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, 2002

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	75-1256622
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10830 NORTH CENTRAL EXPRESSWAY SUITE 175 DALLAS, TEXAS	75231
(Address of principal executive offices)	(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. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

Number of shares of registrant's Common Stock, par value $0.10 per share, outstanding as of November 25, 2003: 22,731,994.

The aggregate market value on June 28, 2002 of the registrant's voting securities held by non-affiliates was $1,906,191.

DOCUMENTS INCORPORATED BY REFERENCE

No documents are incorporated by reference into this report.

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. 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 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, 2002, 2001 and 2000. 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.

INTERNATIONAL OPERATIONS

A substantial portion of the Company's mineral properties and related interests, and one of its specialty petrochemical refineries, are located in Saudi Arabia and Mexico, respectively. The Company's international operations involve additional risks not generally associated with domestic operations, any of which could have a material and adverse affect on the Company's business, financial condition or results of operations, including a heightened risk of the following:

Economic and Political Instability; Terrorist Acts; War and Other Political Unrest. The U.S. military action in Iraq, the terrorist attacks that took place in the United States on September 11, 2001, the potential for additional future terrorist acts and other recent events, have caused uncertainty in the world's financial markets and have significantly increased global political, economic and social instability, including in Saudi Arabia, a country in which the Company has substantial interests and operations. It is possible that further acts of terrorism may be directed against the United States domestically or abroad, and such acts of terrorism could be directed against the properties and personnel of companies such as the Company. The Company's operations in Saudi Arabia and elsewhere could be further adversely affected by post-war conditions in Iraq if armed hostilities, acts of terrorism or other unrest persist. Recent acts of terrorism and threats of armed conflicts elsewhere in the Middle East could also limit or disrupt the Company's operations.

War and other political unrest also may cause unforeseen delays in the development of the Company's mineral properties and related interests located in Saudi Arabia, and interruption in the operation of the Company's specialty petrochemical refinery located in Mexico, and may pose a direct security risk to such interests and operations.

Such economic and political uncertainties may materially and adversely affect the Company's business, financial condition or results of operations in ways that cannot be predicted at this time.

Termination of Mining Lease; Expropriation or Nationalization of Assets. The Company's mining lease for the Al Masane area in Saudi Arabia is subject to the risk of termination if the Company does not comply with its contractual obligations. See Item 2. Properties. Further, the Company's foreign assets are subject to the risk of expropriation or nationalization. If a dispute arises, the Company may have to submit to the jurisdiction of a foreign court or panel or may have to enforce the judgment of a foreign court or panel in that foreign jurisdiction.

Compliance with Foreign Laws. Because of the Company's substantial international operations, its business is affected by changes in foreign laws

and regulations (or interpretation

of existing laws and regulations) affecting both the mining and petrochemical industries, and foreign taxation. The Company will be directly affected by the adoption of rules and regulations (and the interpretations of such rules and regulations) regarding the refining of specialty petrochemical products and the exploration and development of mineral properties for economic, environmental and other policy reasons. The Company may be required to make significant capital expenditures to comply with non-U.S. governmental laws and regulations. It is also possible that these laws and regulations may in the future add significantly to the Company's operating costs or may significantly limit its business activities. Additionally, the Company's ability to compete in the international market may be adversely affected by non-U.S. governmental regulations favoring or requiring the awarding of leases, concessions and other contracts or exploration licenses to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Other Difficulties and Risks Associated with International Operations. The Company also may experience difficulty in managing and staffing operations across international borders, particularly in remote locations. Additional risks associated with the Company's international operations, any of which could disrupt the Company's operations, include changing political conditions, foreign and domestic monetary policies, international economics, world metal price fluctuations, foreign currency fluctuations, foreign taxation, foreign exchange restrictions, trade protective measures and tariffs.

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 and 2002. During the latter part of 2002 and early 2003, prices rose upon speculation that the Iraqi freedom action would disrupt supplies.

ENVIRONMENTAL MATTERS

In 1993, while remediating a small spill area, the Texas Commission on Environmental Quality ("TCEQ"), formerly the Texas Natural Resources Conservation Commission ("TNRCC"), 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 2002 to further delineate the boundaries of the pools and to ensure that, with the additional rainfall experienced in 2001 and 2002, 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. South Hampton investigated a potential chemical dump site on the refinery property relating to ownership by Arco in the 1950's. The investigation indicates no further action is required and the TCEQ was so notified. South Hampton continues to remediate the site of a pipeline leak and spill which occurred in 2001. The affected site contains less than one-eight acre of land and the cost is being covered by insurance. 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 89 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, except as noted below.

The pentane-hexane unit's design capacity is approximately 2,500 barrels per day ("BPD") of feedstock. The unit averaged 2,000 barrels per stream day during 2002. 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 441 barrels per stream day in 2002.

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 250 barrels of production per stream day during 2002.

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 2002 was 106 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, at a cost of approximately $1.5 million, 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 unit became operational in June 2000 and, after the normal start-up adjustments, has performed as intended.

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. The unit was idled during the middle of 2001 and is available for

use for other purposes in the future. Several proposed projects are being evaluated which would make use of the existing equipment primarily to increase the capacity of existing operations.

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. Coin's operations are dependent upon Pemex (Mexican government owned vendor) for its feedstock supply. Coin is currently in negotiations with Pemex to secure a purchase contract for feedstock. The Mexico refinery was shut down for most of 2000 and 2001 due to the high cost of feedstock and low margins and

operated at approximately 50% of capacity during most of 2002. Future run rates will depend upon market conditions, feedstock prices and feedstock availability.

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 McOuat 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 fully bankable 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	RESERCE (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 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 cynidization 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 1994 feasibility study, WGM stated 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 Moyeath 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 showed 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 were 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 assumed the corporate structure of the entity to be formed to operate the project would 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 assumed 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 assumed that the $11 million loan outstanding to the Saudi Arabian government would 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 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 1996 base case showed the project would 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 1996 update was $12.16 million compared to the $15.5 million net present value of the project shown in the 1994 feasibility study. Based on the 1996 update, WGM believed that the economic analysis showed that the project remained viable.

In August 2003, for purposes of estimating future cash flows, the price assumptions contained in the WGM 1996 report were updated by an independent consultant, who had previously prepared updated cash flow projections in 2000 and 2002. The new price assumptions are averages over the projected life of the mine and are $1.04 per pound for copper, $.60 per pound for zinc, $375 per ounce for gold and $5.50 per ounce for silver. Copper and zinc comprise in excess of 80% of the expected value of production. Although these prices are lower than those used in the 1996 WGM report, due to the decline in the open market prices for the minerals during the past several years, 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. At December 31, 2002, approximately $425,000 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.

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 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 southeast 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 (the "Ministry") that the recent sharp drop in the market prices of the metals to be produced from the mine at Al Masane, as a result of the economic crisis in southeast Asia, made implementation of the development of the mine uneconomical at that time and that, as a result, the Company would delay implementation of the project until metal prices recovered.

The Ministry notified the Company one year later that it must immediately implement the project and in the Fall of 2000 further notified the Company that the project should be immediately implemented or the mining lease would be terminated. A second notice from the Ministry several weeks later stated that the Committee of the Supreme Council of Petroleum and Minerals in Saudi Arabia had recommended giving the Company six months to take positive steps to implement the project. A written notice from the Ministry in the Summer of 2001 stated that the Council of Ministers of Saudi Arabia had issued a resolution in which it refused the Company's request to postpone implementation of the project, that the Company must start implementation of the project within six months of the date of the resolution and that, if the project was not then started, the Ministry was authorized to begin procedures to terminate the

mining lease. Subsequent correspondence from the Ministry in the Fall and Winter of 2001 and into 2002 reiterated the threat to terminate the mining lease if the project was not immediately implemented. A letter from the Ministry in March 2002 stated that the six-month period to implement the project had expired without the Company taking positive steps towards that end.

The Company has vigorously contested the legality of the threats of the Ministry to terminate the Company's mining lease. The Company has written numerous letters to the Ministry, and the Company and its Saudi Arabian legal advisors also have had meetings with officials of the Ministry. In September 2002, the Company sent a letter to Saudi Arabian Crown Prince Abdullah Ben Abdul Aziz, in his capacity as Deputy Chairman of the Saudi Supreme Council of Petroleum and Minerals (the King of Saudi Arabia is the chairman), in which the Company contested the legality of the threats of the Ministry to terminate the mining lease and requested his advice. As stated in its letters to the Ministry and the Crown Prince, the Company believes that the Ministry's letters to the Company asking for the implementation of the project, without any regard to metal market conditions, is contrary to the Saudi Mining Code and the mining lease agreement. In addition, the Company has had correspondence and a meeting

with the United States Ambassador to Saudi Arabia where the Company presented its opinion regarding the legality of the Ministry's actions. This opinion also was conveyed in a letter to the United States Secretary of Commerce, who replied that the United States Embassy is working to set up meetings with Saudi Arabian government officials in an effort to resolve the matter. The Secretary of Commerce assured the Company that the Department of Commerce has a strong commitment in helping United States companies whenever possible. In a further letter from the Department of Commerce, signed by William H. Lash III, Assistant Secretary for Market Access and Compliance, dated March 6, 2003, he stated the following: "After investigating the matter, the U.S. Embassy in Riyadh has been informed by the Ministry of Petroleum that it did not cancel your mining lease. According to the Ministry, it is waiting development of the site by Arabian American Development Company."

The Ministry has not informed the Company that it will not terminate the mining lease. To date, the Company has not received a written notice of termination of the mining lease. An order of termination of the mining lease by the Minister can be appealed to the Board of Lease Appeals, in accordance with Article (55) of the Saudi Mining Code, which is an independent Board, chosen regardless of nationality, from eminent and highly reputable jurists and judges experienced in international law and problems relating to leases.

When the market prices for the minerals to be produced by the Al Masane project rise to acceptable levels, plans to implement the project will be resumed. 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.

The Minister of Petroleum and Mineral Resources announced on April 2, 2002 that a new revised Saudi Arabian Mining Code would be issued, which would 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. To date, the mining code has not been revised.

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.

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.

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.

[MAP]

ITEM 3. LEGAL PROCEEDINGS.

South Hampton, together with several other companies, is a defendant in six pending lawsuits filed by former employees of South Hampton and other refineries. 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. Two additional lawsuits were filed in March and May 2003 with similar claims. 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. South Hampton settled three similar lawsuits in 2002 by agreeing to pay $22,500 to settle one of these lawsuits and agreeing to pay a total of $60,000 and $100,000 in quarterly payments by October 2002 and June 2003, respectively, to settle the other two lawsuits.

South Hampton also is a defendant in a lawsuit filed in September 2001, which alleges that the plaintiff became ill from exposure to asbestos while employed by South Hampton from 1961 through 1975. The plaintiff is seeking unspecified amounts and the matter is set for trial in January 2004. South Hampton is vigorously defending itself against the claim. If this matter is resolved in an adverse manner, it could have a material adverse effect on South Hampton's operating results and cash flows in a future reporting period.

In August 1997, the Executive Director of the TCEQ, formerly the TNRCC, filed a preliminary report and petition with the TCEQ alleging that South Hampton violated various TCEQ rules, TCEQ permits issued to South Hampton, a TCEQ 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 TECQ's air quality rules and the storage, processing and disposal of hazardous waste in a manner that allegedly violates the TCEQ's industrial and hazardous waste rules. The TCEQ's Executive Director recommended that the TCEQ 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, TCEQ rules, permits and orders. 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 was taken at that time.

On February 2, 2000, the TCEQ 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 TCEQ proposed that administrative penalties be increased to approximately $765,000 and that certain corrective action be taken.

On December 13, 2001, the TCEQ notified South Hampton that it found several alleged violations of TCEQ 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.

In April 2003 South Hampton received a revised Notice of Violation from the TCEQ. Various claims of alleged violation were dropped, modified and added in the revised report and the total dollar amount of the proposed administrative penalty was reduced to approximately $690,000. On May 25, 2003, a settlement hearing with the TCEQ was held and additional information was submitted on June 2, 2003. South Hampton believes that the revised notice contains incorrect information and erroneously delineates as ongoing problems matters that were corrected immediately upon discovery several years ago. South Hampton intends to continue to vigorously defend itself in this matter. Negotiations between South Hampton and the TCEQ are expected to continue in order to reach a final settlement.

