalidi	President, Chief Executive Officer and Director	77
Drew Wilson, Jr.	Secretary and Treasurer	68
Nicholas N. Carter	President - TOCCO	55

Each executive officer of the Company serves for a term extending until his successor is elected and qualified. Information concerning Messrs. Crichton and El-Khalidi is set forth above. Mr. Wilson is a certified public accountant. Mr. Wilson has served as Secretary and Treasurer of the Company since November 1986, and has worked as an independent public accountant since 1975. Mr. Carter has been President of TOCCO and its subsidiaries since 1987, prior to which time he served from October 1983 as Treasurer and Controller of those companies. Mr. Carter has been employed by TOCCO and its subsidiaries since 1977.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act 1934 requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. To the best of the Company's knowledge, during the fiscal year ended December 31, 2001, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

ITEM 11. EXECUTIVE COMPENSATION.

The following information summarizes annual compensation for services in all capacities to the Company for the fiscal years ended December 31, 2001, 2000 and 1999 of the Chief Executive Officer and the other four most highly compensated executive officers of the Company:

SUMMARY COMPENSATION TABLE

<Table>
<Caption>

NAME AND PRINCIPAL POSITION(1)	YEAR	SALARY (\$)(2)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)	RESTRICTED STOCK AWARD (\$)	SECURITIES UNDERLYING OPTIONS/SARS (#)	LONG-TERM INCENTIVE PLAN PAYOUTS (\$)	ALL OTHER COMPENSATION (\$)(3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Hatem El-Khalidi, President and Chief Executive Officer	2001	\$72,000	--	--	--	--	--	\$8,000
	2000	\$72,000	--	--	--	--	--	\$8,000
	1999	\$72,000	--	--	--	--	--	\$8,000
Nicholas N. Carter, President, TOCCO	2001	\$81,575	\$30,200	--	--	--	--	--
	2000	\$83,769	\$40,500	--	--	--	--	--
	1999	\$84,500	\$56,500	--	--	--	--	--

</Table>

- (1) Except for Mr. Carter, no executive officer of the Company had total annual salary and bonus in excess of \$100,000 during the fiscal year ended December 31, 2001.
- (2) Includes \$38,004, \$44,904 and \$61,947 in compensation for the fiscal years ended December 31, 1999, December 31, 2000 and December 31, 2001, respectively, that was deferred at the election of Mr. El-Khalidi. All present deferred compensation owing to Mr.

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El-Khalidi aggregating \$788,618 is considered, and future deferred compensation owing to Mr. El-Khalidi, if any, will be considered payable to Mr. El-Khalidi on demand.

- (3) Includes \$8,000 in termination benefits for each of the fiscal years ended December 31, 1999, December 31, 2000 and December 31, 2001, respectively, that was accrued for Mr. El-Khalidi in accordance with Saudi Arabian employment laws. The total amount of accrued termination benefits due to Mr. El-Khalidi as of December 31, 2001 was \$260,000.

In accordance with Saudi Arabian employment laws, the Company is required to accrue termination benefits for Mr. El-Khalidi. The amount accrued for the benefit of Mr. El-Khalidi is based on the number of years of service and compensation. Accrued benefits are payable upon termination of employment.

The Company has engaged in other transactions and entered into other arrangements, directly or indirectly, with its officers and directors, the primary purpose of certain of which was to provide additional compensation to such persons. See "Certain Relationships and Related Transactions."

The Company is authorized to pay its non-employee directors a fee of \$200 for each Board meeting and \$100 for each committee meeting which they attend, in addition to reimbursing them for expenses incurred in connection with their attendance.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTIONS/SAR VALUES

The following table shows information concerning the exercise of stock options during the fiscal year ended December 31, 2001 by the executive officers named in the Summary Compensation Table and the estimated value of unexercised options held by such individuals at year-end:

<Table>
<Caption>

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END (#) EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FY-END (\$) (1) EXERCISABLE/ UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>
Hatem El-Khalidi.....	0	0	425,000/0	\$0/0
Nicholas N. Carter.....	0	0	10,000/0	\$0/0

- (1) Based on the closing price of \$.15 of the Company's Common Stock on the OTC Bulletin Board on December 31, 2001.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth, as of March 31, 2002, information as to the beneficial ownership of the Company's Common Stock by each person known by the Company to beneficially own more than 5% of the Company's outstanding Common

Stock, by each of the Company's executive officers named in the Summary Compensation Table, by each of the Company's directors and by all directors and executive officers of the Company as a group.

<Table>
<Caption>

NAME AND ADDRESS OF BENEFICIAL OWNER -----	SHARES BENEFICIALLY OWNED (1) -----	PERCENT OF CLASS -----
<S>	<C>	<C>
Fahad Mohammed Saleh Al-Athel..... P. O. Box 61659 Riyadh, Saudi Arabia	3,370,000	14.8%
Mohammad Salem ben Mahfouz..... c/o National Commercial Bank Jeddah, Saudi Arabia	1,500,000	6.6%
Estate of Kamal Adham..... P. O. Box 1528 Jeddah, Saudi Arabia	1,328,000	5.8%
Harb S. Al Zuhair..... P.O. Box 3750 Riyadh, Saudi Arabia	1,300,000	5.7%
Prince Talal Bin Abdul Aziz..... P. O. Box 930 Riyadh, Saudi Arabia	1,272,680	5.6%
Hatem El-Khalidi..... 10830 North Central Expressway Suite 175 Dallas, Texas 75231	474,000 (2)	2.0%
John A. Crichton..... 10830 North Central Expressway Suite 175 Dallas, Texas 75231	650	*
Mohammed O. Al-Omair..... 10830 North Central Expressway Suite 175 Dallas, Texas 75231	35,000 (3)	*
Ghazi Sultan..... 10830 North Central Expressway Suite 175 Dallas, Texas 75231	35,000 (4)	*
Nicholas N. Carter..... 10830 North Central Expressway Suite 175 Dallas, Texas 75231	34,500	*
All directors and executive officers as a group (6 persons).....	604,150 (5)	2.6%

</Table>

* Less than 1%.

- (1) Unless otherwise indicated, to the knowledge of the Company, all shares are owned directly and the owner has sole voting and investment power.
- (2) Includes 400,000 shares which Mr. El-Khalidi has the right to acquire through the exercise of presently exercisable stock options. Excludes 385,000 shares owned by Ingrid El-Khalidi, Mr. El-Khalidi's wife, and 443,000 shares owned by relatives of Hatem El-Khalidi.
- (3) Includes 10,000 shares which Mr. Al-Omair has the right to acquire through the exercise of a presently exercisable stock option.
- (4) Includes 10,000 shares which Mr. Sultan has the right to acquire through the exercise of a presently exercisable stock option.
- (5) Includes 445,000 shares which certain directors and executive officers have the right to acquire through the exercise of stock options or other rights exercisable presently or within 60 days. Excludes 385,000 shares owned by Ingrid El-Khalidi, the wife of Hatem El-Khalidi, the President, Chief Executive Officer and a director of the Company, and 443,000 shares owned by relatives of Hatem El-Khalidi.

Based on its stock ownership records, the Company believes that, as of March 31, 2002, Saudi Arabian stockholders currently hold approximately 62% of the Company's outstanding Common Stock, without giving effect to the exercise of presently exercisable stock options held by certain of such stockholders. Accordingly, if all or any substantial part of the Saudi Arabian stockholders

were considered as a group, they could be deemed to "control" the Company as that term is defined in regulations promulgated by the Securities and Exchange Commission. Although they have orally waived their rights, certain of the Company's Saudi Arabian stockholders are parties to written agreements providing them with the right to purchase their proportionate share of additional shares sold by the Company.

The management of the Company has welcomed the substantial stock investment by its Saudi stockholders. Saudi investors have contributed vitally needed capital to the Company since 1974. Whether the Company's Saudi stockholders will be a continuing source of future capital is not known at this time. In confronting the need for additional funds, management of the Company will follow the policy of considering all potential sources consistent with prudent business practice and the best interests of all its stockholders. In the course of considering

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methods of future financing and other matters relating to the operations of the Company, management of the Company anticipates that in the ordinary course of business it will receive recommendations and suggestions from its principal stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Company directly owns approximately 51% of the outstanding capital stock of Pioche. Mr. John A. Crichton is currently a director and President of Pioche, and Mr. Hatem El-Khalidi is currently a director and Executive Vice President of Pioche. The Company is providing the funds necessary to cover the Pioche operations. During 2001 and 2000, the Company made payments of approximately \$10,300 and \$22,900, respectively, for such purposes. As partial consideration for the forgiveness of indebtedness, in July 1990 Pioche granted the Company an option to purchase an additional 720,000 shares of its Common Stock at an exercise price of \$.20 per share, which option is exercisable until June 1, 2002. As of December 31, 2001, Pioche owed the Company \$187,361 as a result of advances made by the Company. The indebtedness bears no interest.

Pursuant to a sharing arrangement, the Company and its subsidiaries share personnel, office space and other overhead expenses in Dallas, Texas with Mr. John A. Crichton, Chairman of the Board of the Company. Monthly rental on the office space is approximately \$1,600. The Company pays \$1,100 per month for rent and \$980 per month for personnel and other overhead expenses pursuant to such arrangement.

During 2001, South Hampton incurred product transportation costs of approximately \$403,900 with Silsbee Trading and Transportation Corp. ("STTC"), a private trucking and transportation carrier in which Nicholas N. Carter, the President of TOCCO, and Richard Crain, Vice President of TOCCO, each have a 50% equity interest. Pursuant to a lease agreement, South Hampton leases transportation equipment from STTC at a rate of approximately \$33,300 per month, subject to adjustment. Under the lease arrangement, STTC provides the transportation equipment and all normal maintenance on such equipment and South Hampton provides the drivers, fuel, management of transportation operations and insurance on the transportation equipment. Approximately 99% of STTC's income will be derived from such lease arrangement. The Company believes that the terms of the lease arrangement are no less favorable in any material respect than those which could be obtained from an unaffiliated third party. The lease agreement is currently operating on a month-to-month basis while renewal options are being evaluated.

In September 2001, the Company acknowledged the receipt and cancellation of 57,000 partially paid shares of the Company's Common Stock from Mr. Hatem El-Khalidi, President, Chief Executive Officer and a director of the Company, in consideration for the cancellation of \$126,000 of indebtedness owed to the Company, which constituted a portion of the original purchase price paid by Mr. El-Khalidi to the Company for such shares, and a return of the remaining \$2,000 of the original purchase price paid by him.

During 2001, the Company borrowed \$100,000 from the wife of Mr. El-Khalidi, which amount bears interest at the rate of 9% per annum and is due upon demand.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

- (a) 1. The following financial statements are filed with this Report:
- Reports of Independent Certified Public Accountants.
- Consolidated Balance Sheets dated December 31, 2001 and 2000.
- Consolidated Statements of Operations for the three years ended December 31, 2001.

Consolidated Statement of Stockholders' Equity for
the three years ended December 31, 2001.

Consolidated Statements of Cash Flows for the three
years ended December 31, 2001.

Notes to Consolidated Financial Statements.

2. The following financial statement schedules are filed with
this Report:
- Schedule II -- Valuation and Qualifying Accounts for the three
years ended December 31, 2001.
3. Independent Auditors' Report covering the financial statements
of Productos Quimicos Coin, S.A. de C.V.
4. The following documents are filed or incorporated by reference
as exhibits to this Report. Exhibits marked with an asterisk
(*) are management contracts or a compensatory plan, contract
or arrangement.

EXHIBIT NUMBER	DESCRIPTION
3(a)	- Certificate of Incorporation of the Company as amended through the Certificate of Amendment filed with the Delaware Secretary of State on July 19, 2000 (incorporated by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 0-6247)).
3(b)	- Bylaws of the Company, as amended through March 4, 1998 (incorporated by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).

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EXHIBIT NUMBER	DESCRIPTION
10(a)	- Contract dated July 29, 1971 between the Company, National Mining Company and Petromin (incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(b)	- Loan Agreement dated January 24, 1979 between the Company, National Mining Company and the Government of Saudi Arabia (incorporated by reference to Exhibit 10(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(c)	- Mining Lease Agreement effective May 22, 1993 by and between the Ministry of Petroleum and Mineral Resources and the Company (incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(d)	- Stock Option Plan of the Company, as amended (incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(e)	- 1987 Non-Employee Director Stock Plan (incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(f)	- Phantom Stock Plan of Texas Oil & Chemical Co. II, Inc. (incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(g)	- Agreement dated March 10, 1988 between Chevron Research Company and South Hampton Refining Company, together with related form of proposed Contract of Sale by and between Chevron Company and South Hampton Refining Company (incorporated by reference to

Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).

- 10 (h) - Addendum to the Agreement Relating to AROMAX(R) Process - Second Commercial Demonstration dated June 13, 1989 by and between Chevron Research Company and South Hampton Refining Company (incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).

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EXHIBIT NUMBER	DESCRIPTION
10 (i)	- Vehicle Lease Service Agreement dated September 28, 1989 by and between Silsbee Trading and Transportation Corp. and South Hampton Refining Company (incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (j)	- Letter Agreement dated May 3, 1991 between Sheikh Kamal Adham and the Company (incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (k)	- Promissory Note dated February 17, 1994 from Hatem El-Khalidi to the Company (incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (l)	- Letter Agreement dated August 15, 1995 between Hatem El-Khalidi and the Company (incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (m)	- Letter Agreement dated August 24, 1995 between Sheikh Kamal Adham and the Company (incorporated by reference to Exhibit 10(m) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (n)	- Letter Agreement dated October 23, 1995 between Sheikh Fahad Al-Athel and the Company (incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (o)	- Letter Agreement dated November 30, 1996 between Sheikh Fahad Al-Athel and the Company.
10 (p)	- Stock Purchase Agreement dated as of January 25, 2000 between Spechem, S.A. de C.V. and Texas Oil and Chemical Co. II, Inc. (incorporated by reference to Exhibit 10(p) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).

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EXHIBIT NUMBER	DESCRIPTION
10 (q)	- Loan and Security Agreement dated as of December 30, 1999 by and among Heller Financial Leasing, Inc., South Hampton Refining Company and the Gulf State Pipe Line Company, Inc., together with related Promissory Note, Guaranty made by the Company, Guaranty made by American Shield Refining Company, Guaranty made by Texas Oil and Chemical Co. II, Inc., Pledge Agreement made by Texas Oil and Chemical Co. II, Inc., Pledge Agreement made by South Hampton

Refining Company, Ground Lease, Sub-Ground Lease and Hazardous Materials Indemnity Agreement (incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).

- (a) Agreement dated as of April 1, 2001 among South Hampton Refining Company, Gulf State Pipe Line Company and Heller Financial Leasing, Inc., together with Amended and Restated Promissory Note (incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (File No. 0-6247)).
- 10(r) - Loan Agreement dated as of September 30, 1999 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note, Security Agreement, Arbitration Agreement and Guaranty Agreement made by Texas Oil and Chemical Co. II, Inc. (incorporated by reference to Exhibit 10(r) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
- (a) First Amendment to Loan Agreement dated June 20, 2000 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note, Security Agreement, Arbitration Agreement and Guaranty Agreement made by Texas Oil and Chemical Co. II, Inc. (incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 (File No. 0-6247)).
- (b) Second Amendment to Loan Agreement dated as of May 31, 2001 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note (incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (File No. 0-6247)).

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EXHIBIT
NUMBER

DESCRIPTION

- (c) Third Amendment to Loan Agreement dated as of July 31, 2001 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note (incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No. 0-6247)).
- (d) Fourth Amendment to Loan Agreement dated as of October 31, 2001 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note.
- (e) Fifth Amendment to Loan Agreement dated as of December 31, 2001 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note.
- 21 - Subsidiaries.
- (b) No reports on Form 8-K were filed during the last quarter of the period covered by this Report.

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of Arabian American Development Company, a Delaware corporation, and the undersigned directors and officers of Arabian American Development Company, hereby constitutes and appoints John A. Crichton its or his true and lawful attorney-in-fact and agent, for it or him and in its or his name, place and stead, in any and all

capacities, with full power to act alone, to sign any and all amendments to this Report, and to file each such amendment to the Report, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises as fully to all intents and purposes as it or he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARABIAN AMERICAN DEVELOPMENT COMPANY

By: /s/ HATEM EL-KHALIDI

 Hatem El-Khalidi
 President and Chief Executive Officer

Dated: July 2, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Company in the capacities indicated on July 2, 2002.