By letter dated March 11, 2003, the Company was advised that the Division of Enforcement of the Securities and Exchange Commission ("SEC") was conducting an informal, non-public inquiry concerning disclosure matters relating to the Al Masane project and the Ministry's threatened termination of the Al Masane mining lease. The Company fully cooperated with the SEC in the conduct of the investigation, which became a formal investigation.

On October 16, 2003, without admitting or denying any findings of fact or conclusions of law, the Company agreed to a cease-and-desist order with the SEC settling alleged violations of the federal securities laws asserted by the SEC relating to developments not previously disclosed concerning the Company's mining lease for the Al Masane area of Saudi Arabia. In connection with the settlement, the Company agreed to (i) cease and desist from violating certain provisions of the Securities Exchange Act of 1934 and (ii) comply with certain undertakings designed to improved its reporting and record keeping practices and enhance its internal accounting controls.

On the same date, without admitting or denying any findings of fact or conclusions of law, the Company's President and Chief Executive Officer, Hatem El-Khalidi, agreed to a cease-and-desist order with the SEC settling alleged violations of the federal securities laws relating to the same matter and agreeing to pay a $25,000 penalty. In connection with the settlement, Mr. El-Khalidi agreed to cease and desist from violating certain provisions of the Securities Exchange Act of 1934.

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 2002.

PART II

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

The Company's common stock traded on the OTC Bulletin Board and the Pink Sheets (from May 22, 2002 through September 30, 2002) under the symbol: ARSD. The following table sets forth the range of high and low bid prices for each quarter as reported by the OTC Bulletin Board and the Pink Sheets. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

<TABLE>
<CAPTION>

	OTC Bulletin Board	
	High	Low
<S>	<C>	<C>
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
Fiscal Year Ended December 31, 2002		
First Quarter ended March 31, 2002	$0.21	$0.19
Second Quarter through May 21, 2002	$0.15	$0.09

</TABLE>

<TABLE>
<CAPTION>

	Pink Sheets	
	High	Low
<S>	<C>	<C>
Second Quarter from May 22, 2002 to June 30, 2002	$0.15	$0.11
Third Quarter ended September 30, 2002	$0.12	$0.11

	OTC Bulletin Board	
	High	Low
<S>	<C>	<C>
Fourth Quarter ended December 31, 2002	$0.08	$0.07

At November 25, 2003, there were 753 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 agreements with its lender restrict the declaration and payment of dividends and other distributions to an amount not exceeding $50,000 per month, provided there is no event of default under the relevant loan agreement. See Note 8 to the Company's Consolidated Financial Statements.

See Note 10 to the Company's Consolidated Financial Statements for information about stock options outstanding at December 31, 2002.

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):

	2002	2001*	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	$36,753	$32,713	$42,612	$27,791	$25,089
Net Income (Loss)	$ 692	$(2,601)	$(4,288)	$ 2,740	$ 3,442
Net Income (Loss) Per Share-Diluted	$ .03	$ (.11)	$ (.19)	$ .12	$ .16
Total Assets (at December 31)	$55,621	$55,748	$57,599	$52,848	$46,683
Notes Payable (at December 31)	$11,744	$11,744	$11,924	$11,874	$11,874
Current Portion of Long-Term Debt (at December 31)	$ 7,127	$ 7,599	$ 8,061	$ 677	$ --
Total Long-Term Obligations (at December 31)	$ --	$ --	$ --	$ 4,314	$ 1,953

*As restated, see Note 2 of the Company's Consolidated Financial Statements.

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 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 2001 and throughout 2002. 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 2001 and 2002 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 periodically in 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"), which terminated on June 15, 2003. On July 29, 2003 a Purchase and Sale Agreement was negotiated. The terms and conditions of these agreements are discussed in Note 8 to the Company's Consolidated Financial Statements. At December 31, 2002, South Hampton was not in compliance with covenants contained in the loan agreement relating to (i) the delivery of audited financial statements and (ii) exceeding the limits on dividends payable to its parent company. 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. At December 31, 2002, South Hampton and Gulf State were not in compliance with covenants contained in the loan agreement relating to (i) the delivery of audited financial statements and (ii) exceeding the limits on dividends payable to its parent company.

At December 31, 2002 Coin had two loans payable to Mexican banks in the outstanding principal amounts of $1,171,007 and $2,044,093, respectively. The first loan is payable in monthly payments through October 2004 and bears interest at the rate of 5% per annum. The second loan is payable in quarterly payments through March 2007 and bears interest at the LIBOR rate plus seven points (LIBOR was 1.382% at December 31, 2002). Both loans are collateralized by all of the assets of Coin, including the plant located in Coatzacoalcos, near Veracruz, Mexico. At December 31, 2002, Coin was in default of the loan covenants under both loans as a result of not having made its monthly and quarterly payments.

The provisions of the Refining Company agreements with the Bank restrict the declaration and payment of dividends and other distributions to an amount not exceeding $50,000 per month, 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, 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 $943,000 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 $1,113,000).

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.

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 Company had incurred cumulative losses through December 31, 2002 of $13,052,341 and had an excess of current liabilities over current assets of $23,127,040 at December 31, 2002. As discussed in Notes 3 and 8 to the Company's Consolidated Financial Statements, the Company was not in compliance with certain covenants in its loan agreements. All of these matters raise substantial doubt about the Company's ability to continue as a going concern.

RESULTS OF OPERATIONS

Comparison of the Years 2002 to 2001

Specialty Petrochemicals Segment. Total refined product sales increased approximately 13% or $3.7 million in 2002, with $1.2 million of the increase due to the revenues of Coin. Cost of sales (excluding depreciation) increased approximately $1.7 million or 6% in 2002, including $0.9 million attributable to Coin. During 2002, the Refining Company operating results improved significantly over 2001 results. Cash flow for the U.S. refining operation increased approximately 85% to $2.8 million in 2002 from $1.5 million in 2001. The increase in cash flow was attributable to several factors. Gross sales of the products rose by 8% to $29.9 million from $27.7 million in 2001. The average selling prices of the products decreased by $ .11 per gallon but volume increased by almost 15% or 3.5 million gallons. The increase in volume was spread over the entire year with no individual quarter showing an unusually high number. Although the average final selling prices were lower for 2002 than for 2001, feedstock prices were also lower which contributed to a net increase in gross profit on refined product sales (excluding depreciation) of $1.9 million. Feedstock prices were moderate for much of the year due to a successful hedging program which kept feedstock costs to the refinery at favorable levels.

Also contributing to the increased performance of the refining operation were the increased toll processing fees for the year 2002. Fees rose from $3.7 million in 2001 to $4.1 million in 2002, an 11% increase. Toll processing customer volume demand also increased in 2002. While the toll processing agreements provide for minimum fees, which protects the

Refining Company during business slowdowns, it is more advantageous to operate the equipment at higher volumes in order to earn higher fees.

General and administrative expenses for this segment increased approximately 10% in 2002 from 2001 due primarily to increased costs of insurance and legal fees. Interest expense decreased in 2002 to $1.3 million from $1.5 million in 2001. The net result of the increase in refined product sales, toll processing fees and the decrease in feedstock costs, due both to market conditions and to hedging, was that operating income for the refining operation rose by $1.9 million in 2002.

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 had net operating loss carryforwards of approximately $18 million at December 31, 2002. These loss carryforwards expire during the years 2003 through 2020.

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.

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.

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 had 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 2020.

New Accounting Standards

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" (SFAS No. 143), that established uniform methodology for accounting for estimated costs associated with legal obligations related to retirement of assets. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company is in the process of analyzing the effect of this statement.

In April 2002, the FASB issued SFAS No. 145, Rescission of No. 4, (Reporting Gains and Losses from Extinguishment of Debt), No. 44 (Accounting for Intangible Assets of Motor Carriers), No. 64, (Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements), Amendment of FASB Statement No. 13 (Accounting for Leases) and Technical Corrections. This statement eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current GAAP criteria for extraordinary classification. In addition, SFAS 145 eliminates an inconsistency in lease accounting by requiring that modification of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. The statement also contains other nonsubstantive corrections to authoritative accounting literature. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. The Company does not believe the adoption of SFAS No. 145 will have a material impact on the Company's financial position, results of operations or cash flows.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" (FAS 148), which amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123). FAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, FAS 148 amends the disclosure requirement of FAS 123 to require more prominent and more frequent disclosures in financial statements of the effects of stock-based compensation. The transition guidance and annual disclosure provisions of FAS 148 are effective for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. The adoption of FAS 148 did not have a material impact on the Company's consolidated balance sheet or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. In particular, SFAS No. 149 (i)

clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS No. 133, (ii) clarifies when a derivative contains a financing component, (iii) amends the definition of an underlying derivative to conform it to the language used in FASB Interpretation No. 45, Guarantor Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and (iv) amends certain other existing pronouncements. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003. The Company does not believe the adoption of SFAS No. 149 will have a material impact on the Company's financial position, results of operations or cash flows.

CRITICAL ACCOUNTING POLICIES

Recoverability of Investments

Management periodically reviews and evaluates the recoverability of the Company's investments, which primarily include its mineral exploration and development projects. The significant judgment required in management's recoverability assessment is the determination of the fair value of the investment. Accounting standards require that if the sum of the future cash flows expected to result from a company's asset, undiscounted and without interest charges, is less than the reported value of the asset, an asset impairment must be recognized in the financial statements. The amount of impairment to recognize is calculated by subtracting the fair value of the asset from the reported value of the asset. The recoverability of the carrying values of the Company's development properties are assessed by comparing the carrying values to estimated future net cash flows from each property. The Company's most significant asset is the Al Masane mining project in Saudi Arabia. In August 2003, 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 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, $375 per ounce for gold and $5.50 per ounce for silver. Copper and zinc comprise in excess of 80% of the expected value of production. 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 any of its mineral properties.

Environmental Liabilities

The refining operations by South Hampton are subject to the rules and regulations of the TCEQ, which inspects the operations at various times for possible violations relating to air, water and industrial solid waste requirements. As noted in Item 1. Business and Item 3. Legal Proceedings, evidence of groundwater contamination was discovered in 1993. The recovery process, initiated in 1998, is proceeding as planned and is expected to continue for several years.

Also, in 1997 the TCEQ notified South Hampton of several alleged violations relating to air quality rules and the storage, processing and disposal of hazardous waste. Some claims have been dropped, some have been settled and others continue to be negotiated. It is the Company's policy to accrue remediation costs based on estimates of known environmental remediation exposure. At December 31, 2002, a liability of $200,000 has been accrued to cover future estimated costs of these environmental issues.

Foreign Currency and Operations

The Company has undeveloped mining interests in Saudi Arabia and a majority interest in a refining company in Mexico. These interests 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. Any changes in these conditions and influences could have a material adverse effect on the Company's financial condition, operating results and cash flows.

The functional currency for each of the Company's two foreign operations is the U.S. dollar. Transaction gains or losses, as a result of remeasuring from the local currency to the U.S. dollar, are reflected in the statements of operations as a foreign exchange transaction gain or loss. The Company does not employ any practices to minimize foreign currency risks. The exchange rate of the Saudi riyal to the U.S. dollar has not changed in many years, but there is no guarantee that this will not change. The foreign exchange transaction gains and losses as reflected in the statements of operations are a result of changes in the exchange rate of the Mexican peso to the U.S. dollar, which does fluctuate periodically. These changes have not been material.

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, 2002 and 2001, the Company had $5.8 million and $6.8 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 $34,300 and $47,200 at December 31, 2002 and 2001, 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, 2002, the Refining Company had two financial swap agreements in effect which expired in January 2003. No swap agreements are currently in effect. The swap agreements covered approximately 20% to 40% 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, 2002. Assuming 2003 total refined product sales volumes at the same rate as 2002, such an increase would result in an increase in the cost of feedstock of approximately $1.7 million in fiscal 2003, before considering the effect of the swap agreements outstanding as of December 31, 2002.