<Table> <Caption>	SIGNATURE -----	TITLE -----
<S>	/s/ HATEM EL-KHALIDI ----- Hatem El Khalidi	<C> President, Chief Executive Officer and Director (principal executive officer)
	/s/ DREW WILSON, JR. ----- Drew Wilson, Jr.	Secretary and Treasurer (principal financial and accounting officer)
	/s/ JOHN A. CRICHTON ----- John A. Crichton	Chairman of the Board and Director
	/s/ MOHAMMED O. AL-OMAIR ----- Mohammed O. Al-Omair	Director
	/s/ GHAZI SULTAN ----- Ghazi Sultan	Director

</Table>

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
 Arabian American Development Company

We have audited the accompanying consolidated balance sheets of Arabian American Development Company and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Productos Quimicos Coin S.A. de. C.V. (Coin), a majority-owned subsidiary, as of December 31, 2001, or for the year then ended, the statements of which reflect total assets and revenues constituting ten percent and five percent, respectively, of the consolidated totals. These statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to amounts included for Coin, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a

test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Arabian American Development Company and Subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company incurred a loss of \$2,095,128 in 2001 and had an excess of current liabilities over current assets at December 31, 2001. As discussed in Notes 2 and 8 to the financial statements, the Company was not in compliance with certain covenants in its loan agreements. If resolution with the lender is not achieved, and the Company does not generate positive cash flow adequate for its operations and loan obligations, the Company will have to raise debt or equity capital. There is no assurance that capital would be available. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

GRANT THORNTON LLP

Dallas, Texas
April 10, 2002

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<Table>
<Caption>

ASSETS	DECEMBER 31,	
	2001	2000
		(Restated, see Note 17)
	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$ 199,529	\$ 158,977
Trade receivables	4,437,562	5,239,769
Inventories	723,313	960,494
	-----	-----
Total current assets	5,360,404	6,359,240
REFINERY PLANT, PIPELINE AND EQUIPMENT - AT COST	17,704,363	17,248,891
LESS ACCUMULATED DEPRECIATION	(6,945,934)	(5,570,930)
	-----	-----
REFINERY PLANT, PIPELINE AND EQUIPMENT, NET	10,758,429	11,677,961
AL MASANE PROJECT	35,498,808	35,304,240
OTHER INTERESTS IN SAUDI ARABIA	2,431,248	2,431,248
MINERAL PROPERTIES IN THE UNITED STATES	1,210,969	1,282,142
OTHER ASSETS	487,825	543,864
	-----	-----
TOTAL ASSETS	\$ 55,747,683	\$ 57,598,695
	=====	=====

</Table>

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CONSOLIDATED BALANCE SHEETS

<Table>
<Caption>

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31,	
	2001	2000
		(Restated, see Note 17)
<S>	<C>	<C>
CURRENT LIABILITIES		
Accounts payable - trade	\$ 5,197,981	\$ 5,306,121
Accrued liabilities	2,913,145	1,644,418
Accrued liabilities in Saudi Arabia	2,308,774	1,903,864
Notes payable	11,743,780	11,923,780
Current portion of long-term debt	7,598,768	8,060,981
Total current liabilities	29,762,448	28,839,164
DEFERRED REVENUE	120,872	131,401
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	853,362	999,011
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY		
Common stock - authorized, 40,000,000 shares of \$.10 par value; issued and outstanding, 22,431,994 shares in 2001 and 22,488,994 shares in 2000	2,243,199	2,248,899
Additional paid-in capital	36,512,206	36,523,606
Accumulated deficit	(13,238,514)	(11,143,386)
Accumulated other comprehensive loss	(505,890)	--
Total stockholders' equity	25,011,001	27,629,119
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 55,747,683	\$ 57,598,695

</Table>

The accompanying notes are an integral part of these statements.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

<Table>
<Caption>

	2001	2000	1999
		(Restated, see Note 17)	
<S>	<C>	<C>	<C>
Revenues			
Refined product sales	\$ 28,982,357	\$ 40,267,342	\$ 26,302,862
Processing fees	3,730,311	2,344,469	1,487,804
	32,712,668	42,611,811	27,790,666
Operating costs and expenses			
Cost of refined product sales and processing	28,327,172	40,715,332	21,352,555
General and administrative	3,717,822	3,665,642	2,933,616
Depreciation	1,381,469	1,258,953	719,793
	33,426,463	45,639,927	25,005,964
Operating income (loss)	(713,795)	(3,028,116)	2,784,702
Other income (expense)			
Interest income	44,534	104,795	65,052
Interest expense	(1,506,544)	(1,411,912)	(155,829)
Minority interest	145,649	126,537	2,245

Foreign exchange transaction loss	(104,979)	(96,044)	--
Miscellaneous income	40,007	16,696	327,297
	(1,381,333)	(1,259,928)	238,765
Income (loss) before income taxes	(2,095,128)	(4,288,044)	3,023,467
Income tax expense	--	--	283,114
Net income (loss)	\$ (2,095,128)	\$ (4,288,044)	\$ 2,740,353
Income (loss) per common share:			
Basic	\$ (0.09)	\$ (0.19)	\$ 0.12
Diluted	\$ (0.09)	\$ (0.19)	\$ 0.12
Weighted average number of common shares outstanding:			
Basic	22,768,858	22,673,033	22,026,114
Diluted	22,768,858	22,673,033	22,604,240

</Table>

The accompanying notes are an integral part of this statement.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

<Table>
<Caption>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
	SHARES	AMOUNT				
<S> January 1, 1999	<C> 22,019,494	<C> \$ 2,201,949	<C> \$ 36,101,150	<C> \$ (9,595,695)	<C> \$ --	<C> \$ 28,707,404
Common stock sold	500	50	356	--	--	406
Net income	--	--	--	2,740,353	--	2,740,353
December 31, 1999	22,019,994	2,201,999	36,101,506	(6,855,342)	--	31,448,163
Common stock issued on debt conversion	469,000	46,900	422,100	--	--	469,000
Net loss (Restated, see Note 17)	--	--	--	(4,288,044)	--	(4,288,044)
December 31, 2000 (Restated, see Note 17)	22,488,994	2,248,899	36,523,606	(11,143,386)	--	27,629,119
Comprehensive loss						
Net loss	--	--	--	(2,095,128)	--	(2,095,128)
Fair value adjustments of derivatives	--	--	--	--	(845,397)	(845,397)
Reclassification adjust- ments for realized losses	--	--	--	--	339,507	339,507
Comprehensive loss						(2,601,018)
Common stock cancelled in settlement of receivable	(57,000)	(5,700)	(11,400)	--	--	(17,100)
December 31, 2001	22,431,994	\$ 2,243,199	\$ 36,512,206	\$ (13,238,514)	\$ (505,890)	\$ 25,011,001

</Table>

The accompanying notes are an integral part of these statements.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

<Table>
<Caption>

	2001	2000	1999
	-----	-----	-----
		(Restated, see Note 17)	
<S>	<C>	<C>	<C>
Operating activities			
Net income (loss)	\$ (2,095,128)	\$ (4,288,044)	\$ 2,740,353
Adjustments for non-cash transactions			
Depreciation	1,381,469	1,258,953	719,793
Increase (decrease) in deferred revenue	(10,529)	(34,434)	67,158
Effects of changes in operating assets and liabilities			
Decrease (increase) in trade receivables	802,207	1,029,691	(1,528,121)
Decrease (increase) in inventories	237,181	30,900	(566,682)
Decrease (increase) in other assets	56,039	(74,761)	(7,273)
Increase in accounts payable and accrued liabilities	654,694	2,302,892	438,544
Increase (decrease) in accrued liabilities in Saudi Arabia	276,910	304,823	(79,329)
Other	(43,694)	(102,525)	(42,809)
	-----	-----	-----
Net cash provided by operating activities	1,259,149	427,495	1,741,634
	-----	-----	-----
Investing activities			
Proceeds from sale of short-term investments	--	20,597	10,039
Purchase of business (net of cash acquired)	--	(2,279,665)	--
Additions to Al Masane Project	(544,568)	(682,905)	(499,834)
Additions to refinery plant, pipeline and equipment (Additions to) reduction in mineral properties in the United States	(455,472)	(2,743,405)	(2,206,822)
	71,173	16,866	(18,352)
	-----	-----	-----
Net cash used in investing activities	(928,867)	(5,668,512)	(2,714,969)
	-----	-----	-----
Financing activities			
Common stock sold	--	--	406
Additions to notes payable and long-term obligations	285,940	3,338,644	4,250,000
Reduction of notes payable and long-term obligations	(575,670)	(1,872,963)	(1,250,000)
	-----	-----	-----
Net cash provided by (used in) financing activities	(289,730)	1,465,681	3,000,406
	-----	-----	-----
Net increase (decrease) in cash	40,552	(3,775,336)	2,027,071
Cash and cash equivalents at beginning of year	158,977	3,934,313	1,907,242
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 199,529	\$ 158,977	\$ 3,934,313
	=====	=====	=====

</Table>

The accompanying notes are an integral part of these statements.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BUSINESS AND OPERATIONS OF THE COMPANY

Arabian American Development Company (the "Company") was organized as a Delaware corporation in 1967. The Company's principal business activities include refining various specialty petrochemical products (also referred to as the "Refining Segment") and developing mineral properties in Saudi Arabia and the United States (also referred to as the "Mining Segment"). All of its

mineral properties are presently undeveloped and require significant capital expenditures before beginning any commercial operations (see Notes 2, 6 and 7).

The Company's Refining Segment activities are primarily conducted through a wholly-owned subsidiary, American Shield Refining Company (the "Refining Company"), which owns all of the capital stock of Texas Oil and Chemical Co. II, Inc. ("TOCCO"). TOCCO owns all of the capital stock of South Hampton Refining Company ("South Hampton"), and 92% of the capital stock of Productos Químicos Coin S.A. de C.V. ("Coin"), which was acquired on January 25, 2000 for \$2.5 million. South Hampton owns all of the capital stock of Gulf State Pipe Line Company, Inc. ("Gulf State"). South Hampton owns and operates a specialty petrochemical products refinery near Silsbee, Texas that is one of the largest domestic manufacturers of pentanes. Gulf State owns and operates three pipelines that connect the South Hampton refinery to a natural gas line, to South Hampton's truck and rail loading terminal and to a marine terminal owned by an unaffiliated third party. Coin owns and operates a specialty petrochemical products refinery in Coatzacoalcos, on the Yucatan Peninsula near Veracruz, Mexico. The Company also owns approximately 51% of the capital stock of a Nevada mining company, Pioche-Ely Valley Mines, Inc. ("Pioche"), which does not conduct any substantial business activity. On October 26, 2001, American Shield Coal Company, a wholly-owned subsidiary, was merged into the Company. Pioche and the Company's mineral properties in Saudi Arabia constitute its Mining Segment.

The Company consolidates all subsidiaries for which it has majority ownership or voting control that is other than temporary. All material intercompany accounts and transactions are eliminated.

NOTE 2 - LIQUIDITY MATTERS, REALIZATION OF ASSETS AND BUSINESS RISKS

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements, the Company incurred a loss of \$2,095,128 in 2001 and had an excess of current liabilities over current assets of \$24,402,044 at December 31, 2001. As discussed in Note 8, the Company was not in compliance with certain covenants in its loan agreements. If resolution with the lender is not achieved, and the Company does not continue to generate positive cash flow adequate for its operations and loan obligations, the Company will have to raise debt or equity capital. There is no assurance that capital would be available.

Historically, the Company's cash flows from operating activities have been insufficient to meet its operating needs, planned capital expenditures and debt service requirements. The Company has continually sought additional debt and equity financing in order to fund its mineral development and other investing activities and experienced difficulties obtaining additional financing. The Company presently needs additional financing in order to fund its planned mineral development activities and other activities.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 2 - LIQUIDITY MATTERS, REALIZATION OF ASSETS AND BUSINESS RISKS - CONTINUED

The Company's mining segment is in the development stage. Its most significant asset is the Al Masane mining project in Saudi Arabia, which is a net user of the Company's available cash and capital resources. As discussed in Note 6, the Company intends to take steps to finance commercial development of the Al Masane mining project. However, there is no assurance the Company will be able to arrange financing.

Management is also addressing two other significant financing issues within this segment. These issues are the \$11.0 million note payable due the Saudi Arabian government and accrued salaries and termination benefits of approximately \$1,260,000 due employees working in Saudi Arabia (this amount does not include any amounts due the Company's President and Chief Executive Officer who also primarily works in Saudi Arabia and is owed accrued salaries and termination benefits of approximately \$1,049,000). The note payable was originally due in ten annual installments beginning in 1984. While the Company has not made any repayments, it has not received any payment demands or other communications from the Saudi government regarding the note payable. This is despite the fact the Company remains active in Saudi Arabia and received the Al Masane mining lease at a time when it had not made any of the agreed upon repayment installments. Based on its experience to date, management believes as long as the Company diligently attempts to explore and develop the Al Masane project that no repayment demand will be made. The Company has communicated to the Saudi government that its delay in repaying the note is a direct result of the government's lengthy delay in granting the Al Masane lease and requested formal

negotiations to restructure this obligation. Based on its interpretation of the Al Masane mining lease and other documents, management believes the government is likely to agree to link repayment of this note to the operating cash flows generated by the commercial development of the Al Masane project, which would result in a long-term installment repayment schedule. In the event the Saudi government were to demand immediate repayment of this obligation, which management considers unlikely, the Company would be unable to pay the entire amount due.

The second issue is the accrued salaries and termination benefits due employees working in Saudi Arabia. The Company plans to continue employing these individuals until it is able to generate sufficient excess funds to begin payment of this liability. Management will then begin the process of gradually releasing certain employees and paying its obligation as they are released from the Company's employment.

A significant component of the Company's assets consists of undeveloped mineral deposits. There is no assurance that the Company will ultimately successfully develop either the Al Masane project or any of the other properties discussed in Notes 6 and 7, and if, developed, whether the mineral acquisition, development and development costs incurred will be recovered. The recovery of these costs is dependent upon a number of factors and future events, many of which are beyond the Company's control. Furthermore, the Company's ability to develop and realize its investment in these properties is dependent upon (i) obtaining significant additional financing and (ii) attaining successful operations from one or more of these projects.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 2 - LIQUIDITY MATTERS, REALIZATION OF ASSETS AND BUSINESS RISKS - CONTINUED

The Company assesses the carrying values of its assets on an ongoing basis. Factors which may affect carrying values include, but are not limited to, mineral prices, capital cost estimates, the estimated operating costs of any mines and related processing, ore grade and related metallurgical characteristics, the design of any mines and the timing of any mineral production. Prices currently used to assess recoverability, based on production to begin no sooner than 2004, are \$1.04 per pound for copper and \$.60 per pound for zinc. Zinc and copper comprise in excess of 80% of the expected value of production. There are no assurances that, particularly in the event of a prolonged period of depressed mineral prices, the Company will not be required to take a material write-down of its mineral properties.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS - The Company's principal bank and short-term investing activities are with local and national financial institutions. Short-term investments with an original maturity of three months or less are classified as cash equivalents. At December 31, 2001 and 2000, there were no cash equivalents or short-term investments.

INVENTORIES - Refined products and feedstock are recorded at the lower of cost, determined on the last-in, first-out method (LIFO), or market.

MINERAL EXPLORATION AND DEVELOPMENT COSTS - All costs related to the acquisition, exploration, and development of mineral deposits are capitalized until such time as (1) the Company commences commercial exploitation of the related mineral deposits at which time the costs will be amortized, (2) the related project is abandoned and the capitalized costs are charged to operations, or (3) when any or all deferred costs are permanently impaired. At December 31, 2001, none of the projects had reached the commercial exploration stage. No indirect overhead or general and administrative costs have been allocated to any of the projects.

REFINERY PLANT, PIPELINE AND EQUIPMENT - Refinery plant, pipeline and equipment are stated at cost. Depreciation is provided over the estimated service lives using the straight-line method. Gains and losses from disposition are included in operations in the period incurred.

OTHER ASSETS - Other assets include catalysts used in refinery operations, prepaid expenses, a note receivable and certain refinery assets, which are being leased to a third party.

ENVIRONMENTAL LIABILITIES - Remediation costs are accrued based on estimates of known environmental remediation exposure. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred.

DEFERRED REVENUE - Deferred revenue represents funds advanced by two suppliers and customers to defray development and processing costs and are being amortized over five year and 15 year periods.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

STATEMENTS OF CASH FLOWS - In the statements of cash flows, cash includes cash held in the United States and Saudi Arabia. Significant noncash investing and financing activities in 2001 include the cancellation of 57,000 shares of common stock in exchange for a \$128,000 receivable from an officer of the Company. Transactions in 2000 include the issuance of 469,000 shares of common stock at \$1.00 per share for the conversion of \$469,000 of indebtedness.

NET INCOME (LOSS) PER SHARE - The Company computes basic income (loss) per common share based on the weighted-average number of common shares outstanding. Diluted income (loss) per common share is computed based on the weighted-average number of common shares outstanding plus the number of additional common shares that would have been outstanding if dilutive potential common shares, consisting of stock options and shares issuable upon conversion of debt, had been issued (Note 13).

FOREIGN CURRENCY AND OPERATIONS - The functional currency for each of the Company's subsidiaries is the US dollar. Transaction gains or losses as a result of remeasuring from the subsidiaries local currency to US dollar are reflected in the statement of operations as a foreign exchange transaction gain or loss. The Company does not employ any practices to minimize foreign currency risks.

The Company's foreign operations have been, and will continue to be, affected by periodic changes or developments in the country's political and economic conditions as well as changes in their laws and regulations. Any such changes could have a material adverse effect on the Company's financial condition, operating results or cash flows.

Saudi Arabian investors, including certain members of the Company's board of directors, own approximately 62% of the Company's outstanding common stock at December 31, 2001.

MANAGEMENT ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STOCK-BASED COMPENSATION - The Company accounts for employee stock options under the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 and has adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123 (Statement No. 123). Accordingly, the compensation expense of any employee stock options granted is the excess, if any, of the quoted market price of the Company's common stock at the grant date over the amount the employee must pay to acquire the stock.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DERIVATIVES - Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 requires all derivative financial instruments to be reported on the balance sheet at fair value. Changes in fair value are recognized either in earnings or equity, depending on the nature of the underlying exposure being hedged and the effectiveness of the hedge.

As required, the Company adopted SFAS No. 133 on January 1, 2001. As discussed in Note 16, all of the Company's derivatives are designated as cash flow hedges. Therefore, the effective portions of changes in the fair value of the derivatives are recorded in other comprehensive income (loss) and are recognized in the statement of operations when the hedged item affects income. Ineffective portions of changes in the fair value of cash flow hedges are immediately recognized in earnings. Effectiveness of hedges is determined by their success in offsetting the variability of cash flows associated with the hedged item. Hedge ineffectiveness had no effect on results of operation for 2001.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The Company's financial instruments include cash and cash equivalents, notes payable and long-term debt. The carrying amount of cash and cash equivalents approximates fair value at December 31, 2001 and 2000 due to the short-term maturity of these items.

The Company's long-term debt is variable rate debt, and as a result, fair value approximates carrying value. It is not practical to estimate the fair value of the Company's notes payable because quoted market prices do not exist for similar type debt instruments, and there are no available comparative instruments as a basis to value the notes.

NOTE 4 - CONCENTRATIONS OF REVENUES AND CREDIT RISK

The refining segment sells its products and services to companies in the chemical and plastics industries. It performs periodic credit evaluations of its customers and does not require collateral from its customers. The largest customer accounted for 12% of the total product sales in 2001, 10% in 2000 and 11% in 1999. Minimal credit losses have been incurred. The carrying amount of accounts receivable approximates fair value at December 31, 2001.

NOTE 5 - INVENTORIES

Inventories include the following at December 31:

<Table>
<Caption>

	2001 -----	2000 -----
<S>	<C>	<C>
Refined products	\$723,313 =====	\$960,494 =====

</Table>

At December 31, 2001 the LIFO inventory approximated current cost. At December 31, 2000, current cost exceeded the LIFO value by approximately \$178,000.

NOTE 6 - MINERAL EXPLORATION AND DEVELOPMENT COSTS IN SAUDI ARABIA

In the accompanying consolidated financial statements, the deferred exploration and development costs have been presented based on the related projects' geographic location within Saudi Arabia. This includes the "Al Masane Project" (the "Project") and "Other Interests in Saudi Arabia" which primarily pertains to the costs of rentals, field offices and camps, core drilling and labor incurred at the Wadi Qatan and Jebel Harr properties.

In 1971, the Saudi Arabian government awarded the Company exclusive mineral exploration licenses to explore and develop the Wadi Qatan area in southwestern Saudi Arabia. The Company was subsequently awarded an additional license in 1977 for an area north of Wadi Qatan at Jebel Harr. These licenses have expired. On June 22, 1999, the Company submitted a formal application for a five-year exclusive exploration license for the Greater Al Masane Area of approximately 2,850 square kilometers that surrounds the Al Masane mining lease area and includes the Wadi Qatan and Jebel Harr areas. Although a license has not been formally granted for the Greater Al Masane area, the Company has been authorized in writing by the Saudi Arabian government to carry out exploration work on the area. The Company previously worked the Greater Al Masane Area after obtaining written authorization from the Saudi Ministry of Petroleum and Mineral Resources, and has expended over \$3 million in exploration work. The application for the new exploration license is still pending and is expected to be acted upon after the new Saudi Arabian Mining Code is published, which is expected before the end of 2002. Geophysical and geochemical work and diamond core drilling on the Greater Al Masane area has revealed mineralization similar to that discovered at Al Masane. The Company intends to formalize its claims in these areas.

The Al Masane project, consisting of a mining lease area of approximately 44 square kilometers, contains extensive ancient mineral workings and smelters. From ancient inscriptions in the area, it is believed that mining activities went on sporadically from 1000 BC to 700 AD. The ancients are believed to have extracted mainly gold, silver and copper. The Project includes various quantities of proved zinc, copper, gold and silver reserves.

As the holder of the Al Masane mining lease, the Company is solely responsible to the Saudi Arabian government for the rental payments and other obligations provided for by the mining lease and repayment of the previously discussed \$11 million loan. The Company's interpretation of the mining lease is that repayment of this loan will be made in accordance with a repayment schedule to be agreed upon with the Saudi Arabian government from the Company's share of the project's cash flows. The initial term of the lease is for a period of thirty (30) years from May 22, 1993, with the Company having the option to renew or extend the term of the lease for additional periods not to exceed twenty (20) years. Under the lease, the Company is obligated to pay advance surface rental in the amount of 10,000 Saudi Riyals (approximately \$2,667 at the current exchange rate) per square

kilometer per year (approximately \$117,300 annually) during the period of the lease. At December 31, 2001, approximately \$308,000 of rental payments were in arrears. In addition, the Company must pay income tax in accordance with the income tax laws of Saudi Arabia then in force and pay all infrastructure costs. The Saudi Arabian Mining Code provides that income tax will not be due during the first stage of mining operations, which is the period of five years starting from the earlier of (i) the date of the first sale of products or (ii) the beginning of the fourth year since the issue of the mining lease. The lease gives the Saudi Arabian government priority to purchase any gold production from the project as well as the right to purchase up to 10% of the annual production of other minerals on the same terms and conditions then available to other similar buyers and at current prices then prevailing in the free market. Furthermore, the lease contains provisions requiring that preferences be given to Saudi Arabian suppliers and contractors, that the Company employ Saudi Arabian citizens and provide training to Saudi Arabian personnel.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 6 - MINERAL EXPLORATION AND DEVELOPMENT COSTS IN SAUDI ARABIA - CONTINUED

Pursuant to the mining lease agreement, when the Al Masane project is profitable the Company is obligated to form a Saudi public stock company with the Saudi Arabian Mining Company, a corporation wholly owned by the Saudi Arabian government (Ma'aden), as successor to and assignee of the mining interests formerly held by the Petroleum Mineral Organization ("Petromin"). Ma'aden is the Saudi Arabian government's official mining company. In 1994, the Company received instructions from the Saudi Ministry of Petroleum and Mineral Resources stating that it is possible for the Company to form a Saudi company without Petromin (now Ma'aden), but the sale of stock to the Saudi public could not occur until the mine's commercial operations were profitable for at least two years. The instructions added that Petromin (now Ma'aden) still had the right to purchase shares in the Saudi public stock company any time it desires. Title to the mining lease and the other obligations specified in the mining lease will be transferred to the Saudi public stock company. However, the Company would remain responsible for the repaying the \$11 million loan to the Saudi Arabian government.

When open market prices for the minerals to be produced by the Al Masane project improve to the average price levels experienced during the period from 1988 through 1997, the Company will attempt to locate a joint venture partner, form a joint venture and, together with the joint venture partner, attempt to obtain acceptable financing to commercially develop the project. There can be no assurances that the Company would be able to locate a joint venture partner, form a joint venture or obtain financing from SIDF or any other sources. In the meantime, the Company intends to maintain the Al Masane mining lease through the payment of the annual advance surface rental, the implementation of a drilling program to attempt to increase proven and probable reserves and improve the metallurgical recovery rates, which may improve the commercial viability of the project.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 6 - MINERAL EXPLORATION AND DEVELOPMENT COSTS IN SAUDI ARABIA - CONTINUED

Deferred exploration and development costs of the Al Masane Project at December 31, 2001, 2000 and 1999, and the changes in these amounts for each of the three years then ended are detailed below:

<Table>
<Caption>

	Balance at December 31, 2001	Activity for 2001	Balance at December 31, 2000	Activity for 2000	Balance at December 31, 1999	Activity for 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Property and equipment:						
Mining equipment	\$ 2,160,206		\$ 2,160,206		\$ 2,160,206	
Construction costs	3,140,493		3,140,493		3,140,493	
	-----		-----		-----	
Total	5,300,699		5,300,699		5,300,699	
Other costs:						
Labor, consulting services and project administration costs	\$ 21,115,106	\$ 193,082	\$ 20,922,024	\$ 681,040	\$ 20,240,984	\$ 496,832
Materials and maintenance	6,175,232	1,486	6,173,746	1,865	6,171,881	3,002
Feasibility study	2,907,771	--	2,907,771	--	2,907,771	--

Total	30,198,109	194,568	30,003,541	682,905	29,320,636	499,834
	\$ 35,498,808	\$ 194,568	\$ 35,304,240	\$ 682,905	\$ 34,621,335	\$ 499,834

</Table>

The deferred exploration and development costs of the "Other Interests in Saudi Arabia," in the total amount of approximately \$2.4 million, consist of approximately \$1.5 million associated with the Greater Al Masane area and the balance of approximately \$900,000 is associated primarily with the Wadi Qatan and Jebel Harr areas. In the event exploration licenses for these areas are not granted, then all or a significant amount of deferred development costs relating thereto may have to be written off. However, the Company believes it would be entitled to a refund of the amounts expended for development costs.

NOTE 7 - MINERAL PROPERTIES IN THE UNITED STATES

The principal assets of Pioche are an undivided interest in 48 patented and 5 unpatented mining claims totaling approximately 1,500 acres, and a 300 ton-per-day mill located on the aforementioned properties in the Pioche Mining District in southeast Nevada. In August 2001, 75 unpatented claims were abandoned since they were deemed to have no future value to Pioche. Due to the lack of capital, the properties held by Pioche have not been commercially operated for approximately 35 years. The Company has an option (which expires in June 2002) to buy 720,000 shares (approximately 10% of the outstanding shares) of Pioche common stock at \$0.20 per share.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 8 - NOTES PAYABLE, LONG-TERM DEBT AND LONG-TERM OBLIGATIONS

Notes payable, long-term debt and long-term obligations at December 31 are summarized as follows:

<Table>

<Caption>

	2001	2000
<S>	<C>	<C>
Notes payable:		
Secured note to Saudi Arabian government (See Note A)	\$ 11,000,000	\$ 11,000,000
Unsecured demand notes payable to Saudi investors	13,280	363,280
Unsecured notes to foreign investors (See Note B)	618,000	498,000
Other	112,500	62,500
Total	\$ 11,743,780	\$ 11,923,780
Long-term debt:		
Revolving bank notes (See Note C)	\$ 3,297,401	\$ 3,183,944
Revolving bank note (See Note D)	3,043,997	3,250,000
Secured note with commercial lender (See Note E)	1,257,370	1,627,037
Total	7,598,768	8,060,981
Less current portion	(7,598,768)	(8,060,981)
Total	\$ --	\$ --

</Table>

(A) The Company has an interest-free loan of \$11,000,000 from the Saudi Arabia Ministry of Finance and National Economy, the proceeds of which were used to finance the development phase of the Al Masane Project. The loan was repayable in ten equal annual installments of \$1,100,000, with the initial installment payable on December 31, 1984. None of the ten scheduled payments have been made. Pursuant to the mining lease agreement covering the Al Masane Project, the Company intends to repay the loan in accordance with a repayment schedule to be agreed upon with the Saudi Arabian government from its share of cash flows. An agreement has not yet been reached regarding either the rescheduling or source of these payments. The loan is collateralized by all of the Company's "movable and immovable" assets in Saudi Arabia.

(B) Represents loans payable to a shareholder of the Company for \$445,000, and the Company's President for \$53,000. The loans are due on demand with interest payable at the LIBOR rate plus 2%. Each loan provides for an option to convert the loan amount to shares of the Company's common stock at \$1.00 per share anytime within five years from the

date of the loan. Also includes new loans payable in 2001 to a shareholder of the Company for \$20,000 and to the wife of the Company's President for \$100,000, both of which are due on demand with interest at 9%.

- (C) Represents two loans payable to banks of \$1,253,306 and \$2,044,095, respectively. The first loan is payable in monthly payments through 2004. The second loan is payable in quarterly payments through 2007. The first loan bears interest at 5% and the second loan bears interest at the LIBOR rate plus seven points (LIBOR was 1.88% at December 31, 2001). Both loans are collateralized by all of the assets of Coin including the plant located in Coatzacoalcos, near Veracruz. Coin is in default of the loan covenants as a result of not having made its monthly and quarterly payments and has therefore classified the loans as current in the financial statements. Unpaid interest and penalty interest of \$1,251,386 has been accrued and is included in accrued liabilities.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 8 - NOTES PAYABLE, LONG-TERM DEBT AND LONG-TERM OBLIGATIONS - CONTINUED

- (D) South Hampton entered into a \$2.25 million revolving credit agreement with a Houston, Texas bank in September 1999 that is collateralized by a first security interest in certain of its assets. Interest (at the bank's prime rate plus .5%) is payable monthly. An amended agreement was entered into on June 30, 2000, which increased the total amount to \$3.25 million. A second amended agreement was entered into on May 31, 2001, which extended the due date from May 31, 2001 to July 31, 2001. The debt was not paid on July 31, 2001. A third amended agreement was entered into on July 31, 2001, which extended the due date to October 31, 2001. The debt was not paid on October 31, 2001. A fourth amended agreement was entered into on October 31, 2001, which extended the due date to December 31, 2001. The debt was not paid on December 31, 2001. A fifth amended agreement was entered into on December 31, 2001, which extended the due date to April 30, 2002. The agreement contains various restrictive covenants including the maintenance of various financial ratios, net worth and parent company distribution limitations. At December 31, 2001, South Hampton was not in compliance with the covenant relating to distributions to the parent company, and therefore, the debt is classified as current in the financial statements.
- (E) The Company entered into a \$3.5 million loan agreement with a commercial lending company in December 1999 that is collateralized by a first security interest in all of its assets, except those dedicated to the bank mentioned in Note D above. Interest is at 10.55% per annum. Principal and interest was payable in the original agreement in 47 consecutive monthly installments of \$89,696 from February 1, 2000 through January 2004. In January 2001, the Company advised the lender that certain events of default had occurred and requested the lender to suspend borrower's principal payments for the months of December 2000, January, February, March and April of 2001. During this period, interest only payments were made. For the months of May and June 2001, principal payments of \$25,000 each plus interest were made. With the lender's approval, the principal payments were adjusted at that time to fully amortize the outstanding principal balance during or prior to the initial term of the loan. The new agreement dated April 1, 2001 provides for principal and interest payments in the amount of \$58,340 on a monthly basis beginning July 1, 2001 and continuing until January 2004. At December 31, 2001, the Company was not in compliance with a covenant relating to distributions to the parent company, and therefore, the debt is classified as current in the financial statements.

Interest of \$975,102, \$977,216 and \$118,145 was paid in 2001, 2000, and 1999, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Company's Refining Segment leases various vehicles and equipment from a related party on a month to month basis at a monthly cost of approximate \$33,300. The Company's total rental costs were approximately \$418,000 in 2001, \$405,000 in 2000 and \$373,000 in 1999.