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 expired in July 2002. The Refining Company entered into another swap agreement in February 2002 which remained in effect for the remainder of 2002. The swap agreements covered 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.

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.

The disclosure required by this item has been previously reported by the Company by a Current Report on Form 8-K dated January 31, 2003, a Current Report on Form 8-K/A dated January 31, 2003 and a Current Report on Form 8-K dated June 16, 2003.

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	87	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	79	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)	60	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	66	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. See Item 3. Legal Proceedings for a discussion of the cease and desist order entered into with the SEC enjoining Mr. El-Khalidi from future violations of the federal securities laws.

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	87
Hatem El-Khalidi	President, Chief Executive Officer and Director	79
Drew Wilson, Jr.	Secretary and Treasurer	70
Nicholas N. Carter	President - TOCCO	56

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 SEC. 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, 2002, 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, 2002, 2001 and 2000 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 ($)	RESTRICTED STOCK AWARD(S) ($)	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,	2002	$ 72,000	--	--	--	--	--	$ 8,000
President and Chief	2001	$ 72,000	--	--	--	--	--	$ 8,000
Executive Officer	2000	$ 72,000	--	--	--	--	--	$ 8,000
Nicholas N. Carter	2002	$124,500	$21,700	--	--	--	--	--
President, TOCCO	2001	$ 81,575	$30,200	--	--	--	--	--
	2000	$ 83,769	$40,500	--	--	--	--	--

</TABLE>

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(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, 2002.

(2) Includes $55,898, $61,947 and $44,904 in compensation for the fiscal years ended December 31, 2002, December 31, 2001 and December 31, 2000, respectively, that was deferred at the election of Mr. El-Khalidi. All present deferred compensation owing to Mr. El-Khalidi aggregating $844,516 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, 2002, December 31, 2001 and December 31, 2000, 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, 2002 was $268,000.

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, 2002 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	400,000/0	$0/0
Nicholas N. Carter.....	0	0	0/0	$0/0

</TABLE>

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(1) Based on the closing price of $.04 of the Company's Common Stock on the OTC Bulletin Board on December 31, 2002.

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

The following table sets forth, as of November 25, 2003, 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	3,586,468	15.8%
Mohammad Salem ben Mahfouz..... c/o National Commercial Bank Jeddah, Saudi Arabia	1,500,000	6.6%
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..... P.O. Box 4900 Riyadh, Saudi Arabia	25,000	*
Ghazi Sultan..... P.O. Box 5360 Jeddah, Saudi Arabia	25,000	*
Nicholas N. Carter..... P.O. Box 1636 Silsbee, Texas 77656	34,500	*
All directors and executive officers as a group (6 persons).....	584,150(3)	2.5%

</TABLE>

(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 425,000 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 November 25, 2003, Saudi Arabian stockholders currently hold approximately 61% 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 SEC. 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 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 2002 and 2001, the Company made payments of

approximately $17,700 and $10,300, 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 expired on June 1, 2002. As of December 31, 2002, Pioche owed the Company $204,519 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 approximately $1,100 per month for rent and approximately $980 per month for personnel and other overhead expenses pursuant to such arrangement.

During 2002, South Hampton incurred product transportation costs of approximately $397,000 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 $32,300 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 98% 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.

ITEM 14. CONTROLS AND PROCEDURES

Within the 90 days prior to the filing date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer and Treasurer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the President and Chief Executive Officer and Treasurer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated nonsubsidiaries) required to be included in the Company's periodic SEC filings. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a)1. The following financial statements are filed with this Report:

Reports of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets dated December 31, 2002 and 2001.

Consolidated Statements of Operations for the three years ended December 31, 2002.

Consolidated Statement of Stockholders' Equity for the three years ended December 31, 2002.

Consolidated Statements of Cash Flows for the three years ended December 31, 2002.

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, 2002.

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.

<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)).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER		DESCRIPTION
<S>		<C>
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 (incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 0-6247)).

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>
<CAPTION>
EXHIBIT NUMBER | DESCRIPTION
<S> <C>

- (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 (incorporated by reference to Exhibit 10(r)(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 0-6247)).

- (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 (incorporated by reference to Exhibit 10(r)(e) to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 0-6247)).

- (f) Sixth Amendment to Loan Agreement dated as of April 30, 2002 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 March 31, 2002 (File No. 0-6247)).

- (g) Seventh Amendment to Loan Agreement dated as of August 31, 2002 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, 2002 (File No. 0-6247)).

- (h) Eighth Amendment to Loan Agreement dated as of December 31, 2002 between South Hampton Refining Company and Southwest Bank of Texas. N.A., together with related Promissory Note.

- (i) Ninth Amendment to Loan Agreement dated as of February 28, 2003 between South Hampton Refining Company and Southwest Bank of Texas. N.A., together with related Promissory Note.

</TABLE>

<TABLE>
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EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
	- (j) Tenth Amendment to Loan Agreement dated as of April 30, 2003 between South Hampton Refining Company and Southwest Bank of Texas. N.A., together with related Promissory Note.
10(s)	- Purchase and Sale Agreement/Security Agreement dated July 29, 2003 between Southwest Bank of Texas, N.A. and South Hampton Refining Company, together with related Restricted Payments Letter Agreement and Guaranty of Texas Oil & Chemical Co. II, Inc.
16	- Letter re change in certifying accountant (incorporated by reference to Exhibit 16 to the Company's Current Report on Form 8-K/A dated January 31, 2003 (File No. 0-6247)).
21	- Subsidiaries (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 0-6247)).
31.1	- Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	- Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	- Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	- Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

</TABLE>

(b) The following reports on Form 8-K were filed during the last quarter of the period covered by this Report:

- Current Report on Form 8-K dated December 23, 2002.

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: December 15, 2003

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 December 15, 2003.

<TABLE>
<CAPTION>

SIGNATURE	TITLE
<S>	<C>
/s/ HATEM EL-KHALIDI - --- Hatem El Khalidi	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 REGISTERED PUBLIC ACCOUNTING FIRM

Arabian American Development Company and Subsidiaries
Dallas, Texas

We have audited the accompanying consolidated balance sheets of Arabian American Development Company and Subsidiaries (the "Company") as of December 31, 2002 and 2001 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2002. These consolidated 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, 2002 and 2001, or for the years 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 the standards of the Public Company Accounting Oversight Board (United States). 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 audits and the report of other auditors, the consolidated 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, 2002 and 2001 and the consolidated results of operations and cash flows for each of the three years in

the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6, the Company was notified by the Ministry of Petroleum and Mineral Resources of Saudi Arabia (the Ministry) that if the Company could not commence the implementation of the Al Masane project that the Ministry intended to terminate the lease. As discussed in Note 6, the Company is in continued negotiations with the Ministry and to date, has not received a formal written notice of the cancellation of the Company's lease.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the consolidated financial statements, the Company incurred cumulative losses through December 31, 2002 of $13,052,341 and had an excess of current liabilities over current assets of $23,127,040 at December 31, 2002. As discussed in Notes 3 and 8 to the consolidated 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 debt financing or 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.

As discussed in Note 2 to the consolidated financial statements, the Company has restated the consolidated balance sheet as of December 31, 2001, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year ended December 31, 2001.

/s/ MOORE STEPHENS TRAVIS WOLFF, LLP

Dallas, Texas
October 16, 2003

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<Table>
<Caption>

ASSETS	DECEMBER 31, 2002	2001 (Restated, See Note 2)
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	$ 319,171	$ 199,529
Trade receivables	4,549,369	4,437,562
Inventories	900,061	723,313
Total current assets	5,768,601	5,360,404
REFINERY PLANT, PIPELINE AND EQUIPMENT - AT COST	18,250,302	17,704,363
LESS ACCUMULATED DEPRECIATION	(8,294,753)	(6,945,934)
REFINERY PLANT, PIPELINE AND EQUIPMENT, NET	9,955,549	10,758,429
AL MASANE PROJECT	35,818,157	35,498,808
OTHER INTERESTS IN SAUDI ARABIA	2,431,248	2,431,248
MINERAL PROPERTIES IN THE UNITED STATES	1,211,010	1,210,969
OTHER ASSETS	436,244	487,825
TOTAL ASSETS	$ 55,620,809	$ 55,747,683

</Table>

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - CONTINUED

<Table>
<Caption>

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 2002	DECEMBER 31, 2001 (Restated, See Note 2)
<S>	<C>	<C>
CURRENT LIABILITIES		
Accounts payable	$ 4,217,014	$ 5,197,981
Accrued interest	2,558,478	1,756,888
Accrued liabilities	759,591	650,367
Fair value of feedstock swaps	--	505,890
Accrued liabilities in Saudi Arabia	2,490,005	2,308,774
Notes payable	11,743,780	11,743,780
Current portion of long-term debt	7,126,773	7,598,768
Total current liabilities	28,895,641	29,762,448
DEFERRED REVENUE	177,806	120,872
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	844,298	853,362
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - authorized, 40,000,000 shares of $.10 par value; issued and outstanding, 22,431,994 shares in 2002 and 2001	2,243,199	2,243,199
Additional paid-in capital	36,512,206	36,512,206
Accumulated deficit	(13,052,341)	(13,744,404)
Total stockholders' equity	25,703,064	25,011,001
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 55,620,809	$ 55,747,683

</Table>

The accompanying notes are an integral part of the consolidated financial statements.

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

<Table>
<Caption>

	2002	2001 (RESTATED, SEE NOTE 2)	2000
<S>	<C>	<C>	<C>
Revenues			
Refined product sales	$ 32,638,719	$ 28,982,357	$ 40,267,342
Processing fees	4,114,281	3,730,311	2,344,469
	36,753,000	32,712,668	42,611,811
Operating costs and expenses			
Cost of refined product sales and processing	30,035,531	28,327,172	40,715,332
General and administrative	4,087,875	3,717,822	3,665,642
Depreciation	1,414,202	1,381,469	1,258,953
	35,537,608	33,426,463	45,639,927
Operating income (loss)	1,215,392	(713,795)	(3,028,116)
Other income (expense)			
Interest income	37,621	44,534	104,795
Interest expense	(1,354,042)	(1,506,544)	(1,411,912)
Minority interest	9,064	145,649	126,537
Foreign exchange transaction gain (loss)	240,106	(104,979)	(96,044)
Miscellaneous income	38,032	40,007	16,696
Unrealized gain (loss) on feedstock swaps	505,890	(505,890)	--
	(523,329)	(1,887,223)	(1,259,928)
Income (loss) before income taxes	692,063	(2,601,018)	(4,288,044)
Income tax expense	--	--	--

Net income (loss)	$ 692,063	$ (2,601,018)	$ (4,288,044)
Basic and diluted net income (loss) per common share	$ 0.03	$ (0.11)	$ (0.19)
Basic and diluted weighted average number of common shares outstanding	22,731,994	22,768,858	22,673,033

</Table>

The accompanying notes are an integral part of the consolidated financial statements.

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

<Table>
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	COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	
	SHARES	AMOUNT	CAPITAL	DEFICIT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
JANUARY 1, 2000	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	--	--	--	(4,288,044)	(4,288,044)
DECEMBER 31, 2000	22,488,994	2,248,899	36,523,606	(11,143,386)	27,629,119
Common stock cancelled in settlement of receivable	(57,000)	(5,700)	(11,400)	--	(17,100)
Net loss*	--	--	--	(2,601,018)	(2,601,018)
DECEMBER 31, 2001*	22,431,994	2,243,199	36,512,206	(13,744,404)	25,011,001
Net income	--	--	--	692,063	692,063
DECEMBER 31, 2002	22,431,994	$ 2,243,199	$ 36,512,206	$(13,052,341)	$ 25,703,064

</Table>

* Restated, see Note 2.

The accompanying notes are an integral part of the consolidated financial statements.

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

<Table>
<Caption>

	2002	2001 (RESTATED, SEE NOTE 2)	2000
<S>	<C>	<C>	<C>
Operating activities			
Net income (loss)	$ 692,063	$(2,601,018)	$(4,288,044)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	1,414,202	1,381,469	1,258,953
Increase (decrease) in deferred revenue	56,934	(10,529)	(34,434)
Unrealized (gain) loss on feedstock swaps	(505,890)	505,890	--
Changes in operating assets and liabilities:			
(Increase) decrease in trade receivables	(111,807)	802,207	1,029,691
(Increase) decrease in inventories	(176,748)	237,181	30,900
Decrease (increase) in other assets	51,581	56,039	(74,761)
(Decrease) increase in accounts payable and accrued liabilities	(871,743)	(396,490)	1,752,993
Increase in accrued interest	801,590	1,051,184	549,899

Increase in accrued liabilities in Saudi Arabia	63,898	276,910	304,823
Other	(74,447)	(43,694)	(102,525)
Net cash provided by operating activities	1,339,633	1,259,149	427,495
Investing activities			
Proceeds from sale of short-term investments	--	--	20,597
Purchase of business (net of cash acquired)	--	--	(2,279,665)
Additions to Al Masane Project	(202,016)	(544,568)	(682,905)
Additions to refinery plant, pipeline and equipment	(545,939)	(455,472)	(2,743,405)
(Additions to) reduction in mineral properties in the United States	(41)	71,173	16,866
Net cash used in investing activities	(747,996)	(928,867)	(5,668,512)
Financing activities			
Additions to notes payable and long-term obligations	299,236	285,940	3,338,644
Reduction of notes payable and long-term obligations	(771,231)	(575,670)	(1,872,963)
Net cash provided by (used in) financing activities	(471,995)	(289,730)	1,465,681
Net increase (decrease) in cash and cash equivalents	119,642	40,552	(3,775,336)
Cash and cash equivalents at beginning of year	199,529	158,977	3,934,313
Cash and cash equivalents at end of year	$ 319,171	$ 199,529	$ 158,977

</Table>

The accompanying notes are an integral part of the consolidated financial statements.

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BUSINESS AND OPERATIONS OF THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 approximately 93% of the capital stock of Productos Quimicos 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. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS - The Company's principal banking 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,

2002 and 2001, 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 for inventories in the United States and on the average cost method, or market, for inventories held in Mexico.

NOTE 1 - BUSINESS AND OPERATIONS OF THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2002, none of the projects had reached the commercial exploitation 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 three suppliers and customers to defray development and processing costs and are being amortized over five year and 15 year periods.

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 the US dollar are reflected in the statements 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 foreign 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.

NOTE 1 - BUSINESS AND OPERATIONS OF THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2002.

MANAGEMENT ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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), as amended by Statement of Financial Accounting Standards No. 148 (Statement No. 148). 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. See Note 10 for additional information relating to stock options.

DERIVATIVES - Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Statement No. 133, as amended, was adopted by the Company on January 1, 2001.

The Company periodically enters into commodity swap derivative agreements to decrease the price volatility of its natural gasoline feedstock requirements. These derivative agreements were not designated as hedges by the Company. (See Note 16.)

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, 2002 and 2001 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.

NEW ACCOUNTING STANDARDS - In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" (SFAS No. 143), that established uniform methodology for accounting for estimated costs associated with legal obligations related to retirement of assets. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company is in the process of analyzing the effect of this statement.

NOTE 1 - BUSINESS AND OPERATIONS OF THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In April 2002, the FASB issued SFAS No. 145, Rescission of No. 4, (Reporting Gains and Losses from Extinguishment of Debt), No. 44 (Accounting for Intangible Assets of Motor Carriers), No. 64, (Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements), Amendment of FASB Statement No. 13 (Accounting for Leases) and Technical Corrections. This statement eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current GAAP criteria for extraordinary classification. In addition, SFAS 145 eliminates an inconsistency in lease accounting by requiring that modification of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. The statement also contains other nonsubstantive corrections to authoritative accounting literature. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. The Company does not believe the adoption of SFAS No. 145 will have a material impact on the Company's financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. In particular, SFAS No. 149 (1) clarifies

under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS No. 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying derivative to conform it to the language used in FASB Interpretation No. 45, Guarantor Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and (4) amends certain other existing pronouncements. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003. The Company does not believe the adoption of SFAS No. 149 will have a material impact on the Company's financial position, results of operations or cash flows.

NOTE 2 - RESTATEMENT

During 2002, the Company became aware that the natural gasoline swap agreements (swap agreements) discussed in Note 16, did not qualify for cash flow hedge accounting treatment. The following table highlights the effects of the restatement adjustments on the previously reported consolidated statement of operations for 2001, accumulated other comprehensive loss and accumulated deficit. All notes and schedules have been restated as appropriate.

NOTE 2 - RESTATEMENT - CONTINUED

<Table>
<Caption>

	Net loss December 31, 2001	Accumulated other comprehensive loss December 31, 2001	Accumulated deficit December 31, 2001
<S>	<C>	<C>	<C>
As previously reported	$ (2,095,128)	$ (505,890)	$ (13,238,514)
Adjustment for fair value of natural gasoline swaps	(505,890)	505,890	(505,890)
As restated	$ (2,601,018)	$ --	$ (13,744,404)
Basic and diluted net loss per share:			
As previously reported	$ (0.09)		
Adjustment	(0.02)		
As restated	$ (0.11)		

</Table>

NOTE 3 - LIQUIDITY MATTERS, REALIZATION OF ASSETS AND BUSINESS RISKS

The accompanying consolidated 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 had an excess of current liabilities over current assets of $23,127,040 at December 31, 2002.

As discussed in Note 8, the Company was not in compliance with certain covenants in its loan agreements. If resolution with the lenders 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.

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 $943,000 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 $1,113,000). The note payable was originally due in ten annual installments beginning in 1984. While the Company has not

NOTE 3 - LIQUIDITY MATTERS, REALIZATION OF ASSETS AND BUSINESS RISKS - CONTINUED

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 was 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.

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 2005, are $1.04 per pound for copper and $.60 per pound for zinc. Copper and zinc 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 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 10% of the total product sales in 2001 and in 2000. No one customer accounted for 10% or more of sales in 2002. Minimal credit losses have been incurred. The carrying amount of accounts receivable approximates fair value at December 31, 2002.

NOTE 4 - CONCENTRATIONS OF REVENUES AND CREDIT RISK - CONTINUED

Coin's operations are dependent upon Pemex (Mexican government owned vendor) for its feedstock supply. Coin's operations have been negatively impacted in 2002, 2001 and 2000 by the inability to obtain feedstock for production.

Coin is currently in negotiations with Pemex to secure a purchase contract for feedstock.

NOTE 5 - INVENTORIES

Inventories include the following at December 31:

<Table>
<Caption>

	2002	2001
<S>	<C>	<C>
Refined products	$900,061	$723,313

</Table>

At December 31, 2002, current cost exceeded the LIFO value by approximately $203,000. At December 31, 2001 the LIFO inventory approximated current cost.

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 2003. 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.

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

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, 2002, approximately $425,000 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.

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.

On May 11, 1999, the Company informed the Ministry of Petroleum and Mineral Resources that implementation of the Al Masane project would be delayed until open market prices for the minerals improve. One year later in May 2000, a reply was received from the Ministry notifying the Company that it must immediately implement the project. In September 2000 the Company was further notified that the project should be immediately implemented or the mining lease would be terminated. A second notice from the Ministry several weeks later stated that the Committee of the Supreme Council of Petroleum and Minerals in Saudi Arabia had recommended giving the Company six months to take positive steps to implement the project. Another notice from the Ministry in August 2001 stated that the Council of Ministers of Saudi Arabia had issued a resolution in which it refused the Company's request to postpone implementation of the project, that the Company must start implementation of the project within six months of the date of the resolution and that, if the project was not then started, the Ministry was authorized to begin procedures to terminate the mining lease. Subsequent correspondence from the Ministry in the Fall of 2001 reiterated the threat to terminate the mining lease if the project was not immediately implemented. A letter from the Ministry in

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

March 2002 stated that the six-month period to implement the project had expired without the Company taking positive steps towards that end. In September 2002, the Company sent a letter to Saudi Arabian Crown Prince Abdullah Ben Abdul Aziz, in his capacity as Deputy Chairman of the Saudi Supreme Council of Petroleum and Minerals (the King of Saudi Arabia is the chairman), in which the Company contested the legality of the threats of the Ministry to terminate the mining lease and requested his advice. As stated in its letters to the Ministry and the Crown Prince, the Company believes that the Ministry's letters to the Company asking for the implementation of the project, without any regard to metal market conditions, is contrary to the Saudi Mining Code and the mining lease agreement. In addition, the Company has had correspondence and a meeting with the United States Ambassador to Saudi Arabia where the Company presented its opinion regarding the legality of the Ministry's actions. This opinion also was conveyed in a letter to the United States Secretary of Commerce, who replied that the United States Embassy is working to set up meetings with Saudi Arabian government officials in an effort to resolve the matter. The Secretary of Commerce assured the Company that the Department of Commerce has a strong commitment in helping United States companies whenever possible. To date, the Company has not received a written notice of termination of the lease.

The Company has vigorously contested the legality of the threats of the Ministry to terminate the Company's mining lease. Numerous letters have been written to the Ministry and the Company and its Saudi Arabian legal advisors also have had meetings with officials of the Ministry. The Company has told the Ministry that the Al Masane project would experience losses if the project was implemented since the market prices were still too low. When the market prices for the minerals rise to acceptable levels, plans to implement the project will be resumed. 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 will be able to locate a joint venture partner, form a joint venture or obtain financing from SIDF or any other sources. Financing plans for the above are currently being studied. 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, which may improve the commercial viability of

the project.

Deferred exploration and development costs of the Al Masane Project at December 31, 2002, 2001 and 2000, and the changes in these amounts for each of the three years then ended are detailed below:

	Balance at December 31, 2002	Activity for 2002	Balance at December 31, 2001	Activity for 2001	Balance at December 31, 2000	Activity for 2000
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	--

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

Other costs:						
Labor, consulting services and project administration costs	$21,434,455	$ 319,349	$21,115,106	$ 193,082	$20,922,024	$ 681,040
Materials and maintenance	6,175,232	--	6,175,232	1,486	6,173,746	1,865
Feasibility study	2,907,771	--	2,907,771	--	2,907,771	--
Total	30,517,458	319,349	30,198,109	194,568	30,003,541	682,905
	$35,818,157	$ 319,349	$35,498,808	$ 194,568	$35,304,240	$ 682,905

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 had an option, which expired in June 2002, to acquire 720,000 shares (approximately 10% of the outstanding shares) of Pioche common stock at $0.20 per share.

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:

	2002	2001
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	13,280
Unsecured notes to foreign investors (See Note B)	618,000	618,000
Other	112,500	112,500
Total	$11,743,780	$11,743,780

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

<Table>

<S>	<C>	<C>
Long-term debt:		
Revolving notes to foreign banks (See Note C)	$ 3,215,100	$ 3,297,401
Revolving bank note (See Note D)	3,250,000	3,043,997
Secured note with commercial lender (See Note E)	661,673	1,257,370
Total	7,126,773	7,598,768
Less current portion	(7,126,773)	(7,598,768)
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%. 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 Mexican banks of $1,171,007 and $2,044,093, as of December 31, 2002. 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 1.382% at December 31, 2002). 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 therefore the loans are classified as current in the financial statements. Unpaid interest and penalty interest of $2,275,823 are included in accrued interest.

(D) South Hampton entered into a $2.25 million revolving credit agreement with a bank in September 1999 that is collateralized by a first security interest in certain of its assets. Interest was payable monthly at the bank's prime rate plus .5% to January 31, 2003; plus 1% from February 1, 2003 to March 31, 2003; plus 1.5% from April 1, 2003 to May 26, 2003 and plus 3% from May 27 to June 15, 2003. An amended agreement was entered into on June 30, 2000, which increased the total amount to $3.25 million. Amendments two through ten extended the due dates from May 31, 2001 to June 15, 2003. The agreement contained various restrictive covenants including the maintenance of various financial ratios, net worth and parent company distribution limitations. At December 31, 2002, 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. On July 29, 2003, South Hampton entered into a Purchase and Sale Agreement (the "Agreement) with the bank, whereby the bank will purchase the accounts receivable of South Hampton at a 15% discount. The discounted amount is returned to South Hampton, less fees, when the invoice is collected.