The Refining Segment has guaranteed a note payable of \$160,000 of a limited partnership in which South Hampton has a 19% interest.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 9 - COMMITMENTS AND CONTINGENCIES - CONTINUED

South Hampton, together with several other companies, is a defendant in five lawsuits filed in Jefferson County and Orange County, Texas in the period from December 1997 to December 2000 by former employees of the southeast Texas plants of Goodyear Tire & Rubber Company, Dupont, Atlantic Richfield and South Hampton. The suits claim illness and disease resulting from alleged exposure to chemicals, including benzene, butadiene and/or isoprene, during their employment. The plaintiffs claim that the companies engaged in the business of manufacturing, selling and/or distributing these chemicals in a manner which subjected them to liability for unspecified actual and punitive damages. One of the lawsuits brought in Jefferson County, Texas was settled in 2001, with South Hampton contributing \$10,000 toward the settlement. Another lawsuit is presently being settled in 2002 with South Hampton agreeing to pay a total of \$60,000 in quarterly payments by the end of the year. In February 2002, a new lawsuit was filed in Jefferson County, Texas, which contains claims similar to the other suits. South Hampton intends to vigorously defend itself against these lawsuits.

South Hampton spends a considerable amount of time and expense on environmental and regulatory functions and compliance. It is South Hampton's policy to accrue costs associated with regulatory compliance when those costs are reasonably determinable. At December 31, 2001 and 2000, \$216,840 was accrued. Amounts charged to expense were approximately \$227,000 in 2001, \$338,000 in 2000 and \$186,000 in 1999.

In 1993, while remediating a small spill area, the Texas Natural Resources Conservation Commission ("TNRCC") requested South Hampton to drill a well to check for groundwater contamination under the spill area. Based on the results, two pools of hydrocarbons were discovered in the groundwater. The recovery process was initiated in June 1998, and is expected to continue for several years until the pools are reduced to an acceptable level. In August 1997, the TNRCC notified South Hampton that it had violated various rules and procedures. It proposed administrative penalties totaling \$709,408 and recommended the South Hampton undertake certain actions necessary to bring its refinery operations into compliance. The violations generally relate to various air and water quality issues. Appropriate modifications have been made by South Hampton where it appeared there were legitimate concerns. South Hampton feels the penalty is greatly overstated and intends to vigorously defend itself against it. On February 2, 2000, the TNRCC amended its pending administrative action against South Hampton to add allegations dating through May 21, 1998 of 35 regulatory violations relating to air quality control and industrial solid waste requirements. The TNRCC proposes that administrative penalties be increased to approximately \$765,000 and that certain corrective actions be taken. A further amendment was made by the TNRCC on December 13, 2001 for further violations relating to air quality control and waste requirements. The TNRCC proposed that the administrative penalties be increased another \$59,000. South Hampton settled this particular claim with the TNRCC in April 2002 for approximately \$5,900. South Hampton believes the original penalty and the additional allegations are greatly overstated and intends to vigorously defend itself against these additional allegations, the proposed penalties and proposed corrective actions.

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 10 - STOCK OPTIONS

STOCK OPTIONS - The Company's Employee Stock Option Plan (the "Employee Plan") provides for the grant of incentive options at the market price of the stock on the date of grant and non-incentive options at a price not less than 85% of the market price of the stock on the date of grant. The Company has reserved up to 500,000 shares of common stock for grant pursuant to the Employee Plan. At December 31, 2001, 393,000 shares were reserved for grant. The options vest at such times and in such amounts as is determined by the Compensation Committee of the Board of Directors at the date of grant. The Employee Plan is registered with the Securities and Exchange Commission and expires May 16, 2003.

The Company has periodically granted stock options to various parties, including certain officers and directors, who have made loans to or performed critical services for the Company. Most of these options allow the parties to purchase common stock for \$1.00 per share.

Additional information with respect to all options outstanding at December 31, 2001, and changes for the three years then ended was as follows:

<Table>
<Caption>

	1999	
	Shares	Weighted average exercise price
<S>	<C>	<C>
Outstanding at beginning of year	1,580,000	\$ 1.08

Forfeited	(10,000)	2.50
Outstanding at end of year	1,570,000	\$ 1.07
Options exercisable at December 31, 1999	1,570,000	\$ 1.07

<Table>
<Caption>

	2000	
	Shares	Weighted average exercise price
<S>	<C>	<C>
Outstanding at beginning of year	1,570,000	\$ 1.07
Forfeited	(698,000)	1.00
Outstanding at end of year	872,000	\$ 1.07
Options exercisable at December 31, 2000	872,000	\$ 1.07

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 10 - STOCK OPTIONS - CONTINUED

<Table>
<Caption>

	2001	
	Shares	Weighted average exercise price
<S>	<C>	<C>
Outstanding at beginning of year	872,000	\$1.07
Outstanding at end of year	872,000	\$1.07
Options exercisable at December 31, 2001	872,000	\$1.07

Additional information about stock options outstanding at December 31, 2001 is summarized as follows:

<Table>
<Caption>

	Options outstanding and exercisable		
		Weighted average	
Range of exercise prices	Number	Remaining contractual life	Exercise price
<S>	<C>	<C>	<C>
\$1.00	745,000	6.2 years	\$1.00
\$1.38 to \$1.75	107,000	1.4 years	1.54
\$2.88 to \$3.75	20,000	1.6 years	3.32
	872,000		\$1.07

</Table>

NOTE 11 - INCOME TAXES

Income tax expense (benefit) for the years ended December 31, 2001, 2000, and 1999 differs from the amount computed by applying the applicable U.S. corporate income tax rate of 34% to net income before income taxes. The reasons for this difference are as follows:

<Table>
<Caption>

	2001 -----	2000 ----- (Restated, see Note 17)	1999 -----
<S>	<C>	<C>	<C>
Income taxes at U.S. statutory rate	\$ (712,344)	\$ (1,457,935)	\$ 1,027,979
State taxes	--	--	147,700
Net operating losses utilized	--	--	(929,278)
Net operating losses carried forward	706,608	1,452,371	--
Other items	5,736	5,564	36,713
	-----	-----	-----
Total tax expense	\$ --	\$ --	\$ 283,114
	=====	=====	=====

</Table>

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 11 - INCOME TAXES - CONTINUED

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities were as follows:

<Table>
<Caption>

	December 31,		
	2001 -----	2000 -----	1999 -----
<S>	<C>	<C>	<C>
Deferred tax liabilities:			
Refinery plant, pipeline and equipment	\$ (183,074)	\$ (383,437)	\$ (355,978)
Deferred tax assets:			
Accounts receivable	83,188	58,948	50,985
Mineral interests	196,446	196,446	196,446
Accrued liabilities	327,271	118,850	118,749
Net operating loss and contribution carryforwards	7,657,502	9,778,235	8,525,532
Tax credit carryforwards	232,871	341,398	325,789
Deferred gain on sale of property	80,701	90,542	99,570
Unrealized losses on swap agreements	172,003	--	--
	-----	-----	-----
Gross deferred tax assets	8,749,982	10,584,419	9,317,071
Valuation allowance	(8,566,908)	(10,200,982)	(8,961,093)
	-----	-----	-----
Net deferred tax assets	183,074	383,437	355,978
	-----	-----	-----
Net deferred taxes	\$ --	\$ --	\$ --
	=====	=====	=====

</Table>

The Company has provided a valuation allowance against the deferred tax assets because of uncertainties regarding their realization.

At December 31, 2001, the Company had approximately \$20,300,000 of net operating loss carryforwards. These carryforwards expire during the years 2002 through 2021. In addition, the Company has minimum tax credit carryforwards of approximately \$212,000 that may be carried over indefinitely. Approximately \$414,000 of the net operating loss carryforwards are limited to the income of TOCCO, and approximately \$2,010,000 are limited to the income of Coin. During 2001, net operating loss carryforwards of approximately \$6,975,000 expired.

The Company has no Saudi Arabian or Mexican tax liability.

NOTE 12 - SEGMENT INFORMATION

As discussed in Note 1, the Company has two business segments. The Company measures segment profit or loss as operating income (loss), which represents income (loss) before interest, miscellaneous income and minority interest.

Information on segments is as follows:

<Table>
<Caption>

December 31, 2001

	Refining	Mining	Total
<S>	<C>	<C>	<C>
Revenue from external customers	\$ 32,712,668	\$ --	\$ 32,712,668
Depreciation	1,379,201	2,268	1,381,469
Operating loss	(296,728)	(417,067)	(713,795)
Total assets	\$ 13,861,652	\$ 41,886,031	\$ 55,747,683

<Table>
<Caption>

December 31, 2000

	Refining	Mining	Total
	(Restated, see Note 17)		
<S>	<C>	<C>	<C>
Revenue from external customers	\$ 42,611,811	\$ --	\$ 42,611,811
Depreciation	1,256,472	2,481	1,258,953
Operating loss	(2,837,864)	(190,252)	(3,028,116)
Total assets	\$ 18,733,016	\$ 38,865,679	\$ 57,598,695

<Table>
<Caption>

December 31, 1999

	Refining	Mining	Total
<S>	<C>	<C>	<C>
Revenue from external customers	\$ 27,790,666	\$ --	\$ 27,790,666
Depreciation	717,705	2,088	719,793
Operating income (loss)	3,135,730	(351,028)	2,784,702
Total assets	\$ 11,640,497	\$ 41,207,712	\$ 52,848,209

Information regarding foreign operations for the years ended December 31, 2001, 2000 and 1999 follows (in thousands). Revenues are attributed to countries based upon the origination of the transaction.

<Table>
<Caption>

Year ended December 31,

	2001	2000	1999
<S>	<C>	<C>	<C>
Revenues			
United States	\$ 31,455	\$ 36,660	\$ 27,791
Mexico	1,258	5,951	--
Saudi Arabia	--	--	--
	\$ 32,713	\$ 42,611	\$ 27,791

</Table>

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 12 - SEGMENT INFORMATION - CONTINUED

<Table>
<Caption>

Year ended December 31,

	2001	2000	1999
<S>	<C>	<C>	<C>
Long-lived assets			
United States	\$ 6,739	\$ 7,381	\$ 6,326
Mexico	5,230	5,579	--
Saudi Arabia	37,930	37,735	37,052
	-----	-----	-----
	\$ 49,899	\$ 50,695	\$ 43,378
	=====	=====	=====

</Table>

NOTE 13 - NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per share has been calculated as follows:

<Table>
<Caption>

	2001	2000	1999
<S>	<C>	<C>	<C>
Basic		(Restated, see Note 17)	
Net income (loss)	\$ (2,095,128)	\$ (4,288,044)	\$ 2,740,353
Weighted average shares outstanding	22,768,858	22,673,033	22,026,114
Per share	\$ (.09)	\$ (.19)	\$.12
Diluted			
Net income (loss)	\$ (2,095,128)	\$ (4,288,044)	\$ 2,740,353
Add interest on convertible debt	--	--	36,434
Net income (loss) - diluted	\$ (2,095,128)	\$ (4,288,044)	\$ 2,776,787
Weighted average shares outstanding	22,768,858	22,673,033	22,026,114
Dilutive effect of convertible debt	--	--	511,280
Dilutive effect of stock options	--	--	66,846
Weighted average shares outstanding - diluted	22,768,858	22,673,033	22,604,240
Per share	\$ (.09)	\$ (.19)	\$.12

</Table>

In 2001, 2000 and 1999, options for 872,000, 872,000 and 1,180,000 shares, respectively were excluded from diluted shares outstanding because their effect was antidilutive.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 14 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

A summary of the Company's quarterly results of operations for the years ended December 31, 2001 and 2000 are as follows (in thousands, except per share data):

<Table>
<Caption>

	Year Ended December 31, 2001				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 8,361	\$ 8,841	\$ 7,477	\$ 8,034	\$ 32,713
Net loss	(903)	(207)	(408)	(577)	(2,095)
Basic and Diluted EPS	\$ (0.04)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.09)

</Table>

<Table>
<Caption>

	Year Ended December 31, 2000				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
				(Restated, see	
				see	

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 10,569	\$ 10,890	\$ 11,764	\$ 9,389	\$ 42,612		
Net loss	(477)	(320)	(1,199)	(2,292)	(4,288)		
Basic and Diluted EPS	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.10)	\$ (0.19)		

NOTE 15 - RELATED PARTY TRANSACTIONS

In 2001, the Company cancelled a receivable of \$128,000 from its President and Chief Executive Officer taken in payment several years ago for the purchase of 57,000 shares of common stock at approximately \$2.25 per share. Upon cancellation, the shares were returned to the Company. The Company's share price at that date was \$.30 which resulted in a charge to expense of approximately \$111,000.

Pursuant to a sharing arrangement, the Company shares personnel, office space and other overhead expenses in Dallas, Texas with the Company's Chairman of the Board. The Company paid approximately \$26,000, \$25,000 and \$23,000 in 2001, 2000 and 1999, respectively, pursuant to such arrangement.

South Hampton incurred product transportation costs of approximately \$404,000, \$391,000 and \$359,000 in 2001, 2000 and 1999, respectively, with a trucking and transportation company owned by two of TOCCO's officers.

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 16 - NATURAL GASOLINE SWAP AGREEMENTS

In July and October 2001, the Company entered into two swap agreements to limit the effect of significant fluctuations in natural gasoline prices. The agreements expire in January and July 2002. These agreements are designated as cash flow hedges. The Company's primary source of feedstock is natural gasoline. The effect of these agreements is to limit the Company's exposure by fixing the natural gasoline price of approximately 25,000 barrels (1,050,000 gallons) of feedstock per month over the term of the agreements. This amount of material approximates 50% of the Company's average monthly feedstock requirements. The agreements had no cost to the Company. During the year ended December 31, 2001, the Company recognized \$339,507 in additional expenses attributable to the difference between the actual natural gasoline prices and the fixed prices under the swap agreements. At December 31, 2001, the agreements had a total negative fair value of approximately \$506,000.

NOTE 17 - RESTATEMENT

During 2002, the Company became aware of an unrecorded accrual that existed at December 31, 2000 relating to fees payable to a lending institution as a result of one of the Company's subsidiaries being in default on its debt. The recording of the accrual resulted in an increase to the net loss of \$385,146 for the year ended December 31, 2000. As a result, the Company's financial statements as of December 31, 2000 and for the year then ended have been restated to correct this omission.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULES

Board of Directors and Stockholders
Arabian American Development Company

In connection with our audit of the consolidated financial statements of Arabian American Development Company and Subsidiaries referred to in our report dated April 10, 2002, which is included in the annual report to stockholders in Part II of this Form 10-K, we have also audited Schedule II at December 31, 2001, 2000, and 1999 and for the years then ended. In our opinion, this schedule presents fairly, in all material respects, the information required to be set forth therein.

Dallas, Texas
April 10, 2002

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ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Three years ended December 31, 2001

<Table>
<Caption>

Description	Beginning balance	Charged (credited) to earnings	Deductions	Ending balance
<S>	<C>	<C>	<C>	<C>
ALLOWANCE FOR DEFERRED TAX ASSET				
December 31, 1999	\$ 9,907,707	\$ --	\$ (946,614) (b)	\$ 8,961,093
December 31, 2000	8,961,093	1,452,371	(212,482) (a)	10,200,982
December 31, 2001	10,200,982	738,067	(2,372,141) (a)	8,566,908

</Table>

(a) Expiration of carryforwards

(b) Utilization of carryforwards

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[DESPACHO FREYSSINIER MORIN, S.C. LETTERHEAD]

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
PRODUCTOS QUIMICOS COIN, S.A. DE C.V.
MEXICO CITY, MEXICO

We have audited the statement of financial position of Productos Quimicos Coin, S.A. de C.V. as of December 31, 2001, and the related statements of income (loss) and comprehensive income (loss), changes in equity (deficit) and cash flows for the year then ended. These financial statements (not presented herein) are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and prepared in accordance with generally accepted accounting principles. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As described by the Company in note 2A1 to the financial statements are presented using accounting principles generally accepted in the United States of America and translated into U.S. dollars to comply with specific request by the shareholders. Separately, the Company has issued financial statements as of December 31, 2001 and for the year then ended in conformity with accounting principles generally accepted in Mexico and are expressed in Mexican currency as to which we have issued a qualified opinion on April 19, 2002.

As discussed in note 1 to the financial statements, the Company has reported accumulated losses for \$8,538,339, and the statement of financial position shows excess of current liabilities over current assets for \$5,510,943. Moreover, the Company has defaulted in meeting scheduled payments of principal and interest under certain loan agreements, as discussed in notes 8 and 9 to the financial statements. Accumulated losses exceed capital stock, which in conformity with

the provisions of Mexican General Corporate Law, these losses may represent cause for dissolution of the Company as a result of legal action followed by any business-related third party. During the period January through October 2001, no production activities were carried out. These activities were partially resumed in November. As a result of the preceding issues, and despite the fact that Company's holding company decided to capitalize intercompany debt in the amount of \$1,077,823 (purchase of inventory and working capital), the Company may be unable to continue its operations. The financial statements have been prepared on the basis applicable to a going concern and, accordingly, do not purport to give effect to adjustments relating to the valuation and reclassification of recorded liabilities that may be necessary in the event the Company could not continue its operations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Productos Quimicos Coin, S.A. de C.V. as of December 31, 2001, the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Despacho Freyssonier Morin, S.C.