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

Under this factoring agreement, the Bank has agreed to purchase up to $4.5 million of invoices. The initial proceeds of the Agreement were

used to retire the $3.25 million revolving bank note. Management expects the fees and interest charged by the Bank in this arrangement will equate to an effective interest rate of approximately 9.0%. The Agreement is secured by cash accounts, accounts receivable and inventory and imposes limitations on distributions to the parent.

(E) South Hampton and Gulf State 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, South Hampton and Gulf State 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. Effective April 1, 2001, an amended and restated promissory note was executed in the principal amount of $1,627,036 with interest at 10.55%. 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 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, 2002, South Hampton and Gulf State were 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 $552,452, $455,360 and $862,013 was paid in 2002, 2001, and 2000, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

South Hampton leases, on a month to month basis, various vehicles and equipment from a trucking and transportation company owned by two of TOCCO's officers at a monthly cost of approximately $32,000. Total rental costs were approximately $422,000 in 2002, $418,000 in 2001 and $405,000 in 2000.

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

South Hampton, together with several other companies, is a defendant in six lawsuits filed in the period from December 1999 to June 2003 by former employees of South Hampton and other refineries. 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 previous lawsuit was settled in 2002 for $22,500. Two other previous lawsuits were settled in 2002 with South Hampton agreeing to pay a total of $60,000 and $100,000 in quarterly payments by October 2002 and June 2003, respectively. In 2002 three

NOTE 9 - COMMITMENTS AND CONTINGENCIES - CONTINUED

new lawsuits were filed which contain claims similar to the other suits. Two lawsuits were filed in March and June 2003 with similar claims. 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.

South Hampton is a defendant in a lawsuit filed in September 2001, which alleges that the plaintiff became ill from exposure to asbestos while employed by South Hampton from 1961 through 1975. The plaintiff is seeking unspecified amounts and the matter is set for trial in January 2004. South Hampton is vigorously defending itself against the claim. It is not practical to predict the ultimate outcome of the lawsuit. If this matter is resolved in an adverse manner, it could have a material adverse effect on South Hampton's operating results and cash flows in a future reporting period.

At the request of the Texas Commission on Environmental Quality ("TCEQ"), formerly Texas Natural Resources Conservation Commission ("TNRCC"), South Hampton drilled a well to check for groundwater contamination under a spill area. Based on the results, two pools of hydrocarbons were discovered. 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 TCEQ notified South Hampton that it had violated various rules and procedures. It proposed administrative penalties totaling $709,408 and recommended that 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.

On February 2, 2000, the TCEQ 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 TCEQ proposed that administrative penalties be increased to approximately $765,000 and that certain corrective actions be taken. A further amendment was made by the TCEQ on December 13, 2001 for further violations relating to air quality control and waste requirements. The TCEQ proposed that the administrative penalties be increased another $59,000. South Hampton settled this particular claim with the TCEQ in April 2002 for approximately $5,900.

On April 11, 2003, the TCEQ reduced the penalties to approximately $690,000. On May 25, 2003, a settlement hearing with the TCEQ was held and additional information was submitted to the TCEQ on June 2, 2003. Negotiations between South Hampton and the TCEQ are expected to continue in order to reach a final settlement. South Hampton believes the original penalty and the additional allegations are greatly overstated and intends to continue to vigorously defend itself against these allegations, the proposed penalties and proposed corrective actions. Management believes the penalties will be settled for amounts less than those proposed. Management has accrued an estimate for a proposed settlement. There are no assurances that the amounts settled will not be different than the amounts accrued.

South Hampton has a liability of $200,000 and $216,840 recorded as of December 31, 2002 and 2001, respectively, related to these environmental issues. Amounts charged to expense were approximately $291,000 in 2002, $227,000 in 2001 and $338,000 in 2000.

NOTE 9 - COMMITMENTS AND CONTINGENCIES - CONTINUED

The Company was advised by letter dated March 11, 2003 that the Division of Enforcement of the Securities and Exchange Commission ("SEC") was conducting an informal, non-public inquiry concerning matters relating to the Al Masane project and the Ministry's threatened termination of the Al Masane mining lease. The Company fully cooperated with the SEC in the conduct of the investigation, which became a formal investigation. The Company reached a settlement with the SEC relating to this matter and on October 16, 2003, the Company consented to the entry of an order by the SEC enjoining the Company from future violations of the federal securities laws. Further, the Company's President and Chief Executive Officer, Hatem El-Khalidi, simultaneously settled an SEC complaint filed against him by consenting to the entry of an order enjoining him from future violations of the federal securities laws and agreeing to pay a civil penalty of $25,000. Neither the Company nor Mr. El-Khalidi admitted or denied the allegations of the complaints.

NOTE 10 - STOCK OPTIONS

STOCK OPTIONS - The Company's Employee Stock Option Plan (the "Employee Plan") provided 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 had reserved up to 500,000 shares of common stock for grant pursuant to the Employee Plan. At December 31, 2002, options to purchase 45,000 shares were outstanding under the Employee Plan. The options vested 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 was registered with the Securities and Exchange Commission and expired 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, 2002, and changes for the three years then ended was as follows:

<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	$ 1.12
Options exercisable at December 31, 2000	872,000	$ 1.12

</Table>

<Table>
<Caption>

	2001	
	Shares	Weighted average exercise price
<S>	<C>	<C>
Outstanding at beginning and end of year	872,000	$ 1.12
Options exercisable at December 31, 2001	872,000	$ 1.12

</Table>

NOTE 10 - STOCK OPTIONS - CONTINUED

<Table>
<Caption>

	2002	
	Shares	Weighted average exercise price
<S>	<C>	<C>
Outstanding at beginning of year	872,000	$ 1.12
Forfeited	(62,000)	1.38
Outstanding at end of year	810,000	$ 1.10
Options exercisable at December 31, 2002	810,000	$ 1.10

</Table>

Additional information about stock options outstanding at December 31, 2002 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	5.2 years	$ 1.00
$1.75	45,000	1.8 years	1.75
$2.88 to $3.75	20,000	.6 years	3.32
	810,000		$ 1.10

</Table>

NOTE 11 - INCOME TAXES

Income tax expense (benefit) for the years ended December 31, 2002, 2001, and 2000 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>

	2002	2001*	2000
<S>	<C>	<C>	<C>
Income taxes at U.S. statutory rate	$ 235,301	$ (884,346)	$(1,457,935)
State taxes, net of federal benefit	64,170	174,332	53,886
Net operating losses utilized	(644,347)	(13,927)	--
Net operating losses carried forward	--	--	779,006
Foreign operations losses with no benefit provided	337,946	707,309	614,808
Other items	6,930	16,632	10,235
Total tax expense	$ --	$ --	$ --

	==========	==========	==========

</Table>

*Restated, see Note 2.

NOTE 11 - INCOME TAXES - CONTINUED

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

<Table>
<Caption>

	December 31,		
	2002	2001*	2000
<S>	<C>	<C>	<C>
Deferred tax liabilities:			
Refinery plant, pipeline and equipment	$ (481,000)	$ (500,000)	$ (500,000)
Deferred tax assets:			
Accounts receivable	76,000	69,000	64,000
Mineral interests	236,000	236,000	236,000
Accrued liabilities	123,000	93,000	89,000
Net operating loss and contribution carryforwards	6,837,000	7,493,000	9,873,000
Tax credit carryforwards	212,000	212,000	341,000
Deferred gain on sale of property	76,000	89,000	99,000
Unrealized losses on swap agreements	--	187,000	--
Gross deferred tax assets	7,560,000	8,379,000	10,702,000
Valuation allowance	(7,079,000)	(7,879,000)	(10,202,000)
Net deferred tax assets	481,000	500,000	500,000
Net deferred taxes	$ --	$ --	$ --

</Table>

*Restated, see Note 2.

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

At December 31, 2002, the Company had approximately $18,000,000 of net operating loss carryforwards. These carryforwards expire during the years 2003 through 2020. In addition, the Company has alternative minimum tax credit carryforwards of approximately $212,000 that may be carried over indefinitely. During 2002, net operating loss carryforwards of approximately $410,000 expired.

The Company has no Saudi Arabian or Mexican tax liability. At December 31, 2002, Coin has available net operating loss carryforwards and recoverable tax on assets of approximately $2,340,000 and $483,000, respectively, expiring through 2012, which are limited to the income of Coin.

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:

NOTE 12 - SEGMENT INFORMATION - CONTINUED

<Table>
<Caption>

	December 31, 2002		
	Refining	Mining	Total

<S>	<C>	<C>	<C>
Revenue from external customers	$36,753,000	$ --	$ 36,753,000
Depreciation	1,412,389	1,813	1,414,202
Operating income (loss)	1,705,420	(490,028)	1,215,392
Total assets	$16,114,394	$ 39,506,415	$ 55,620,809

<Table>
<Caption>

	December 31, 2001 (Restated, see Note 2)		
	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	(243,055)	(470,740)	(713,795)
Total assets	$16,560,979	$ 39,186,704	$ 55,747,683

<Table>
<Caption>

	December 31, 2000		
	Refining	Mining	Total
<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

Information regarding foreign operations for the years ended December 31, 2002, 2001 and 2000 follows (in thousands). Revenues are attributed to countries based upon the origination of the transaction.

<Table>
<Caption>

	Year ended December 31,		
	2002	2001	2000
<S>	<C>	<C>	<C>
Revenues			
United States	$34,057	$31,455	$36,660
Mexico	2,696	1,258	5,951
Saudi Arabia	--	--	--
	$36,753	$32,713	$42,611

<Table>
<Caption>

	Year ended December 31,		
	2002	2001	2000
<S>	<C>	<C>	<C>
Long-lived assets			
United States	$ 6,252	$ 6,739	$ 7,381
Mexico	4,915	5,230	5,579
Saudi Arabia	38,249	37,930	37,735
	$49,416	$49,899	$50,695

NOTE 13 - NET INCOME (LOSS) PER COMMON SHARE

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

<Table>
<Caption>

	2002	2001*	2000
<S>	<C>	<C>	<C>
Basic			
Net income (loss)	$ 692,063	$ (2,601,018)	$ (4,288,044)

Weighted average shares outstanding	22,731,994	22,768,858	22,673,033
Per share	$ 0.03	$ (0.11)	$ (0.19)

	2002	2001*	2000
Diluted			
Net income (loss)	$ 692,063	$ (2,601,018)	$ (4,288,044)
Dilutive effect of stock options	--	--	--
Net income (loss) - diluted	$ 692,063	$ (2,601,018)	$ (4,288,044)
Weighted average shares outstanding - diluted	22,731,994	22,768,858	22,673,033
Per share - diluted	$ 0.03	$ (0.11)	$ (0.19)

*Restated, see Note 2

In 2002, 2001 and 2000, options for 810,000, 872,000 and 872,000 shares, respectively were excluded from diluted shares outstanding because their effect was antidilutive.

NOTE 14 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The quarterly results of operations shown below are derived from unaudited financial statements for the eight quarters ended December 31, 2002. The Company has restated the quarterly information to reflect the adjustments identified in the restatement of the December 31, 2001 and audit of the December 31, 2002 financial statements (in thousands, except per share data):

	Year Ended December 31, 2002				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	$ 8,851	$ 9,079	$ 9,846	$ 8,977	$36,753
Net income (loss)	1,621	551	(16)	(1,464)	692
Basic and diluted EPS	$ 0.07	$ 0.02	$ (0.00)	$ (0.06)	$ 0.03

	Year Ended December 31, 2001				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	$ 8,361	$ 8,841	$ 7,477	$ 8,034	$ 32,713
Net loss	(903)	(207)	(545)	(946)	(2,601)
Basic and diluted EPS	$ (0.04)	$ (0.01)	$ (0.02)	$ (0.04)	$ (0.11)

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 $24,700, $25,500 and $24,700 in 2002, 2001 and 2000, respectively, pursuant to such arrangement.

South Hampton incurred product transportation costs of approximately $397,000, $404,000 and $391,000 in 2002, 2001 and 2000, respectively, with a trucking and transportation company owned by two of TOCCO's officers.

NOTE 16 - NATURAL GASOLINE SWAP AGREEMENTS

South Hampton's primary source of feedstock is natural gasoline. In 2001 and 2002 South Hampton entered into three swap agreements to limit the effect of

significant fluctuations in natural gasoline prices. The last of these agreements expired in January 2003. In March and April 2003 two new agreements were entered into with the last agreement expiring on July 31, 2003. The effect of these agreements is to limit the company's exposure by fixing the natural gasoline price of a portion of its feedstock purchases over the term of the agreements. The agreements cover approximately 20% to 40% of the average monthly feedstock requirements. For the years ended December 31, 2002 and 2001, the net recognized gain (loss) from the agreements was $1,032,045 and $(339,507), respectively. The fair value liability of the derivative contracts at December 31, 2001 was $505,890. (See Note 2.) The fair value of the derivative contracts was not material to the consolidated financial statements at December 31, 2002.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACOUNTING FIRM ON SCHEDULES

Board of Directors and Stockholder
Arabian American Development Company and Subsidiaries

We have audited the consolidated financial statements of Arabian American Development Company and Subsidiaries (the Company) as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002, and have issued our report thereon dated October 16, 2003. Our audits also include Schedule II for this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the Schedule II at December 31, 2002, 2001, and 2000 and for the years then ended, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be set forth therein.

/s/ MOORE STEPHENS TRAVIS WOLFF, LLP

Dallas, Texas
October 16, 2003

ARABIAN AMERICAN DEVELOPMENT COMPANY AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Three years ended December 31, 2002

<Table>
<Caption>

Description	Beginning balance	Charged (credited) to earnings	Deductions	Ending balance
<S>	<C>	<C>	<C>	<C>
ALLOWANCE FOR DEFERRED TAX ASSET				
December 31, 2000	$ 8,961,093	$ 1,452,371	$ (212,482)(a)	$10,200,982
December 31, 2001*	10,200,982	(165,940)	(2,156,123)(a)(b)	7,878,919
December 31, 2002	7,878,919	--	(799,426)(a)(b)	7,079,493

</Table>

(a) Expiration of carryforwards
(b) Utilization of carryforwards

* Restated, see Note 2 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Productos Quimicos Coin, S.A. de C.V. as of December 31, 2002, 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 are the responsibility of the 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 included below, the accompanying 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, 2002 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 February 14, 2003.

As discussed in note 1 to the accompanying financial statements, the Company has reported accumulated losses for $9,762,125, and the statement of financial position shows excess of current liabilities over current assets for $6,149,133. 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 accompanying 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. Additionally, during the period January-December 2002, installed production capacity of the Company was only partially utilized, representing a cost of maintaining idle the industrial plant as described in note 1 to the accompanying financial statements. As a result of the preceding issues, the Company may be unable to continue its operations. The accompanying 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, 2002, 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 Freyssinier Morin, S.C.

/s/ C.P. JUAN PABLO SOTO
C.P. Juan Pablo Soto
Partner

Mexico City, Mexico
February 14, 2003

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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 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 included below, the accompanying 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 accompanying 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 accompanying 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 the 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 accompanying 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 Freyssinier Morin, S.C.

/s/ C.P. JUAN PABLO SOTO
C.P. Juan Pablo Soto
Partner

Mexico City, Mexico
April 19, 2002

EIGHTH AMENDMENT TO LOAN AGREEMENT

THIS EIGHTH AMENDMENT TO LOAN AGREEMENT (this "Amendment"), dated as of December 31, 2002, 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, Fourth Amendment to Loan Agreement dated as of October 31, 2001, Fifth Amendment to Loan Agreement dated as of December 31, 2001, Sixth Amendment to Loan Agreement dated as of April 30, 2002 and Seventh Amendment to Loan Agreement dated as of August 31, 2002 (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 February 28, 2003, or such earlier date on which the Commitment terminates as provided in this Agreement.

Section 2.2. Amendment to Section 2.4. Clause (b) contained in Section 2.4 of the Agreement is amended to read in its entirety as follows:

> (b) (i) from December 31, 2002 through January 31, 2003, the sum of the Prime Rate in effect from day to day plus one-half of one percent (.50%), and (ii) from February 1, 2003 through the Termination Date, the sum of the Prime Rate in effect from day to day plus one percent (1.0%), and each change in the rate of interest charged on the Advances shall become effective, without notice to Borrower, on the effective date of each change in the Prime Rate or the Maximum Rate, as the case may be;

Section 2.3. 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) 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) Amendment Fee. An amendment fee in the amount of $2,500.00.

(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 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.

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. 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.

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

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

LIST OF ANNEXES

<Table>
<Caption>

Annex	Document
<S>	<C>
A	Note

</Table>

ANNEX "A"

Note

PROMISSORY NOTE

$3,250,000.00 Houston, Texas December 31, 2002

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) (i) from December 31, 2002 through January 31, 2003, the sum of the Prime Rate (hereinafter defined) of Payee in effect from day to day plus one-half of one percent (.50%), and (ii) from February 1, 2003 through the Termination Date (as defined in the Agreement) (hereinafter defined) of Payee in effect from day to day plus one percent (1.0%), 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 January 1, 2003 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 February 28, 2003.

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, Fifth Amendment to Loan Agreement dated as of December 31, 2001, Sixth Amendment to Loan Agreement dated as of April 30, 2002, Seventh Amendment to Loan Agreement dated as of August 31, 2002 and Eighth Amendment to Loan Agreement dated as of December 31, 2002, 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 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 shall similarly have the right to deal in any way, at anytime, 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 August 31, 2002, 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 April 30, 2002, 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 December 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 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

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 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, Fourth

Amendment to Loan Agreement dated October 31, 2001, Fifth Amendment to Loan Agreement dated December 31, 2001, Sixth Amendment to Loan Agreement dated April 30, 2002 and Seventh Amendment to Loan Agreement dated August 31, 2002 (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 Eighth 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

</Table>

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.

IN WITNESS WHEREOF, I have duly executed this certificate as of January 30th, 2003.

/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 January 30th, 2003.

/s/ NICK CARTER

President

Exhibit 10(r)-(i)

NINTH AMENDMENT TO LOAN AGREEMENT

THIS NINTH AMENDMENT TO LOAN AGREEMENT (this "Amendment"), dated as of February 28, 2003, 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, Fourth Amendment to Loan Agreement dated as of October 31, 2001, Fifth Amendment to Loan Agreement dated as of December 31, 2001, Sixth Amendment to Loan Agreement dated as of April 30, 2002, Seventh Amendment to Loan Agreement dated as of August 31, 2002 and Eighth Amendment to Loan Agreement dated as of December 31, 2002 (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 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) $150,000.00.
>
> "Termination Date" means 11:00 am., Houston, Texas time on April 30, 2003, or such earlier date on which the Commitment terminates as provided in this Agreement.

Section 2.2. Amendment to Section 2.4. Clause (b) contained in Section 2.4 of the Agreement is amended to read in its entirety as follows:

> (b) (i) from February 28, 2003 through March 31, 2003, the sum of the Prime Rate in effect from day to day plus one percent (1.0%), and (ii) from April 1, 2003 through the Termination Date, the sum of the Prime Rate in effect from day to day plus one and one-half percent (1.5%), and each change in the rate of interest charged on the Advances shall become effective, without notice to Borrower, on the effective date of

each change in the Prime Rate or the Maximum Rate, as the case may be;

Section 2.3. Amendment to Section 7.1. Clause (a) contained in Section 7.1 of the Agreement is amended to read in its entirety as follows:

(a) Annual Financial Statements - Borrower. 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 Borrower and its Subsidiaries for such fiscal year containing, on a consolidated 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, 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.

Section 2.4. Amendment to Exhibits. (a) Exhibit "A" (Note) to the Agreement is amended to conform in its entirety to Annex "A" to this Amendment, and (b) Exhibit "E" (Borrowing Base Certificate) to the Agreement is amended to conform in its entirety to Annex "B" 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) 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) 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 faith 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 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.

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 thereto 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. 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.

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

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

LIST OF ANNEXES

<Table>
<Caption>

Annex	Document
<S>	<C>
A	Note
B	Borrowing Base Certificate

</Table>

ANNEX "A"

Note

PROMISSORY NOTE

$3,250,000.00 Houston, Texas February 28, 2003

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, NA., 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) (i) from February 28, 2003 through March 31, 2003, the sum of the Prime Rate (hereinafter defined) of Payee in effect from day to day plus one percent (1.0%), and (ii) from April 1, 2003 through the Termination Date (as defined in the Agreement) (hereinafter defined) of Payee in effect from day to day plus one and one-half percent (1.5%), 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 March 1, 2003 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, 2003.

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, Fifth Amendment to Loan Agreement dated as of December 31, 2001, Sixth Amendment to Loan Agreement dated as of April 30, 2002, Seventh Amendment to Loan Agreement dated as of August 31, 2002, Eighth Amendment to Loan Agreement dated as of December 31, 2002 and Ninth Amendment to Loan Agreement dated as of February 28, 2003, 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 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 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 December 31, 2002, 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 August 31, 2002, 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 April 30, 2002, 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 December 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 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: _____
Nick Carter
President

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, Fifth Amendment to Loan Agreement dated as of December 31,

2001, Sixth Amendment to Loan Agreement dated as of April 30, 2002, Seventh Amendment to Loan Agreement dated as of August 31, 2002, Eighth Amendment to Loan Agreement dated as of December 31, 2002 and Ninth Amendment to Loan Agreement dated as of February 23, 2003. (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>
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 $150,000.00	$
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

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, Fourth Amendment to Loan Agreement dated October 31, 2001, Fifth Amendment to Loan Agreement dated December 31, 2001, Sixth Amendment to Loan Agreement dated April 30, 2002, Seventh Amendment to Loan Agreement dated August 31, 2002 and Eighth Amendment to Loan Agreement dated December 31, 2002 (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 Ninth 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

</Table>

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.

IN WITNESS WHEREOF, I have duly executed this certificate as of March 28th, 2003.

/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 March 28th, 2003.

/s/ NICK CARTER

President

EXHIBIT 10(r)-(j)

TENTH AMENDMENT TO LOAN AGREEMENT

THIS TENTH AMENDMENT TO LOAN AGREEMENT (this "Amendment"), dated as of April 30, 2003, 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, Fourth Amendment to Loan Agreement dated as of October 31, 2001, Fifth Amendment to Loan Agreement dated as of December 31, 2001, Sixth Amendment to Loan Agreement dated as of April 30, 2002, Seventh Amendment to Loan Agreement dated as of August 31, 2002, Eighth Amendment to Loan Agreement dated as of December 31, 2002 and Ninth Amendment to Loan Agreement dated as of February 28, 2003 (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 June 15, 2003, or such earlier date on which the Commitment terminates as provided in this Agreement.

Section 2.2. Amendment to Section 2.4. Clause (b) contained in Section 2.4 of the Agreement is amended to read in its entirety as follows:

(b) (i) from April 30, 2003 through May 26, 2003, the sum of the Prime Rate in effect from day to day plus one and one-half percent (1.5%), and (ii) from May 27, 2003 through the Termination Date, the sum of the Prime Rate in effect from day to day plus three percent (3.0%), and each change in the rate of interest charged on the Advances shall become effective, without notice to Borrower, on the effective date of each change in the Prime Rate or the Maximum Rate, as the case may be;

Section 2.3, Amendment to Exhibits. Exhibit "A" (Note) to the Agreement is amended to conform in its entirety to Annex "A" to this Amendment.

ARTICLE II.

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) 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 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.

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. 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.

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

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

LIST OF ANNEXES

Annex	Document
A	Note

ANNEX "A"

Note

PROMISSORY NOTE

$3,250,000.00 Houston, Texas April 30, 2003

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, NA., 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) (i) from April 30, 2003 through May 26, 2003, the sum of the Prime Rate (hereinafter defined) of Payee in effect from day to day plus one and one-half percent (1.5%), and (ii) from May 27, 2003 through the Termination Date (as defined in the Agreement) (hereinafter defined) of Payee in effect from day to day plus three percent (3.00%), 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 May 1, 2003 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 June 15, 2003.