/s/ C.P. JUAN PABLO SOTO

C.P. Juan Pablo Soto
Partner

[MRI LOGO]
Mexico City, Mexico
April 19, 2002

INDEX TO EXHIBITS

<Table>
<Caption>

EXHIBIT NUMBER -----	DESCRIPTION -----
<S>	<C>
3(a)	- Certificate of Incorporation of the Company as amended through the Certificate of Amendment filed with the Delaware Secretary of State on July 19, 2000 (incorporated by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 0-6247)).
3(b)	- Bylaws of the Company, as amended through March 4, 1998 (incorporated by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(a)	- Contract dated July 29, 1971 between the Company, National Mining Company and Petromin (incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(b)	- Loan Agreement dated January 24, 1979 between the Company, National Mining Company and the Government of Saudi Arabia (incorporated by reference to Exhibit 10(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(c)	- Mining Lease Agreement effective May 22, 1993 by and between the Ministry of Petroleum and Mineral Resources and the Company (incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(d)	- Stock Option Plan of the Company, as amended (incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(e)	- 1987 Non-Employee Director Stock Plan (incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(f)	- Phantom Stock Plan of Texas Oil & Chemical Co. II, Inc. (incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10(g)	- Agreement dated March 10, 1988 between

Chevron Research Company and South Hampton Refining Company, together with related form of proposed Contract of Sale by and between Chevron Company and South Hampton Refining Company (incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).

- 10 (h) - Addendum to the Agreement Relating to AROMAX(R) Process - Second Commercial Demonstration dated June 13, 1989 by and between Chevron Research Company and South Hampton Refining Company (incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).

</Table>

<Table>
<Caption>

EXHIBIT NUMBER	DESCRIPTION
-----	-----
<S>	<C>
10 (i)	- Vehicle Lease Service Agreement dated September 28, 1989 by and between Silsbee Trading and Transportation Corp. and South Hampton Refining Company (incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (j)	- Letter Agreement dated May 3, 1991 between Sheikh Kamal Adham and the Company (incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (k)	- Promissory Note dated February 17, 1994 from Hatem El-Khalidi to the Company (incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (l)	- Letter Agreement dated August 15, 1995 between Hatem El-Khalidi and the Company (incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (m)	- Letter Agreement dated August 24, 1995 between Sheikh Kamal Adham and the Company (incorporated by reference to Exhibit 10(m) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (n)	- Letter Agreement dated October 23, 1995 between Sheikh Fahad Al-Athel and the Company (incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
10 (o)	- Letter Agreement dated November 30, 1996 between Sheikh Fahad Al-Athel and the Company.
10 (p)	- Stock Purchase Agreement dated as of January 25, 2000 between Spechem, S.A. de. C.V. and Texas Oil and Chemical Co. II, Inc. (incorporated by reference to Exhibit 10(p) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).

</Table>

<Table>
<Caption>

EXHIBIT NUMBER	DESCRIPTION
-----	-----
<S>	<C>

- 10 (q)
 - Loan and Security Agreement dated as of December 30, 1999 by and among Heller Financial Leasing, Inc., South Hampton Refining Company and the Gulf State Pipe Line Company, Inc., together with related Promissory Note, Guaranty made by the Company, Guaranty made by American Shield Refining Company, Guaranty made by Texas Oil and Chemical Co. II, Inc., Pledge Agreement made by Texas Oil and Chemical Co. II, Inc., Pledge Agreement made by South Hampton Refining Company, Ground Lease, Sub-Ground Lease and Hazardous Materials Indemnity Agreement (incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
 - (a) Agreement dated as of April 1, 2001 among South Hampton Refining Company, Gulf State Pipe Line Company and Heller Financial Leasing, Inc., together with Amended and Restated Promissory Note (incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (File No. 0-6247)).
- 10 (r)
 - Loan Agreement dated as of September 30, 1999 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note, Security Agreement, Arbitration Agreement and Guaranty Agreement made by Texas Oil and Chemical Co. II, Inc. (incorporated by reference to Exhibit 10(r) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-6247)).
 - (a) First Amendment to Loan Agreement dated June 20, 2000 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note, Security Agreement, Arbitration Agreement and Guaranty Agreement made by Texas Oil and Chemical Co. II, Inc. (incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 (File No. 0-6247)).
 - (b) Second Amendment to Loan Agreement dated as of May 31, 2001 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note (incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (File No. 0-6247)).

</Table>

<Table>
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EXHIBIT NUMBER -----	DESCRIPTION -----
<S>	<C> <ul style="list-style-type: none"> - (c) Third Amendment to Loan Agreement dated as of July 31, 2001 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note (incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No. 0-6247)). - (d) Fourth Amendment to Loan Agreement dated as of October 31, 2001 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note. - (e) Fifth Amendment to Loan Agreement dated as of December 31, 2001 between South Hampton Refining Company and Southwest Bank of Texas, N.A., together with related Promissory Note.
21	- Subsidiaries.

</Table>

ARABIAN SHIELD DEVELOPMENT COMPANY

10830 North Central Expressway, Suite 175
Dallas TX, 75231
(214) 692-7872

November 15, 1996

Sheikh Fahad Al-Athel
P.O. Box 4900
Riyadh 11412
Saudi Arabia

Dear Sheikh Fahad Al-Athel:

Arabian Shield Development Company, a Delaware Corporation, agrees to sell you Four Hundred Fifty Thousands Shares (450,000) of its authorized and unissued common stock, par value \$.10 per share, and you agree to purchase such shares at the price of 1.00 Dollar (one) per share. Payment for these shares shall be made on the following schedule:

\$100,000 to be paid on the date of your signing; and
\$100,000 monthly thereafter.

These shares have not been registered under the United States Securities Act of 1933 (the "Act"), as amended, and are being sold to you in reliance upon one or more exemptions from the registration requirements of the Act, including but not limited to, the exemptions set forth in Regulation S relating to offers and sales made outside the United States of America.

By your execution of this letter agreement, you represent to the Company as follows:

1. You are not a citizen or resident of the United States of America;
2. You are purchasing the shares for your own account for investment and not with a view to the resale or distribution of the shares within, or to citizens or residents of, the United States of America;
3. You are not purchasing the shares for the account or benefit or a citizen or resident of the United States of America or any partnership or corporation organized or incorporated under the laws of any jurisdiction in the United States of America;

Sheikh Fahad Al-Athel
Page 2
November 15, 1996

4. At the time you are executing this letter agreement, you are outside the United States of America;
5. You have received or have had access to all information you consider necessary or advisable in order to enable you to make an informed decision concerning your purchase of the shares; and
6. You have such knowledge and experience in business and financial matters that you are capable of evaluating the merits and risks or investing in the shares, and you are able to bear the economic risk of investing in the shares.

You further agree that the shares may not be offered for sale, sold, or otherwise disposed of within or to United States citizens or residents unless the shares are subsequently registered under the Act or an exemption from registration is available. The certificate representing the shares will contain

a restrictive legend with respect to the foregoing. In the event that by reason of your acquisition of the shares you are required to make any filings pursuant to the United States Securities Exchange Act of 1934, as amended, the certificate representing the shares will not be issued to you until all applicable filing requirements have been satisfied.

Very truly yours,

ARABIAN SHIELD DEVELOPMENT COMPANY

By: /s/ Hatem El-Khalidi

AGREED TO:

By: /s/ Sheikh Fahad Al-Athel

Date: November 30, 1996

FOURTH AMENDMENT TO LOAN AGREEMENT

THIS FOURTH AMENDMENT TO LOAN AGREEMENT (this "Amendment"), dated as of October 31, 2001, is between SOUTH HAMPTON REFINING Co., a Texas corporation ("Borrower"), and SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Lender").

RECITALS:

A. Borrower and Lender entered into that certain Loan Agreement dated as of September 30, 1999, as amended by First Amendment to Loan Agreement dated as of June 20, 2000, Second Amendment to Loan Agreement dated as of May 31, 2001 and Third Amendment to Loan Agreement dated as of July 31, 2001 (the "Agreement").

B. Pursuant to the Agreement, Texas Oil & Chemical Co. II, Inc., a Texas corporation ("Guarantor") executed that certain Guaranty Agreement dated as of June 20, 2000 (the "Guaranty") pursuant to which Guarantor guaranteed to Lender the payment and performance of the Obligations (as defined in the Agreement).

C. Borrower and Lender now desire to amend the Agreement as herein set forth.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

Definitions

Section 1.1. Definitions, Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the meanings given to such terms in the Agreement, as amended hereby.

ARTICLE II.

Amendments

Section 2.1. Amendment to Certain Definitions. The definition of the term "Termination Date" contained in Section 1.1 of the Agreement is amended to read in its entirety as follows:

"Termination Date" means 11:00 a.m., Houston, Texas time on December 31, 2001, or such earlier date on which the Commitment terminates as provided in this Agreement.

Section 2.2. Amendment to Exhibits. Exhibit "A" (Note) to the Agreement is amended to conform in its entirety to Annex "A" to this Amendment.

ARTICLE III.

Conditions Precedent

Section 3.1. Conditions. The effectiveness of this Amendment is subject to the receipt by Lender of the following in form and substance satisfactory to Lender:

(a) Resolutions-Borrower. Resolutions of the Board of Directors of Borrower certified by its Secretary or an Assistant

Secretary which authorize the execution, delivery and performance by Borrower of this Amendment and the other Loan Documents to which Borrower is or is to be a party hereunder.

(b) Incumbency Certificate-Borrower. A certificate of incumbency certified by the Secretary or an Assistant Secretary of Borrower certifying the names and signatures of the officers of Borrower authorized to sign this Amendment and each of the other Loan Documents to which Borrower is or is to be a party hereunder.

(c) Certificates of Existence and Good Standing. Certificates of the appropriate governmental officials regarding the existence and good standing of Borrower in the state of Texas.

(d) Note. The Note executed by Borrower.

(e) Additional Information. Such additional documents, instruments and information as Lender may request.

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Section 3.2. Additional Conditions. The effectiveness of this Amendment is also subject to the satisfaction of the additional conditions precedent that (a) the representations and warranties contained herein and in all other Loan Documents, as amended hereby, shall be true and correct as of the date hereof as if made on the date hereof, (b) all proceedings, corporate or otherwise, taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to Lender, and (c) no Event of Default shall have occurred and be continuing and no event or condition shall have occurred that with the giving of notice or lapse of time or both would be an Event of Default.

ARTICLE IV.

Ratifications, Representations, and Warranties

Section 4.1. Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Agreement and except as expressly modified and superseded by this Amendment, the terms and provisions of the Agreement are ratified and confirmed and shall continue in full force and effect. Borrower and Lender agree that the Agreement as amended hereby shall continue to be the legal, valid and binding obligation of such Persons enforceable against such Persons in accordance with its terms.

Section 4.2. Representations, Warranties and Agreements. Borrower hereby represent and warrants to Lender that (a) the execution, delivery, and performance of this Amendment and any and all other Loan Documents executed or delivered in connection herewith have been authorized by all requisite action on the part of Borrower and will not violate the articles of incorporation or bylaws of Borrower, (b) the representations and warranties contained in the Agreement as amended hereby, and all other Loan Documents are true and correct on and as of the date hereof as though made on and as of the date hereof, (c) no Event of Default has occurred and is continuing and no event or condition has occurred that with the giving of notice or lapse of time or both would be an Event of Default, (d) Borrower is in full compliance with all covenants and agreements contained in the Agreement as amended hereby, (e) Borrower is indebted to Lender pursuant to the terms of the Note, as the same may have been renewed, modified, extended and rearranged, including, without limitation, renewals, modifications and extensions made pursuant to this Amendment, (f) the

liens, security interests, encumbrances and assignments created and evidenced by the Loan Document are, respectively, valid and subsisting liens, security interests, encumbrances and assignments and secure the Note as the same may have been renewed, modified or rearranged, including, without limitation, renewals, modifications and extensions made pursuant to this Amendment, and (g) Borrower has no claims, credits, offsets, defenses or counterclaims arising from the Loan Documents or Lender's performance under the Loan Documents.

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ARTICLE V.

Miscellaneous

Section 5.1. Survival of Representations and Warranties. All representations and warranties made in this Amendment or any other Loan Documents including any Loan Document furnished in connection with this Amendment shall fully survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Lender or any closing shall affect the representations and warranties or the right of Lender to rely on them.

Section 5.2. Reference to Agreement Each of the Loan Documents, including the Agreement and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Agreement, as amended hereby, are hereby amended so that any reference in such Loan Documents to the Agreement shall mean a reference to the Agreement, as amended, hereby.

Section 5.3. Expenses of Lender. As provided in the Agreement, Borrower agrees to pay on demand all costs and expenses incurred by Lender in connection with the preparation, negotiation and execution of this Amendment and the other documents and instruments executed pursuant hereto and any and all amendments, modifications and supplements thereto, including, without limitation, the costs and fees of Lender's legal counsel, and all costs and expenses incurred by Lender in connection with the enforcement or preservation of any rights under the Agreement, as amended hereby, or any other Loan Document, including, without limitation, the costs and fees of Lender's legal counsel.

Section 5.4. Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

SECTION 5.5. APPLICABLE LAW. THIS AMENDMENT AND ALL OTHER LOAN DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN HOUSTON, HARRIS COUNTY, TEXAS AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

Section 5.6. Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of Lender and Borrower and their respective successors and assigns, except Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of Lender.

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Section 5.7. Counterparts. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

Section 5.8. Effect of Waiver. No consent or waiver, express or implied, by Lender to or for any breach of or deviation from any covenant, condition or duty by Borrower shall be deemed a consent or waiver to or of any other breach of the same or any other covenant, condition or duty.

Section 5.9. Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 5.10. Document Imaging. Borrower and Guarantor, as applicable, understands and agrees that (i) Lender's document retention policy involves the imaging of executed loan documents and the destruction of the paper originals, and (ii) Borrower or Guarantor, as applicable, waives any right that it may have to claim that the imaged copies of the loan documents are not originals.

Section 5.11. ENTIRE AGREEMENT. THIS AMENDMENT AND ALL OTHER INSTRUMENTS, DOCUMENTS, AND AGREEMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS AMENDMENT EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THIS AMENDMENT AND THE OTHER INSTRUMENTS, DOCUMENTS AND AGREEMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS AMENDMENT, AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO.

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Executed as of the date first written above.

BORROWER:

SOUTH HAMPTON REFINING CO.

By: /s/ NICK CARTER

Nick Carter
President

LENDER:

SOUTHWEST BANK OF TEXAS, N.A.

By: /s/ A. STEPHEN KENNEDY

A. Stephen Kennedy
Vice President

The undersigned Guarantor hereby consents and agrees to this Amendment and agrees that the Guaranty Agreement executed by such person shall remain in full force and effect and shall continue to be the legal, valid and binding obligations of such Guarantor, enforceable against such Guarantor in accordance with its terms and shall evidence such Guarantor's guaranty of the Note as

renewed and extended from time to time, including, without limitation, the renewal and extension evidenced by the Note in substantially the form of Annex "A" attached hereto.

TEXAS OIL & CHEMICAL CO. II, INC.

By: /s/ NICK CARTER

Nick Carter
President

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LIST OF ANNEXES

Annex	Document
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A	Note

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PROMISSORY NOTE

\$3,250,000.00

Houston, Texas

October 31, 2001

FOR VALUE RECEIVED, the undersigned, SOUTH HAMPTON REFINING CO., a Texas corporation ("Maker"), hereby promises to pay to the order of SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Payee"), at its offices at Five Post Oak Park, 4400 Post Oak Parkway, Houston, Harris County, Texas, or such other address as may be designated by Payee, in lawful money of the United States of America, the principal sum of THREE MILLION TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$3,250,000.00), or so much thereof as may be advanced and outstanding hereunder, together with interest on the outstanding principal balance from day to day remaining, at a varying rate per annum which shall from day to day be equal to the lesser of (a) the Maximum Rate (hereinafter defined) or (b) the Prime Rate (hereinafter defined) of Payee in effect from day to day plus one-half of one percent (.50%), and each change in the rate of interest charged hereunder shall become effective, without notice to Maker, on the effective date of each change in the Prime Rate or the Maximum Rate, as the case may be; provided, however, if at any time the rate of interest specified in clause (b) preceding shall exceed the Maximum Rate, thereby causing the interest rate hereon to be limited to the Maximum Rate, then any subsequent reduction in the Prime Rate shall not reduce the rate of interest hereon below the Maximum Rate until the total amount of interest accrued hereon equals the amount of interest which would have accrued hereon if the rate specified in clause (b) preceding had at all times been in effect.

Principal of and interest on this Note shall be due and payable as follows:

(a) Accrued and unpaid interest on this Note shall be payable monthly, on the first (1st) day of each month commencing on November 1, 2001 and upon the maturity of this Note, however such maturity may be brought about; and

(b) All outstanding principal of this Note and all accrued interest thereon shall be due and payable on December 31, 2001.

Principal of this Note shall be subject to mandatory prepayment at the times described in the Agreement (hereinafter defined). If an Event of Default (hereinafter defined) has occurred and is existing, the principal hereof and any past due interest hereon shall bear interest at the Default Rate (hereinafter defined).

Interest on the indebtedness evidenced by this Note shall be computed on the basis of a year of 360 days and the actual number of days elapsed (including the first day but excluding the last day) unless such calculation would result in a usurious rate in which case interest shall be calculated on the basis of a year of 365 or 366 days, as the case may be.

As used in this Note, the following terms shall have the respective meanings indicated below:

"Agreement" means that certain Loan Agreement dated as of September 30, 1999 between Maker and Payee, as amended by First Amendment to Loan Agreement dated as of June 20, 2000, Second Amendment to Loan Agreement dated as of May 31, 2001, Third Amendment to Loan Agreement dated as of July 31, 2001 and Fourth Amendment to Loan Agreement dated as of October 31, 2001, as amended and as the same may be further amended or modified from time to time.

"Default Rate" means the lesser of (a) the sum of the Prime Rate plus five percent (5.0%), or (b) the Maximum Rate.

"Event of Default" shall have the meaning given to such term in the Agreement.

"Maximum Rate" means the maximum rate of nonusurious interest permitted from day to day by applicable law, including Chapter 303 of the Texas Finance Code (the "Code") (and as the same may be incorporated by reference in other Texas statutes). To the extent that Chapter 303 of the Code is relevant to any holder of this Note for the purposes of determining the Maximum Rate, each such holder elects to determine such applicable legal rate pursuant to the weekly ceiling, "from time to time in effect, as referred to and defined in Chapter 303 of the Code; subject, however, to the limitations on such applicable ceiling referred to and defined in the Code, and further subject to any right such holder may have subsequently, under applicable law, to change the method of determining the Maximum Rate.

"Prime Rate" shall mean that variable rate of interest per annum established by Payee from time to time as its prime rate which shall vary from time to time. Such rate is set by Payee as a general reference rate of interest, taking into account such factors as Payee may deem appropriate, it being understood that many of Payee's commercial or other loans are priced in relation to such rate, that it is not necessarily the lowest or best rate charged to any customer and that Payee may make various commercial or other loans at rates of interest having no relationship to such rate.

This Note (a) is the Note provided for in the Agreement and (b) is secured as provided in the Agreement. Maker may prepay the principal of this Note upon the terms and conditions specified in the Agreement. Maker may borrow, repay, and reborrow hereunder upon the terms and conditions specified in the Agreement.

Notwithstanding anything to the contrary contained herein, no provisions of this Note shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such

respect is herein provided for, or shall be adjudicated to be so provided, in this Note or otherwise in connection with this loan transaction, the provisions

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of this paragraph shall govern and prevail, and neither Maker nor the sureties, guarantors, successors or assigns of Maker shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the Maximum Rate shall be deemed charged, required or permitted by any court of competent jurisdiction, any such excess shall be applied as a payment and reduction of the principal of indebtedness evidenced by this Note; and, if the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to Maker. In determining whether or not the interest paid or payable exceeds the Maximum Rate, Maker and Payee shall, to the extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the indebtedness evidenced by this Note so that the interest for the entire term does not exceed the Maximum Rate.

If default occurs in the payment of principal or interest under this Note, or upon the occurrence of any other Event of Default, as such term is defined in the Agreement, the holder hereof may, at its option, (a) declare the entire unpaid principal of and accrued interest on this Note immediately due and payable without notice, demand or presentment, all of which are hereby waived, and upon such declaration, the same shall become and shall be immediately due and payable, (b) foreclose or otherwise enforce all liens or security interests securing payment hereof, or any part hereof, (c) offset against this Note any sum or sums owed by the holder hereof to Maker and (d) take any and all other actions available to Payee under this Note, the Agreement, the Loan Documents (as such term is defined in the Agreement) at law, in equity or otherwise. Failure of the holder hereof to exercise any of the foregoing options shall not constitute a waiver of the right to exercise the same upon the occurrence of a subsequent Event of Default.

If the holder hereof expends any effort in any attempt to enforce payment of all or any part or installment of any sum due the holder hereunder, or if this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings, Maker agrees to pay all costs, expenses, and fees incurred by the holder, including all reasonable attorneys' fees.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. THIS NOTE IS PERFORMABLE IN HARRIS COUNTY, TEXAS.

Maker and each surety, guarantor, endorser, and other party ever liable for payment of any sums of money payable on this Note jointly and severally waive notice, presentment, demand for payment, protest, notice of protest and non-payment or dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, diligence in collecting, grace, and all other formalities of any kind, and consent to all extensions without notice for any period or periods of time and partial payments, before or after maturity, and any impairment of any collateral securing this Note, all without prejudice to the holder. The holder

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shall similarly have the right to deal in any way, at any time, with one or more of the foregoing parties without notice to any other party, and to grant any such party any extensions of time for payment of any of said indebtedness, or to release or substitute part or all of the collateral securing this Note, or to grant any other indulgences or forbearances whatsoever, without notice to any other party and without in any way affecting the personal liability of any party hereunder.

This Note is in renewal and extension of, but not in discharge or novation of, that certain promissory note in the original principal amount of \$3,250,000.00, dated July 31, 2001, executed by Maker and payable to the order of Payee, which was executed in renewal and extension of, but not in discharge or novation of, that certain promissory note in the original principal amount of \$3,250,000.00, dated May 31, 2001, executed by Maker and payable to the order of Payee, which was executed in renewal and extension of, but not in discharge or novation of, that certain promissory note in the original principal amount of \$3,250,000.00, dated June 20, 2000, executed by Maker and payable to the order of Payee, which was executed in renewal and increase of, but not in discharge or novation of, that certain promissory note in the original principal amount of \$2,250,000.00, dated September 30, 1999, executed by Maker and payable to the order of Payee.

SOUTH HAMPTON REFINING CO.

By: /s/ NICK CARTER

Nick Carter
President

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SOUTH HAMPTON REFINING CO.

OFFICER'S CERTIFICATE

I, the undersigned, hereby certify that I am the duly elected, qualified, and acting Assistant Secretary of SOUTH HAMPTON REFINING CO., a Texas corporation (the "Corporation"), and that I am authorized to execute and deliver this certificate, and I do hereby further certify as follows:

1. Resolutions. The following resolutions have been duly adopted at a meeting (duly convened where a quorum of directors was present) of, or by the unanimous written consent of, the Board of Directors of the Corporation, and such resolutions have not been amended or revoked, and are now in full force and effect:

"WHEREAS, the Corporation and Southwest Bank of Texas, N.A. (the "Lender") have entered in that certain Loan Agreement dated September 30, 1999, as amended by First Amendment to Loan Agreement dated June 20, 2000, Second Amendment to Loan Agreement dated May 31, 2001 and Third Amendment to Loan Agreement dated July 31, 2001 (collectively, the "Loan Agreement")."

"RESOLVED, that the renewal and extension of the revolving credit indebtedness of the Corporation to the Lender created pursuant to the Loan Agreement to be evidenced by a promissory note in the

principal amount of \$3,250,000.00 (the "Note") executed by the Corporation and payable to the order of the Lender, are hereby approved; and further

"RESOLVED, that the form and content of that certain Fourth Amendment to Loan Agreement (the "Amendment") to be entered into by the Corporation and the Lender in the form of drafts exhibited to each director, with such changes as are hereinafter authorized, are hereby approved; and further

"RESOLVED, that the form and content of the Note and all other documents to be executed in connection with the Amendment (collectively, the "Loan Documents"), as exhibited to each director and with such changes as are hereinafter authorized, are hereby approved; and further

"RESOLVED, that the President or any Vice President of the Corporation is hereby authorized, on behalf of the Corporation, to execute the Amendment and the Loan Documents and deliver the same to Lender in substantially the form approved by these resolutions, with such amendments or changes thereto as the officer so acting may approve, such approval to be conclusively evidenced by such person's execution and delivery of the same; and further

"RESOLVED, that the President or any Vice President of the Corporation is hereby authorized, on behalf of the Corporation, to execute such other instruments and documents, and to take such other actions as the officer so acting deems necessary or desirable to effectuate the transactions contemplated by these resolutions; and further

"RESOLVED, that the Secretary or any Assistant Secretary of the Corporation is hereby authorized, on behalf of the Corporation, to certify and attest any documents which such person may deem necessary or appropriate to consummate the transactions contemplated by these resolutions; provided that such attestation shall not be required for the validity of any such documents; and further

"RESOLVED, that any and all actions taken by any of the officers or representatives of the Corporation, for and on behalf and in the name of the Corporation, with Lender prior to the adoption of these resolutions, including, without limitation, the negotiation of the Amendment and the Loan Documents, are hereby ratified, confirmed, are approved in all respects for all purposes; and further

"RESOLVED, that the powers and authorizations contained herein shall continue in full force and effect until written notice of revocation has been given to, and received by, the Lender."

2. Incumbency. The following named persons are duly elected or appointed, acting, and qualified officers of the Corporation holding at the date hereof the offices set forth opposite their respective names, and the signatures appearing opposite their respective names are their genuine signatures:

NAME	TITLE	SPECIMEN SIGNATURE
Nick Carter	President	/s/ NICK CARTER -----
Connie Cook	Assistant Secretary	/s/ CONNIE COOK -----

3. Articles of Incorporation. The Articles of Incorporation of the Corporation have not been amended (except as reflected in any attachments hereto) or revoked since September 30, 1999, and remain in full force and effect

in the form delivered to the Lender.

4. By-Laws. The By-Laws of the Corporation have not been amended (except as reflected in any attachments hereto) or revoked since September 30,1999, and remain in full force and effect in the form delivered to the Lender.

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IN WITNESS WHEREOF, I have duly executed this certificate as of
December 31, 2001.

/s/ CONNIE COOK

Assistant Secretary

I, Nick Carter, President of the Corporation, do hereby certify that
Connie Cook is the duly elected and qualified Assistant Secretary of the
Corporation and the signature appearing opposite such person's name is such
person's genuine signature.

DATED; As of December 31, 2001.

/s/ NICK CARTER

President

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FIFTH AMENDMENT TO LOAN AGREEMENT

THIS FIFTH AMENDMENT TO LOAN AGREEMENT (this "Amendment"), dated as of December 31, 2001, is between SOUTH HAMPTON REFINING CO., a Texas corporation ("Borrower"), and SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Lender").

RECITALS:

A. Borrower and Lender entered into that certain Loan Agreement dated as of September 30, 1999, as amended by First Amendment to Loan Agreement dated as of June 20, 2000, Second Amendment to Loan Agreement dated as of May 31, 2001, Third Amendment to Loan Agreement dated as of July 31, 2001 and Fourth Amendment to Loan Agreement dated as of October 31, 2001 (the "Agreement").

B. Pursuant to the Agreement, Texas Oil & Chemical Co. II, Inc., a Texas corporation ("Guarantor") executed that certain Guaranty Agreement dated as of June 20, 2000 (the "Guaranty") pursuant to which Guarantor guaranteed to Lender the payment and performance of the Obligations (as defined in the Agreement).

C. Borrower and Lender now desire to amend the Agreement as herein set forth.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

Definitions

Section 1.1. Definitions. Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the meanings given to such terms in the Agreement, as amended hereby.

ARTICLE II.

Amendments

Section 2.1. Amendment to Certain Definitions. (a) The definition of each of the following terms contained in Section 1.1 of the Agreement is amended to read in its respective entirety as follows:

"Borrowing Base" means, at any particular time, an amount equal to the sum of (a) eighty percent (80%) of Eligible Accounts plus (b) the lesser of (i) fifty percent (50%) of Eligible Inventory or (ii) \$250,000.00 from January 1, 2002 through the Termination Date.

"Current Assets" means, at any particular time, all amounts which, in conformity with GAAP, would be included as current assets on a consolidated balance sheet of Borrower and its Subsidiaries; provided that accounts, accounts receivable and other current receivables from Affiliates of Borrower shall not constitute Current Assets.

"Current Liabilities" means, at any particular time, all amounts which, in conformity with GAAP, would be included as current liabilities on a consolidated balance sheet of Borrower and its Subsidiaries; provided, however, that (a) the maturities of the indebtedness evidenced by the Note shall not constitute Current Liabilities, and (b) accounts payable to Affiliates of Borrower and

other amounts currently payable to an Affiliate of Borrower shall not constitute Current Liabilities.

"EBITDA" means for Borrower and its Subsidiaries, on a consolidated basis, the sum of (a) Net Income, plus (b) depreciation, amortization and other non cash charges, plus (c) interest expense, plus (d) taxes.

"Net Income" means, with respect to Borrower and its Subsidiaries for any period, the consolidated net income (or loss) of Borrower and its Subsidiaries for such period, calculated in accordance with GAAP.

"Subordinated Debt" means Debt of Borrower and its Subsidiaries, the payment of which is subordinated to the payment of the Obligation upon terms, and by a document, in form and substance satisfactory to Lender in its sole discretion.

"Tangible Net Worth" means, at any particular time, all amounts which, in conformity with GAAP, would be included as stockholders' equity on a consolidated balance sheet of Borrower and its Subsidiaries, plus Subordinated Debt; provided, however, there shall be excluded therefrom (a) any amount at which shares of capital stock of Borrower appear as an asset on Borrower's or any Subsidiary's balance sheet, (b) goodwill, including any amounts, however designated, that represent the excess of

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the purchase price paid for assets or stock over the value assigned thereto, (c) patents, trademarks, trade names, and copyrights, (d) deferred expenses, (e) loans and advances to any stockholder, director, officer or employee of Borrower or any Subsidiary or any Affiliate of Borrower, (f) all other assets which are properly classified as intangible assets, (g) accounts, accounts receivable and other current receivables from Affiliates of Borrower, and (h) amounts currently payable to an Affiliate of Borrower.

"Termination Date" means 11:00 a.m., Houston, Texas time on April 30, 2002, or such earlier date on which the Commitment terminates as provided in this Agreement.

(b) The following definitions shall be added to Section 1.1 of the Agreement in proper alphabetical order:

"Affiliate" means, with respect to any Person, any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person, including, (a) any Person which beneficially owns or holds ten percent (10%) or more of any class of voting stock of such Person or ten percent (10%) or more of the equity interest in such Person, (b) any Person of which such Person beneficially owns or holds ten percent (10%) or more of any class of voting shares or in which such Person beneficially owns or holds ten percent (10%) or more of the equity interests in such Person, and (c) any officer or director of such Person.

"Cash Flow" means for Borrower and its Subsidiaries, on a consolidated basis, the sum of (a) Net Income plus (b) depreciation, amortization and other non-cash charges.

Section 2.2. Amendment to Section 7.1. (a) Paragraph (a) of Section 7.1 of the Agreement is amended to read in its entirety as follows:

(a) Annual Financial Statements - Guarantor. As soon as available, and in any event within one hundred fifty (150) days after the end of each fiscal year of Borrower, beginning with the fiscal year ending December 31, 2001, a copy of the annual audited financial statements of Guarantor and its Subsidiaries for such fiscal year containing, (i) on a consolidated and consolidating basis, balance sheets, statements of income, statements of stockholders' equity and statements of cash flows as at the end of such fiscal year and for the 12-month period then ended, and (ii) the balance sheet, statement of income and statement of cash flows of Borrower (on a stand-alone basis)

presented in an attached schedule, in each case setting forth in comparative form the figures for the preceding fiscal year, all in reasonable detail, prepared in accordance with GAAP, and audited and certified without qualification by independent certified public accountants of recognized standing acceptable to Lender.

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(b) Paragraph (b) is deleted from the Agreement in its entirety.

(c) The phrase "each of the financial statements referred to in Sections 7.1 (a) and 7.1(b)" contained in paragraph (c) of Section 7.1 of the Agreement is amended to read "each of the financial statements referred to in Sections 7.1(a) and 7.1(1)".