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 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, Fifth Amendment to Loan Agreement dated as of December 31, 2001, Sixth Amendment to Loan Agreement dated as of April 30, 2002, Seventh Amendment to Loan Agreement dated as of August 31, 2002, Eighth Amendment to Loan Agreement dated as of December 31, 2002, Ninth Amendment to Loan Agreement dated as of February 28, 2003 and Tenth Amendment to Loan Agreement dated as of April 30, 2003, 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 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' tees.

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 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 February 28, 2003 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 December 31, 2002, 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 August 31, 2002, 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 April 30, 2002, 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 December 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 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

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, Fourth Amendment to Loan Agreement dated October 31, 2001, Fifth Amendment to Loan Agreement dated December 31, 2001, Sixth Amendment to Loan Agreement dated April 30, 2002, Seventh Amendment to Loan Agreement dated August 31, 2002, Eighth Amendment to Loan Agreement dated December 31, 2002 and Ninth Amendment to Loan Agreement dated February 28, 2003 (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 Tenth 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, which 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

</Table>

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.

IN WITNESS WHEREOF, I have duly executed this certificate as of May 27th, 2003.

/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 May 27th, 2003.

/s/ NICK CARTER

President

EXHIBIT 10(s)

SOUTHWEST BANK OF TEXAS, N.A

PURCHASE AND SALE AGREEMENT/SECURITY AGREEMENT

THIS PURCHASE AND SALE AGREEMENT/SECURITY AGREEMENT (this "Agreement") is made by and among SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Purchaser") and SOUTH HAMPTON REFINING CO. (whether one or more, "Seller").

WHEREAS, Seller desires from time to time to sell accounts receivable and other rights to Purchaser, thereby engaging in account purchase transactions as set forth in Chapter 339.004 of the Texas Finance Code; and

WHEREAS, the parties desire to enter into an agreement which will control their course of dealing with respect to the purchase and sale of such accounts receivable and other rights;

NOW, THEREFORE, Purchaser and Seller do hereby agree, in consideration of the mutual promises herein contained, as follows:

SECTION 1. PURCHASE AND SALE OF ACCOUNTS RECEIVABLE AND OTHER RIGHTS.

Seller hereby sells, assigns, transfers, conveys and delivers to Purchaser, and Purchaser hereby purchases and receives from Seller, all rights, title and interests of Seller in the accounts receivable and other forms of rights to payment described on Schedule "A" attached hereto and made a part hereof (the specific accounts receivable and rights to payment described on Schedule "A" being herein called the "Receivables"). Seller represents and warrants that true and correct copies of the invoices for the Receivables are attached to Schedule "A". Future purchases and sales of accounts receivable and other rights will be based on the completion and execution of additional schedules in form similar to Schedule "A". Upon execution by both Purchaser and Seller (or any one of Seller, if more than one) of such a schedule, the accounts receivable or other rights described therein shall become Receivables subject in all respects to the terms of this Agreement. Any amounts advanced by Purchaser pursuant to any future purchase and sale of accounts receivable and other items will be deemed to be a future advance by Purchaser, and the corresponding obligations of the Seller with respect to such accounts receivable and other rights shall be deemed to be an obligation covered by this Agreement.

SECTION 2. CHARGE-BACK; REPURCHASE OBLIGATION.

Purchaser shall have the right to charge back any Receivable to Seller and Seller shall have the obligation to repurchase such Receivable ("Charge-Back"), if (a) the Receivable is not paid to Purchaser within 90 days from date of purchase by Purchaser, or (b) any Dispute arises with respect to such Receivable, or (c) Seller or Purchaser discovers or determines that any representation or warranty made by Seller in this Agreement or in any document executed in connection with this Agreement (the "Purchase Documents") is false or misleading, or (d) Seller breaches any covenant or agreement contained in this Agreement or in any Purchase Document. "Dispute," as used herein, means any dispute, deduction, claim, offset, defense or counterclaim of any kind pertaining to the Receivable or to the goods or services giving rise thereto asserted by the party obligated thereon, regardless of the final outcome or merit thereof. Upon Charge-Back of any Receivable, Seller shall pay to Purchaser on demand an amount equal to the Gross amount of Receivable, less rebate of Discount, if any, less any payments made on such invoice to Purchaser. Purchaser may, in its discretion, subtract all or any portion of such amount from any refund, rebate or other obligation owed by Purchaser to Seller, subtract such amount from the Purchase Price for the next Receivable sold, or otherwise charge Seller for such amount. Upon Purchaser's receipt of the amount required by this Section, in collected funds, ownership of the Receivable shall re-vest in Seller, subject to Purchaser's security interest and rights of recoupment and/or setoff.

SECTION 3. INVOICES; COLLECTION; POWER OF ATTORNEY.

If requested by Purchaser, Purchaser shall mail all invoices to Seller's customers in each instance relating to any Receivable and any other accounts receivable of Seller, and Seller shall provide the original invoice and

one copy to Purchaser ready for mailing to the customers. All invoices relating to any Receivable and any other accounts receivable of Seller shall plainly state on their face in language acceptable to Purchaser that the amounts payable thereunder are to be paid to a post office box owned and controlled by Purchaser, to be provided by Purchaser. If requested by Purchaser, Seller agrees to furnish the original purchase order from Seller's customer, evidence of shipment of the related merchandise or performance of services rendered and a written assignment of any Receivable, all in a form satisfactory to Purchaser. If requested by Purchaser, all invoices relating to Receivables and any other accounts receivable shall plainly state on their faces in language acceptable to Purchaser that the amounts payable thereunder have been assigned to and are payable directly to Purchaser. If payment is made to Seller under any circumstance, such payment shall be held in trust by Seller for Purchaser and shall not be negotiated or commingled in any way with the Seller's funds. Within 24 hours after receipt thereof, Seller shall deliver any such payments to Purchaser in the original form as received by Seller, endorsed as required by Purchaser. Purchaser is hereby authorized, irrevocably to open, cash, endorse and otherwise collect all checks and other forms of payment tendered in payment of each Receivable and in payment of any other accounts receivable, in the name of and as attorney-in-fact for Seller, and to direct Seller's customers to make payment to a different name and/or location. This power of attorney is coupled with an interest.

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rev 01-27-00, revised Section 11, 08-26-03
(South Hampton Refining Co.)

SECTION 4. RECOUPMENT RIGHTS OF PURCHASER.

Regardless of whether Seller is in default under this Agreement, Purchaser shall have the right at all times, in its discretion, to recoup all or any designated portion of the Obligations or any other amounts which Seller may owe to Purchaser in such a manner as Purchaser may determine, at any time and without notice to Seller from:

(a) any and all deposits (general or special, time or demand, provisional or final) or other sums at any time credited by or owing from Purchaser to Seller; and/or

(b) all or any portion of such amount from any refund, rebate or other obligation owed by Purchaser to Seller.

The rights and remedies of Purchaser hereunder are in addition to other rights and remedies (including, without limitation, to the rights of setoff) which Purchaser may have.

SECTION 5. TRANSFER OF RELATED INTERESTS.

In addition to the Receivables, Seller hereby sells, assigns, transfers, conveys and delivers to Purchaser all other rights and interests (but not obligations) now or hereafter existing in connection with the Receivables, including, but not limited to liens, security interests and guarantees securing payment of the Receivables, Seller's interest in returned goods arising with respect to the Receivables, and other rights and remedies of Seller related to the Receivables such as rights of stoppage in transit, replevin, reclamation and lawsuits to collect the Receivables. If any Receivable is ever represented by a promissory note or other written evidence of obligation, Seller shall deliver the same to Purchaser duly endorsed by Seller to Purchaser.

SECTION 6. FURTHER ASSURANCES. Seller agrees to execute and deliver to Purchaser such notices of assignment and other documents as Purchaser may request to further document the sale and assignment of Receivables hereunder.

SECTION 7. NO OBLIGATION TO PURCHASE FURTHER RECEIVABLES.

Notwithstanding anything to the contrary contained herein, Seller specifically acknowledges and agrees that Purchaser has the right to approve or reject future accounts receivable or other items of any kind proposed for sale under this Agreement IN ITS SOLE DISCRETION, and no course of conduct shall establish any commitment to purchase future accounts receivable or other items of any kind.

SECTION 8. TERMS - SELLER'S CUSTOMERS.

Except as may otherwise be agreed to from time to time, the terms of all Receivables shall not exceed thirty (30) days. Seller shall not modify or vary the terms of sale, terms of payment, or location of payment set forth in the invoice relating to any Receivable without Purchaser's written consent.

SECTION 9. PURCHASE PRICE; DISCOUNT.

The Purchase Price (herein so called) for the Receivables shall be the Gross Amount of the Invoice minus the Discount. The "Gross Amount of the Invoice" shall mean the total invoice amount, including any miscellaneous charges such as sales taxes and delivery charges, less any early payment or "special discounts offered to Seller's customer. "Discount" means 15% of the Gross Amount of the Invoice. The Purchase Price for any Receivable shall be paid only after execution by Seller and acceptance by Purchaser of a Schedule "A" covering such Receivable. The Discount shall be deemed fully earned upon purchase of each Receivable in consideration of the overall manpower, effort and expense associated with Purchaser's performance hereunder, which Seller acknowledges is fair and reasonable consideration for the Discount. Seller and Purchaser further agree that Purchaser will undertake considerable labor and effort in the monitoring and processing Seller's accounts receivable. However, the Seller agrees to be responsible for the collection of all Receivables. In consideration of the foregoing, Seller agrees to pay Purchaser a minimum monthly discount fee of five hundred dollars ($500.00), beginning the first full month after entering into this Purchase and Sale Agreement/Security Agreement and funding occurs.

SECTION 10. REBATE OF DISCOUNT.

As an inducement for Seller to sell only invoices from which prompt payment can be expected, Purchaser will remit a rebate of part of the Discount as follows:

If the Receivable is paid within 30 days of purchase by Purchaser, a rebate of 14.75% of the gross amount of the invoice LESS a Variable Discount Amount ("Variable Discount Amount") will be remitted to Seller; If the Receivable is paid within 60 days of purchase by Purchaser, a rebate of 14.65% of the gross amount of the invoice LESS a Variable Discount Amount ("Variable Discount Amount") will be remitted to Seller; If the Receivable is paid within 90 days of purchase by Purchaser, a rebate of 14.50% of the gross amount of the invoice LESS a Variable Discount Amount ("Variable Discount Amount") will be remitted to Seller.

FROM CLOSING THROUGH AUGUST 31, 2003, ONLY THE VARIABLE DISCOUNT FEE WILL BE CHARGED. BEGINNING SEPTEMBER 1, 2003, THE DISCOUNT FEE WILL INCLUDE BOTH THE EFFECTIVE DISCOUNT AND THE VARIABLE DISCOUNT FEE COMPONENTS.

The Variable Discount Amount shall be computed as Southwest Bank of Texas, N.A., Prime Rate (the "Index") plus 3.0% multiplied by The Purchase Price of the Receivable divided by 360 multiplied by the number of collection days. Being a general reference index, the Index is subject to change from time to time as Southwest Bank of Texas, N.A. may deem appropriate. The Index change will not occur more often than each day. The Index currently is 4.0%. Therefore, the initial Variable Discount Amount shall be computed as 7.0% multiplied by The Purchase Price of the Receivable divided by 360 multiplied by the

number of collection days for such Receivable The Index has a floor and at no time shall it be less than 4.0% for the purposes of this agreement. The Variable Discount Amount is subject to change, with prior notice by telephone or facsimile notice from Purchaser to Seller. This amount shall in no way be interpreted or construed as interest but only as a guideline to the Variable Discount Amount charged.

SECTION 11. SECURITY INTEREST.