(d) Paragraphs (l) and (m) shall be added to Section 7.1 of the Agreement, and shall read in their entirety as follows:

(l) Monthly Financial Statements - Borrower. As soon as available, and in any event within fifteen (15) days after the end of each month, a copy of the financial statements of Borrower and its Subsidiaries as of the end of such month and for the portion of the fiscal year then ended, containing, on a consolidated basis, balance sheets, statements of income and statements of cash flows, in each case setting forth in comparative form the figures for the corresponding period of the preceding fiscal year, all in reasonable detail and certified by an officer of Borrower acceptable to Lender to have been prepared in accordance with GAAP and to fairly and accurately present the financial condition and results of operations of Borrower and its Subsidiaries, on a consolidated basis, at the date and for the periods indicated therein.

(m) Accounts Payable Reports. As soon as available, and in any event within fifteen (15) days after the end of each month, a detailed listing of the accounts payable of Borrower as of the end of such month, certified by an officer of Borrower acceptable to Lender.

Section 2.3. Amendment to Section 8.4. Section 8.4 of the Agreement is amended to read in its entirety as follows:

Section 8.4. Restricted Payments. Borrower will not declare or pay any dividends or make any other payment or distribution (in cash, property, or obligations) on account of its capital stock, or redeem, purchase, retire, or otherwise acquire any of its capital stock, provided that (a) Borrower may pay dividends in the form of common stock, and (b) if no Event of Default or Unmatured Event of Default has occurred and is continuing (and the outstanding Advances plus the Letter of Credit Liabilities does not exceed the Borrowing Base), on the sixteenth (16th) day of any month, Borrower may pay a cash distribution or dividend for the preceding month in an amount which does not exceed the lesser of (i) \$50,000.00 or (ii) (A) the average Cash Flow for such month and the two months preceding such month, minus (B) \$72,000.00.

Section 2.4. Amendment to Article IX. Article IX of the Agreement are amended to read in their entirety as follows:

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Borrower covenants and agrees that, as long as the Obligations or any part thereof are outstanding or Lender has any Commitment hereunder, Borrower will observe and perform the following financial covenants set forth below, unless Lender shall otherwise consent in writing.

Section 9.1. Current Ratio. Borrower will at all times maintain a Current Ratio of not less than 1.00 to 1.00. The Current Ratio shall be calculated and tested quarterly as of the last day of each fiscal quarter of Borrower.

Section 9.2. Tangible Net Worth. Borrower will maintain Tangible Net Worth in an amount not less than the sum of (a)

\$1,780,000.00 plus (b) fifty percent (50%) of Net Income since September 30, 2001. For purposes of calculating clause (b), Net Income shall be the sum of Net Income of Borrower for each quarter since September 30, 2001; provided, however, that for any quarter for which Net Income was less than zero, Net Income for such quarter shall be assumed to be zero (and shall be calculated as zero for such quarter). Tangible Net Worth shall be calculated and tested quarterly as of the last day of each fiscal quarter of Borrower.

Section 9.3. EBITDA. Borrower will at all times maintain EBITDA of not less than \$225,000.00. EBITDA shall be calculated and tested quarterly as of the last day of each fiscal quarter of Borrower, on a cumulative basis for the three (3) months ended as of the date of calculation.

Section 9.4. Capital Expenditures. Borrower will not permit the aggregate Capital Expenditures of Borrower and its Subsidiaries to exceed \$250,000.00 during any fiscal year.

Section 2.5. Amendment to Article XI. Section 11.17 shall be added to Article XI immediately following Section 11.16 of the Agreement and shall read in its entirety as follows:

Section 11.17. Document Imaging. Borrower understands and agrees that (a) Lender's document retention policy involves the imaging of executed loan documents and the destruction of the paper originals, and (b) Borrower waives any right that it may have to claim that the imaged copies of the loan documents are not originals.

Section 2.6. Amendment to Exhibits. (a) Exhibit "A" (Note) to the Agreement is amended to conform in its entirety to Annex "A" to this Amendment, (b) Exhibit "E" (Borrowing Base Certificate) to the Agreement is amended to conform in its entirety to Annex "B" to this Amendment and (c) Exhibit "F" (No Default Certificate) to the Agreement is amended to conform in its entirety to Annex "C" to this Amendment.

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ARTICLE III.

Conditions Precedent

Section 3.1. Conditions. The effectiveness of this Amendment is subject to the receipt by Lender of the following in form and substance satisfactory to Lender:

(a) Certificate - Borrower. A certificate of the Secretary or another officer of Borrower acceptable to Lender certifying (i) resolutions of the board of directors of Borrower which authorize the execution, delivery and performance by Borrower of this Amendment and the other Loan Documents to which Borrower is or is to be a party and (ii) the names of the officers of Borrower authorized to sign this Amendment and each of the other Loan Documents to which Borrower is or is to be a party together with specimen signatures of such officers.

(b) Certificates of Existence and Good Standing - Borrower. Certificates of the appropriate governmental officials regarding the existence and good standing of Borrower in the state of Texas.

(c) Note. The Note executed by Borrower.

(d) Facility Fee. A facility fee in the amount of \$10,000.00.

(e) Additional Information. Such additional documents, instruments and information as Lender may request.

Section 3.2. Additional Conditions. The effectiveness of this Amendment is also subject to the satisfaction of the additional conditions precedent that (a) the representations and warranties contained herein and in all other Loan Documents, as amended hereby, shall be true and correct as of the date hereof as if made on the date hereof, (b) all proceedings, corporate or otherwise, taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be

satisfactory to Lender, and (c) no Event of Default or Unmatured Event of Default shall have occurred and be continuing.

ARTICLE IV.

Ratifications, Representations, and Warranties

Section 4.1. Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Agreement and except as expressly modified and superseded by this Amendment, the terms and provisions

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of the Agreement are ratified and confirmed and shall continue in full force and effect. Borrower and Lender agree that the Agreement as amended hereby shall continue to be the legal, valid and binding obligation of such Persons enforceable against such Persons in accordance with its terms.

Section 4.2. Representations. Warranties and Agreements. Borrower hereby represents and warrants to Lender that (a) the execution, delivery, and performance of this Amendment and any and all other Loan Documents executed or delivered in connection herewith have been authorized by all requisite action on the part of Borrower and will not violate the articles of incorporation or bylaws of Borrower, (b) the representations and warranties contained in the Agreement as amended hereby, and all other Loan Documents are true and correct on and as of the date hereof as though made on and as of the date hereof, (c) no Event of Default or Unmatured Event of Default has occurred and is continuing, (d) Borrower is in full compliance with all covenants and agreements contained in the Agreement as amended hereby, (e) Borrower is indebted to Lender pursuant to the terms of the Note, as the same may have been renewed, modified, extended and rearranged, including, without limitation, renewals, modifications and extensions made pursuant to this Amendment, (f) the liens, security interests, encumbrances and assignments created and evidenced by the Loan Documents are, respectively, valid and subsisting liens, security interests, encumbrances and assignments and secure the Note as the same may have been renewed, modified or rearranged, including, without limitation, renewals, modifications and extensions made pursuant to this Amendment, and (g) Borrower has no claims, credits, offsets, defenses or counterclaims arising from the Loan Documents or Lender's performance under the Loan Documents.

ARTICLE V.

Miscellaneous

Section 5.1. Survival of Representations and Warranties. All representations and warranties made in this Amendment or any other Loan Documents including any Loan Document furnished in connection with this Amendment shall fully survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Lender or any closing shall affect the representations and warranties or the right of Lender to rely on them.

Section 5.2. Reference to Agreement. Each of the Loan Documents, including the Agreement and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Agreement, as amended hereby, are hereby amended so that any reference in such Loan Documents to the Agreement shall mean a reference to the Agreement, as amended hereby.

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Section 5.3. Expenses of Lender. As provided in the Agreement, Borrower agrees to pay on demand all costs and expenses incurred by Lender in connection with the preparation, negotiation and execution of this Amendment and the other documents and instruments executed pursuant hereto and any and all amendments, modifications and supplements thereto, including, without limitation, the costs and fees of Lender's legal counsel, and all costs and expenses incurred by Lender in connection with the enforcement or preservation of any rights under the Agreement, as amended hereby, or any other Loan Document, including, without limitation, the costs and fees of Lender's legal counsel.

Section 5.4. Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

SECTION 5.5. APPLICABLE LAW. THIS AMENDMENT AND ALL OTHER LOAN DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN HOUSTON, HARRIS COUNTY, TEXAS AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

Section 5.6. Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of Lender and Borrower and their respective successors and assigns, except Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of Lender.

Section 5.7. Counterparts. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

Section 5.8. Effect of Waiver. No consent or waiver, express or implied, by Lender to or for any breach of or deviation from any covenant, condition or duty by Borrower shall be deemed a consent or waiver to or of any other breach of the same or any other covenant, condition or duty.

Section 5.9. Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 5.10. Waiver of Failure to Comply with Certain Financial Covenants. By its execution of this Amendment, Lender waives compliance by Borrower with the provisions of Section 9.3 for the fiscal quarters ending June 30, 2001, September 30, 2001 and December 31, 2001, and Lender waives any and all Events of Default which may arise under the Agreement as a result of Borrower's failure to comply with Section 9.3 of the Agreement for

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the fiscal quarters ending June 30, 2001, September 30, 2001 and December 31, 2001. The waiver contained in this Section 5.10 does not constitute a waiver of any other provision of, or requirement of the Agreement nor does it constitute a waiver of compliance with Section 9.3 at any time after December 31, 2001.

SECTION 5.11. ENTIRE AGREEMENT. THIS AMENDMENT AND ALL OTHER INSTRUMENTS, DOCUMENTS, AND AGREEMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS AMENDMENT EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MAILER HEREOF AND THEREOF AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THIS AMENDMENT AND THE OTHER INSTRUMENTS, DOCUMENTS AND AGREEMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS AMENDMENT, AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO.

Executed as of the date first written above.

BORROWER:

SOUTH HAMPTON REFINING CO.

By: /s/ NICK CARTER

Nick Carter
President

LENDER:

SOUTHWEST BANK OF TEXAS, N.A.

By: /s/ A. STEPHEN KENNEDY

A. Stephen Kennedy
Senior Vice President

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The undersigned Guarantor hereby consents and agrees to this Amendment and agrees that the Guaranty Agreement executed by such person shall remain in full force and effect and shall continue to be the legal, valid and binding obligations of such Guarantor, enforceable against such Guarantor in accordance with its terms and shall evidence such Guarantor's guaranty of the Note as renewed and extended from time to time, including, without limitation, the renewal and extension evidenced by the Note in substantially the form of Annex "A" attached hereto.

TEXAS OIL & CHEMICAL CO. II, INC.

By: /s/ NICK CARTER

Nick Carter
President

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LIST OF ANNEXES

<Table> <Caption> Annex -----	Document -----
<S> A	<C> Note
B	Borrowing Base Certificate
C	No Default Certificate

</Table>

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ANNEX "A"

Note

PROMISSORY NOTE

\$3,250,000.00

Houston, Texas

December 31, 2001

FOR VALUE RECEIVED, the undersigned, SOUTH HAMPTON REFINING CO., a Texas corporation ("Maker"), hereby promises to pay to the order of SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Payee"), at its offices at Five Post Oak Park, 4400 Post Oak Parkway, Houston, Harris County, Texas, or such other address as may be designated by Payee, in lawful money of the United States of America, the principal sum of THREE MILLION TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$3,250,000.00), or so much thereof as may be advanced and outstanding hereunder, together with interest on the outstanding principal balance from day to day remaining, at a varying rate per annum which shall from day to day be equal to the lesser of (a) the Maximum Rate (hereinafter defined) or (b) the Prime Rate (hereinafter defined) of Payee in effect from day to day

plus one-half of one percent (.50%), and each change in the rate of interest charged hereunder shall become effective, without notice to Maker, on the effective date of each change in the Prime Rate or the Maximum Rate, as the case may be; provided, however, if at any time the rate of interest specified in clause (b) preceding shall exceed the Maximum Rate, thereby causing the interest rate hereon to be limited to the Maximum Rate, then any subsequent reduction in the Prime Rate shall not reduce the rate of interest hereon below the Maximum Rate until the total amount of interest accrued hereon equals the amount of interest which would have accrued hereon if the rate specified in clause (b) preceding had at all times been in effect.

Principal of and interest on this Note shall be due and payable as follows:

(a) Accrued and unpaid interest on this Note shall be payable monthly, on the first (1st) day of each month commencing on February 1, 2002 and upon the maturity of this Note, however such maturity may be brought about; and

(b) All outstanding principal of this Note and all accrued interest thereon shall be due and payable on April 30, 2002.

Principal of this Note shall be subject to mandatory prepayment at the times described in the Agreement (hereinafter defined). If an Event of Default (hereinafter defined) has occurred and is existing, the principal hereof and any past due interest hereon shall bear interest at the Default Rate (hereinafter defined).

Interest on the indebtedness evidenced by this Note shall be computed on the basis of a year of 360 days and the actual number of days elapsed (including the first day but excluding the last day) unless such calculation would result in a usurious rate in which case interest shall be calculated on the basis of a year of 365 or 366 days, as the case may be.

As used in this Note, the following terms shall have the respective meanings indicated below:

"Agreement" means that certain Loan Agreement dated as of September 30, 1999 between Maker and Payee, as amended by First Amendment to Loan Agreement dated as of June 20, 2000, Second Amendment to Loan Agreement dated as of May 31, 2001, Third Amendment to Loan Agreement dated as of July 31, 2001, Fourth Amendment to Loan Agreement dated as of October 31, 2001 and Fifth Amendment to Loan Agreement dated as of December 31, 2001, as amended and as the same may be further amended or modified from time to time.

"Default Rate" means the lesser of (a) the sum of the Prime Rate plus five percent (5.00%), or (b) the Maximum Rate.

"Event of Default" shall have the meaning given to such term in the Agreement.

"Maximum Rate" means the maximum rate of nonusurious interest permitted from day to day by applicable law, including Chapter 303 of the Texas Finance Code (the "Code") (and as the same may be incorporated by reference in other Texas statutes). To the extent that Chapter 303 of the Code is relevant to any holder of this Note for the purposes of determining the Maximum Rate, each such holder elects to determine such applicable legal rate pursuant to the "weekly ceiling," from time to time in effect, as referred to and defined in Chapter 303 of the Code; subject, however, to the limitations on such applicable ceiling referred to and defined in the Code, and further subject to any right such holder may have subsequently, under applicable law, to change the method of determining the Maximum Rate.

"Prime Rate" shall mean that variable rate of interest per annum established by Payee from time to time as its prime rate which shall vary from time to time. Such rate is set by Payee as a general reference rate of interest, taking into account such factors as Payee may deem appropriate, it being understood that many of Payee's commercial or other loans are priced in relation to such rate, that it is not necessarily the lowest or best rate charged to any customer and

that Payee may make various commercial or other loans at rates of interest having no relationship to such rate.

This Note (a) is the Note provided for in the Agreement and (b) is secured as provided in the Agreement. Maker may prepay the principal of this Note upon the terms and conditions specified in the Agreement. Maker may borrow, repay, and reborrow hereunder upon the terms and conditions specified in the Agreement.

Notwithstanding anything to the contrary contained herein, no provisions of this Note shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be

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so provided, in this Note or otherwise in connection with this loan transaction, the provisions of this paragraph shall govern and prevail, and neither Maker nor the sureties, guarantors, successors or assigns of Maker shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the Maximum Rate shall be deemed charged, required or permitted by any court of competent jurisdiction, any such excess shall be applied as a payment and reduction of the principal of indebtedness evidenced by this Note; and, if the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to Maker. In determining whether or not the interest paid or payable exceeds the Maximum Rate, Maker and Payee shall, to the extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the indebtedness evidenced by this Note so that the interest for the entire term does not exceed the Maximum Rate.

If default occurs in the payment of principal or interest under this Note, or upon the occurrence of any other Event of Default, as such term is defined in the Agreement, the holder hereof may, at its option, (a) declare the entire unpaid principal of and accrued interest on this Note immediately due and payable without notice, demand or presentment, all of which are hereby waived, and upon such declaration, the same shall become and shall be immediately due and payable, (b) foreclose or otherwise enforce all liens or security interests securing payment hereof, or any part hereof, (c) offset against this Note any sum or sums owed by the holder hereof to Maker and (d) take any and all other actions available to Payee under this Note, the Agreement, the Loan Documents (as such term is defined in the Agreement) at law, in equity or otherwise. Failure of the holder hereof to exercise any of the foregoing options shall not constitute a waiver of the right to exercise the same upon the occurrence of a subsequent Event of Default.

If the holder hereof expends any effort in any attempt to enforce payment of all or any part or installment of any sum due the holder hereunder, or if this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings, Maker agrees to pay all costs, expenses, and fees incurred by the holder, including all reasonable attorneys fees.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. THIS NOTE IS PERFORMABLE IN HARRIS COUNTY, TEXAS.

Maker and each surety, guarantor, endorser, and other party ever liable for payment of any sums of money payable on this Note jointly and severally waive notice, presentment, demand for payment, protest, notice of protest and non-payment or dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, diligence in collecting,

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grace, and all other formalities of any kind, and consent to all extensions without notice for any period or periods of time and partial payments, before or after maturity, and any impairment of any collateral securing this Note, all without prejudice to the holder. The holder shall similarly have the right to deal in any way, at any time, with one or more of the foregoing parties without

notice to any other party, and to grant any such party any extensions of time for payment of any of said indebtedness, or to release or substitute part or all of the collateral securing this Note, or to grant any other indulgences or forbearances whatsoever, without notice to any other party and without in any way affecting the personal liability of any party hereunder.

This Note is in renewal and extension of, but not in discharge or novation of, that certain promissory note in the original principal amount of \$3,250,000.00, dated October 31, 2001, executed by Maker and payable to the order of Payee, which was executed in renewal and extension of, but not in discharge or novation of, that certain promissory note in the original principal amount of \$3,250,000.00, dated July 31, 2001, executed by Maker and payable to the order of Payee, which was executed in renewal and extension of, but not in discharge or novation of, that certain promissory note in the original principal amount of \$3,250,000.00, dated May 31, 2001, executed by Maker and payable to the order of Payee, which was executed in renewal and extension of, but not in discharge or novation of, that certain promissory note in the original principal amount of \$3,250,000.00, dated June 20, 2000, executed by Maker and payable to the order of Payee, which was executed in renewal and increase of, but not in discharge or novation of, that certain promissory note in the original principal amount of \$2,250,000.00, dated September 30, 1999, executed by Maker and payable to the order of Payee.

SOUTH HAMPTON REFINING CO.

By: /s/ NICK CARTER

Nick Carter
President

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ANNEX "B"

Borrowing Base Certificate

BORROWING BASE CERTIFICATE

TO: Southwest Bank of Texas, N.A.
Five Post Oak Park
4400 Post Oak Parkway
Houston, Texas 77027
Attention: A. Stephen Kennedy

Ladies and Gentlemen:

The undersigned is an authorized representative of SOUTH HAMPTON REFINING CO. (the "Borrower"), and is authorized to make and deliver this certificate pursuant to that certain Loan Agreement dated as of September 30, 1999 between the Borrower and Southwest Bank of Texas, N.A. (the "Lender"), as amended by First Amendment to Loan Agreement dated as of June 20, 2000, Second Amendment to Loan Agreement dated as of May 31, 2001, Third Amendment to Loan Agreement dated as of July 31, 2001, Fourth Amendment to Loan Agreement dated as of October 31, 2001 and Fifth Amendment to Loan Agreement dated as of December 31, 2001. (Such Loan Agreement, as it may be further amended is referred to as the "Loan Agreement"). All terms defined in the Loan Agreement shall have the same meaning herein.

Pursuant to the terms and provisions of the Loan Agreement, the undersigned hereby certifies that the following statements and information are true, complete and correct:

(a) The representations and warranties contained in Article VI of the Loan Agreement and in each of the other Loan Documents are true and correct on and as of the date hereof with the same force and effect as if made on and as of such date.

(b) No Event of Default has occurred and is continuing, and no

event has occurred and is continuing that, with the giving of notice or lapse of time or both, would be an Event of Default. Borrower acknowledges that if an Event of Default exists Lender is not obligated to fund any request for an Advance.

(c) Since the date of the financial statements of Borrower most recently delivered to Lender pursuant to the Loan Agreement, there has been no Material Adverse Effect.

(d) The amount of the outstanding Advances does not exceed the lesser of (i) the Borrowing Base minus the outstanding Letter of Credit Liabilities or (ii) the Commitment minus the outstanding Letter of Credit Liabilities.

(e) The total Eligible Accounts and Eligible Inventory referred to below represent the Eligible Accounts and Eligible Inventory that qualifies for purposes of determining the Borrowing Base under the Loan Agreement. Borrower represents and warrants that the information and calculations set forth below regarding the Eligible Accounts and Eligible Inventory and the Borrowing Base are true and correct in all material respects.

Calculation of Borrowing Base

<Table> <S>	<C>	<C>
1.	Total Accounts.....	\$ _____
2.	Ineligible Accounts	
	(a) more than 90 days past invoice date.....	\$ _____
	(b) accounts from officers, employees subsidiaries or affiliates.....	\$ _____
	(c) conditional accounts.....	\$ _____
	(d) foreign accounts.....	\$ _____
	(e) accounts subject to dispute, counterclaim, setoff or retainage.....	\$ _____
	(f) pre-billings or unearned income.....	\$ _____
	(g) accounts of insolvent or bankrupt account debtors.....	\$ _____
	(h) accounts of U.S. government.....	\$ _____
	(i) terms in excess of 30 days past invoice date.....	\$ _____
	(j) more than 20% over 89 days.....	\$ _____
	(k) more than 20% concentration.....	\$ _____
	Total.....	\$ _____
3.	Eligible Accounts [line (1) minus line (2)].....	\$ _____
4.	80% of line (3).....	\$ _____
5.	Eligible Inventory.....	\$ _____
6.	50% of line (5).....	\$ _____
7.	Lesser of line (6) or \$250,000.00 from January 1, 2002 through the Termination Date.....	\$ _____
8.	Borrowing Base [sum of line (4) plus line (7)].....	\$ _____
9.	Commitment.....	\$3,250,000.00
10.	Lesser of line (8) or line (9).....	\$ _____
11.	Amount of outstanding Advances.....	\$ _____
12.	Letter of Credit Liabilities.....	\$ _____
13.	Sum of line (11) plus line (12).....	\$ _____
14.	Available Amount [line (10) minus line (13)].....	\$ _____

</Table>

(f) Attached hereto as Schedule 1 is a list of Borrower's accounts receivable, designating Eligible Accounts, and showing all accounts receivable by customer name, the amount owing to Borrower and the age of each receivable.

(g) Attached hereto as Schedule 2 is a list of Borrower's inventory, designating Eligible Inventory and showing all inventory by product type, volume and value.

Date: _____

BORROWER:

SOUTH HAMPTON REFINING CO.

By: _____
Name: _____
Title: _____

Schedule 1 - List of Accounts Receivable

Schedule 2 - List of Eligible Inventory

ANNEX "C"

No Default Certificate

NO DEFAULT CERTIFICATE

TO: Southwest Bank of Texas, N.A.
Five Post Oak Park
4400 Post Oak Parkway
Houston, Texas 77027
Attention: A. Stephen Kennedy

Ladies and Gentlemen:

The undersigned is an authorized representative of SOUTH HAMPTON REFINING CO. (the "Borrower"), and is authorized to make and deliver this

certificate pursuant to that certain Loan Agreement dated as of September 30, 1999 between the Borrower and Southwest Bank of Texas, N.A. (the "Lender"), as amended by First Amendment to Loan Agreement dated as of June 20, 2000, Second Amendment to Loan Agreement dated as of May 31, 2001, Third Amendment to Loan Agreement dated as of July 31, 2001, Fourth Amendment to Loan Agreement dated as of October 31, 2001 and Fifth Amendment to Loan Agreement dated as of December 31, 2001. (Such Loan Agreement, as it may be further amended is referred to as the "Loan Agreement"). All terms defined in the Loan Agreement shall have the same meaning herein.

Pursuant to the terms and provisions of the Loan Agreement, the undersigned hereby certify that the following statements and information are true, complete and correct:

(a) The representations and warranties contained in Article VI of the Loan Agreement and in each of the other Loan Documents are true and correct on and as of the date hereof with the same force and effect as if made on and as of such date.

(b) No Event of Default has occurred and is continuing, and no event has occurred and is continuing that, with the giving of notice or lapse of time or both, would be an Event of Default.

(c) Together with this certificate, and as required by the Loan Agreement, Borrower has delivered to Lender the most current monthly financial statements of Borrower dated _____ (the "Current Financial Statements"). Since the date of the Current Financial Statements, there has been no Material Adverse Effect.

(d) The amount of the outstanding Advances plus the Letter of Credit Liabilities does not exceed the lesser of the Borrowing Base or the Commitment.

(e) Set forth below are calculations showing Borrower's status of compliance with the covenants contained in Article IX of the Loan Agreement. Borrower represents and warrants that the information and calculations set forth below are true and correct in all respects.

Calculations Showing Compliance

With Article IX

Section 9.1 - Current Ratio:

Calculation:

- | | | |
|----|--|----------|
| 1. | Current Assets (excluding Affiliate receivables) | \$ _____ |
| 2. | Current Liabilities (excluding Affiliate payables) | \$ _____ |
| 3. | Current Ratio [line (1) divided by line (2)] | \$ _____ |

Required:

Not less than 1.00 to 1.00

Section 9.2 - Tangible Net Worth:

Calculation:

- | | | |
|----|--|----------|
| 1. | Stockholders' equity | \$ _____ |
| 2. | Subordinated Debt | \$ _____ |
| 3. | Line (1) plus line (2) | \$ _____ |
| 4. | Intangible Assets | \$ _____ |
| | _____ | \$ _____ |
| | _____ | \$ _____ |
| | _____ | \$ _____ |
| | Total | \$ _____ |
| 5. | Tangible Net Worth [line (3) minus line (4)] | \$ _____ |

Required:

Not less than (a) Base Amount	\$1,780,000.00
(b) 50% of prior period Net Income since September 30, 2001	\$ _____
(c) Net Income this quarter	\$ _____
(d) 50% of line (c) if line (c) is a positive number or zero if line (c) is not a positive number	\$ _____
(e) Sum of line (a) plus line (b) plus line (d)	\$ _____

The sum of line (b) plus line (d) will constitute 50% of prior period Net Income for purposes of the No Default Certificate to be delivered at the end of the next quarter.

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Section 9.3 - EBITDA

EBITDA

1. Net Income	
(a) This month	\$ _____
(b) First preceding month	\$ _____
(c) Second preceding month	\$ _____
(d) Total	\$ _____
2. Non Cash Charges	
(a) This month	\$ _____
(b) First preceding month	\$ _____
(c) Second preceding month	\$ _____
(d) Total	\$ _____
3. Interest Expense	
(a) This month	\$ _____
(b) First preceding month	\$ _____
(c) Second preceding month	\$ _____
(d) Total	\$ _____
4. Cash Taxes	
(a) This month	\$ _____
(b) First preceding month	\$ _____
(c) Second preceding month	\$ _____
(d) Total	\$ _____
5. EBITDA - Sum of line 1(d) plus line 2(d) plus line 3(d) plus line 4(d)	\$ _____

Required:

Not less than \$225,000.00

Section 9.4 - Capital Expenditures

Calculation:

Capital Expenditures to Date \$ _____

Required:

Not more than \$250,000.00

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Date: _____

BORROWER:

SOUTH HAMPTON REFINING CO.

By: _____
Name: _____
Title: _____

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SOUTH HAMPTON REFINING CO.

OFFICER'S CERTIFICATE

I, the undersigned, hereby certify that I am the duly elected, qualified, and acting Assistant Secretary of SOUTH HAMPTON REFINING CO., a Texas corporation (the "Corporation"), and that I am authorized to execute and deliver this certificate, and I do hereby further certify as follows:

1. Resolutions. The following resolutions have been duly adopted at a meeting (duly convened where a quorum of directors was present) of, or by the unanimous written consent of, the Board of Directors of the Corporation, and such resolutions have not been amended or revoked, and are now in full force and effect:

"WHEREAS, the Corporation and Southwest Bank of Texas, N.A. (the "Lender") have entered in that certain Loan Agreement dated September 30, 1999, as amended by First Amendment to Loan Agreement dated June 20, 2000, Second Amendment to Loan Agreement dated May 31, 2001, Third Amendment to Loan Agreement dated July 31, 2001 and Fourth Amendment to Loan Agreement dated October 31, 2001 (collectively, the "Loan Agreement")."

"RESOLVED, that the renewal and extension of the revolving credit indebtedness of the Corporation to the Lender created pursuant to the Loan Agreement to be evidenced by a promissory note in the principal amount of \$3,250,000.00 (the "Note") executed by the Corporation and payable to the order of the Lender, is hereby approved; and further

"RESOLVED, that the form and content of that certain Fifth Amendment to Loan Agreement (the "Amendment") to be entered into by the Corporation and the Lender in the form of drafts exhibited to each director, with such changes as are hereinafter authorized, are hereby approved; and further

"RESOLVED, that the form and content of the Note and all other documents to be executed in connection with the Amendment (collectively, the "Loan Documents"), as exhibited to each director and with such changes as are hereinafter authorized, are hereby approved; and further

"RESOLVED, that the President or any Vice President of the Corporation is hereby authorized, on behalf of the Corporation, to execute the Amendment and the Loan Documents and deliver the same to Lender in substantially the form approved by these resolutions, with such amendments or changes thereto as the officer so acting

may approve, such approval to be conclusively evidenced by such person's execution and delivery of the same; and further

"RESOLVED, that the President or any Vice President of the Corporation is hereby authorized, on behalf of the Corporation, to execute such other instruments and documents, and to take such other actions as the officer so acting deems necessary or desirable to effectuate the transactions contemplated by these resolutions; and further

"RESOLVED, that the Secretary or any Assistant Secretary of the Corporation is hereby authorized, on behalf of the Corporation, to certify and attest any documents which such person may deem necessary or appropriate to consummate the transactions contemplated by these resolutions; provided that such attestation shall not be required for the validity of any such documents; and further

"RESOLVED, that any and all actions taken by any of the officers or representatives of the Corporation, for and on behalf and in the name of the Corporation, with Lender prior to the adoption of these resolutions, including, without limitation, the negotiation of the Amendment and the Loan Documents, are hereby ratified, confirmed, are approved in all respects for all purposes; and further

"RESOLVED, that the powers and authorizations contained herein shall continue in full force and effect until written notice of revocation has been given to, and received by, the Lender."

2. Incumbency. The following named persons are duly elected or appointed, acting, and qualified officers of the Corporation holding at the date hereof the offices set forth opposite their respective names, and the signatures appearing opposite their respective names are their genuine signatures:

<Table>		
<Caption>		
NAME	TITLE	SPECIMEN SIGNATURE
----	-----	-----
<S>	<C>	<C>
Nick Carter	President	/s/ NICK CARTER
Connie Cook	Assistant Secretary	/s/ CONNIE COOK

3. Articles of Incorporation. The Articles of Incorporation of the Corporation have not been amended (except as reflected in any attachments hereto) or revoked since September 30, 1999, and remain in full force and effect in the form delivered to the Lender.

4. By-Laws. The By-Laws of the Corporation have not been amended (except as reflected in any attachments hereto) or revoked since September 30, 1999, and remain in full force and effect in the form delivered to the Lender.

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IN WITNESS WHEREOF, I have duly executed this certificate as of February 28th, 2002.

/s/ CONNIE COOK

Assistant Secretary

I, Nick Carter, President of the Corporation, do hereby certify that Connie Cook is the duly elected and qualified Assistant Secretary of the Corporation and the signature appearing opposite such person's name is such person's genuine signature.

DATED: As of February 28th, 2002.

/s/ NICK CARTER

President

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SUBSIDIARIES

1. Pioche-Ely Valley Mines, Inc. is a Nevada corporation doing business under its corporate name. The Company beneficially owns approximately 51% of the capital stock of Pioche-Ely Valley.
2. American Shield Refining Company is a Texas corporation doing business under its corporate name.
3. Texas Oil and Chemical Co. II, Inc. is a Texas corporation doing business under its corporate name. American Shield Refining Company owns 100% of the capital stock of Texas Oil and Chemical.
4. South Hampton Refining Co. is a Texas corporation doing business under its corporate name. Texas Oil and Chemical Co. II, Inc. owns 100% of the capital stock of South Hampton.
5. Gulf State Pipe Line Company is a Texas corporation doing business under this corporate name. South Hampton Refining Co. owns 100% of the capital stock of Gulf State.
6. Productos Quimicos Coin, S.A. de C.V. is a Mexico corporation doing business under its corporate name. Texas Oil and Chemical Co. II, Inc. owns 92% of the capital stock of Productos Quimicos Coin, S.A.