For the purpose of securing Purchaser in the payment of the Obligations

(hereinafter defined), Seller hereby grants a lien and security interest to Purchaser in:

(a) All now owned or hereafter acquired accounts, accounts receivable, and inventory, including but not limited to contacts, notes, drafts, acceptances, instruments, chattel paper, general intangibles, documents, money, deposit accounts, payment intangibles, commercial tort claims, and returned or repossessed goods arising from or relating to any such accounts, accounts receivable or inventory and other rights arising from or by virtue of, or from the voluntary or involuntary sale or other disposition of, or collections with respect to, or insurance proceeds payable with respect to, or proceeds payable by virtue of warranty or other claims against any other person or entity with respect to all or any part of the property heretofore described, and proceeds and products of any of the foregoing in any form.

Terms used in clause (a) above have the meanings assigned in the Uniform Commercial Code as in effect in the State of Texas (the "UCC"). Purchaser shall have all the rights and remedies provided to a secured party under the UCC. Seller and Purchaser agree that to the extent Purchaser exercises or is deemed to exercise its rights under this Agreement as a secured party, Purchaser shall account for the proceeds of the accounts receivable and Receivables, deal with the disposition of the accounts receivable and Receivables, and permit Seller to redeem the accounts receivable and Receivables in the same manner provided for elsewhere in this Agreement. Purchasers compliance with its obligations regarding collection and/or disposition of Receivables and accounts receivable and other rights which are described in the Agreement shall fulfill Purchaser's duties and obligations as a secured party pursuant to Section 9.501(c) of the Texas Business and Commerce Code. Purchaser shall not be deemed to accept the accounts receivable and Receivables in discharge of Seller's obligations to Purchaser unless Purchaser sends Seller express written notice of Purchaser's intent to do so.

SECTION 12. CREATION AND ENFORCEMENT OF PAYMENT "OBLIGATIONS".

In the event that Purchaser determines in its sole discretion to Charge Back any Receivable(s) accordance with Section 2 of this Agreement, the amount of the Charge Back, together with any costs incurred by Purchaser described in Section 34 of this Agreement shall be secured by the Security Interest contained in Section 11 of this Agreement. All of the obligations described in this Section, are defined for purposes of this Agreement as Seller's "Obligations".

In the event of a Default under Section 13 of this Agreement the Obligations will bear interest in accordance with Section 15 of this Agreement. Proceeds of disposition of the Collateral shall be applied to pay the Obligations in the order specified in Texas Business and Commerce Code Section 9.504.

SECTION 13. EVENTS OF DEFAULT.

An "Event of Default" shall be deemed to exist under this Agreement in the event:

(a) any of the events specified in clauses (a) though (d) of Section 2 occurs, regardless of whether Purchaser has exercised any right to recoup or Charge-Back in connection with such event, or in the event Purchaser in good faith deems itself insecure; and

(b) Purchaser either does not have on hand or believes in good faith that Purchaser will not have on hand sufficient funds to fully satisfy Seller's Obligations.

Any Event of Default under this Agreement which continues for a period of three days after Purchaser sends written notice hereof to Seller via the means provided in Section 33 hereof shall be a "Default" which entitles Purchaser to exercise any applicable rights and remedies under:

(a) any security interest granted to Purchaser to secure payment and performance of the obligations of Seller hereunder and

(b) all other applicable sections of this Agreement or any document executed in connection herewith.

SECTION 14. PURCHASER'S REMEDIES UPON SELLER'S DEFAULT.

In the event Seller is in Default Purchaser shall have the right, in addition to any other right or remedy available under applicable law, but not the obligation, in Purchaser's own name, or in the name of Seller, to take any one or more of the following actions, simultaneously or in such sequence as Purchaser shall determine in Purchaser's sole discretion:

(a) exercise all recoupment or setoff rights which Purchaser may have under this Agreement or under applicable law;

(b) require Seller to repurchase, for cash or cash equivalent, all or any part of the Receivables sold to Purchaser under this Agreement for the Purchase Price plus

the Discount less: (1) any applicable rebates and (2) any payments or collections received on any Receivable;

(c) exercise all the rights of a "Financing Agency" who has purchased the Receivables under UCC Section 2.506;

(d) proceed, without additional notice to Seller, to foreclose under the Security Agreement and to exercise all other legal and equitable remedies against any Guarantor or other person who may be liable with Seller.

Purchaser may use the Power of Attorney described in Section 3 of this Agreement in order to exercise any of the remedies described in this Section.

SECTION 15. INTEREST ON OBLIGATIONS.

All Obligations of Seller to Purchaser which become due and unpaid upon Sellers Default pursuant to Sections 13 and 14 of this Agreement shall bear interest at the rate of 16% (Sixteen per cent) per annum. Interest will accrue on unpaid Obligations during the period beginning on the tenth day following the date on which Purchaser makes demand on Seller to repurchase the Receivable pursuant to Section 12 of this Agreement and ending on the date the Obligations are fully satisfied.

SECTION 16. VERIFICATION OF RECEIVABLES AND ACCOUNTS; COLLECTION BY PURCHASER.

Purchaser is authorized, but not obligated, to collect, sue for and give releases for all monies due on all Receivables. Purchaser is authorized to contact Seller's account debtors at any time for purposes of verification or collection of each Receivable and any of Sellers other accounts receivable. Seller shall cooperate with Purchaser to she maximum extent possible to provide information necessary for Purchaser to accomplish this verification or collection. Upon request by Purchaser, Seller shall provide all information requested by Purchaser pertaining to Receivables and other accounts receivable of Seller, including but not limited to copies of invoices, account balances, and names and addresses of account parties. Before or after default hereunder, as to both Receivables and other accounts receivable of Seller, Purchaser is authorized to forward statements and invoices directly to account debtors, and to direct that payment be made to Purchaser or any other address designated. Seller agrees to furnish Purchaser, upon request, any and all papers, documents or records of whatever nature related directly or indirectly to any Receivable and any other account receivable of Seller, and to cooperate generally in all matters related to the collection of Receivables. In the event any merchandise represented by a Receivable shall be returned to or repossessed by Seller, such merchandise shall be held by Seller in trust for Purchaser, separate and apart from the Seller's own property, and subject to Purchasers directions and control.

SECTION 17. REPRESENTATIONS AND WARRANTIES OF SELLER.

Seller hereby represents, warrants and guarantees to Purchaser as follows:

(a) that the information contained in the application previously or hereafter submitted by Seller, Sellers financial statements and all other materials previously or hereafter submitted in connection herewith are true, correct and complete in all respects;

(b) all federal, state and local tax returns and payments of any kind due or owing by Seller have been timely filed and paid, and no part of the Purchase Price for any Receivable shall be used to pay any wage or salary unless appropriate withholdings have been deposited;

(c) execution of Schedule "A" by Purchaser will thereby vest in Purchaser absolute ownership of each Receivable free from any security interests, liens, claims or equities of third parties;

(d) Seller is the sole owner of and has good, free and unencumbered title to each Receivable;

(e) execution and performance of this Agreement has been duly authorized by all necessary actions and this Agreement and all the other documents executed in connection herewith are legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their terms;

(f) no other factoring, sale, assignment, lien, security interest or pledge exists against any Receivable;

(g) each Receivable in based upon a bone fide sale of goods or services and represents a completed delivery or completed furnishing of property or services in fulfillment of all the terms and provisions of a fully executed and unexpired contract with the account debtor and is a valid and enforceable obligation of the account debtor;

(h) each account debtor has accepted goods or services covered by the applicable Receivable;

(i) all Receivables are current, are not past due, have not been paid in whole or in part, are outstanding in the amounts reflected in Schedule "A" and are not and will not be subject to any dispute or claim as so price, quality, quantity, workmanship, delay in shipment, set off, counterclaim or other defense;

(j) no product or service was provided on a guaranteed-sale basis or "buy-back" agreement, and the account debtor has not and will not claim any defense of any kind or character or object for any reason whatsoever against payment of such Receivable;

(k) Seller's chief executive office and the location where all books and records pertaining to each Receivable are kept are at the address shown below for notice to Seller;

(1) Seller is solvent, properly licensed and authorized to operate its business under the name designated herein;

(m) Seller uses no trade name or pseudonym that has not been disclosed to purchaser in writing;

(n) no petition in bankruptcy has been filed by or against Seller nor has Seller filed any petition seeking an arrangement of its debts or for any other relief under the Bankruptcy Code of the United States;

(o) that no application for appointment of a receiver or trustee for all or a substantial part of Seller's property is pending;

(p) Seller has made no assignment for the benefit of creditors;

(q) Seller does not own, control or exercise dominion over, in any way whatsoever, the business of any account debtor on any Receivable except those receivables due from Seller's subsidiary, Gulf State Pipeline Company, Inc.;

(r) to the best of Seller's knowledge, the account debtor is not insolvent or the subject of any bankruptcy or insolvency proceeding and has not made an assignment for the benefit of creditors, suspended normal business operations, dissolved, liquidated, terminated its existence, ceased to pay its debts as they become due, or suffered a receiver or trustee to be appointed for any of its assets or affairs;

(s) a financing statement in favor of Purchaser in a form provided by Purchaser is of record in all jurisdictions and filing offices necessary or appropriate to perfect Purchaser's ownership of the Receivables, subject to no other filings, and there is not of record, in any jurisdiction or filing office, any financing statement, notice of lien, tax lien, notice of assessment, assessment, assignment, charge, or other instrument of any kind covering any Receivable;

(t) all Receivables arise from services rendered or products sold to commercial entities for business purposes and not for personal, family, or household purposes;

(u) Seller is not in default in any material respect under any loan agreement, indenture, mortgage, security agreement, or other material agreement or obligation to which it is a party or by which any of its properties may be bound except as otherwise disclosed by Seller to Southwest Bank of Texas, NA by letter of even date;

(v) there is no action, suit, investigation, or proceeding before any court, governmental authority, or arbitrator pending, or to the knowledge of Seller, threatened against or affecting Seller, that would, if adversely determined, have a material adverse effect on the financial condition or operations of Seller:

(w) there are no outstanding judgments against Seller; and

(x) all of Seller's statements, representations and warranties contained in any applications or other documents submitted to Seller in connection herewith are true, complete and correct in all respects.

SELLER HAS CAREFULLY CONSIDERED THE REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN AS THEY RELATE TO EACH RECEIVABLE, AND UNDERSTANDS THAT ALL REPRESENTATIONS AND WARRANTIES MADE BY SELLER SHALL BE DEEMED REAFFIRMED BY SELLER UPON EXECUTION OF EACH SUPPLEMENTAL SCHEDULE "A" HERETO. SELLER ACKNOWLEDGES THAT ANY KNOWING OR RECKLESS ERROR OR OMISSION MADE BY SELLER IN THE REPRESENTATIONS OR WARRANTIES MADE HEREIN MAY SUBJECT SELLER TO CIVIL AND CRIMINAL PENALTIES, IN ADDITION TO CIVIL LIABILITY.

SECTION 18. CERTAIN COVENANTS OF SELLER.

Seller covenants and agrees that it will not, without prior, written notice to Purchaser

(a) move either its chief executive office or the location where books and records pertaining to the Receivables are kept to a location outside of Hardin County in the State of Texas;

(b) use any trade name;

(c) change its name;

(d) take or omit taking any actions that would render any of Seller's representations and warranties incorrect or incomplete;

(e) merge or consolidate with any other corporation or entity;

(f) dissolve or cease its operations as they are now conducted;

(g) take any action that would cause or induce any account debtor on any Receivable to fail to pay the Receivable in a timely manner; or

(h) take any action that would result in any material change in ownership or operational control of Seller.

Seller covenants that it will notify Purchaser in writing immediately upon the imposition or assessment of any, tax lien, assessment or similar levy against Seller or any of Seller's assets, and upon any Dispute arising with respect to any Receivable.

SECTION 19. OTHER ACCOUNTS RECEIVABLE.

At the request of Purchaser, Seller shall agree to direct its customers or otherwise cause payments relating to all other accounts receivable (whether purchased hereunder or not) to be directed to Purchaser for processing. Purchaser shall have the right to facilitate this processing by taking all actions necessary to cause all of Seller's Receivables and accounts receivable to be directed to Purchaser and Purchaser may use that Special Power of Attorney described in Section 3 for that purpose. Purchaser may, from time to time without notice, subtract from any such collections any charges or Obligations as defined in this Agreement. Purchaser shall show any collections on the Collection Report (as defined in Section 20) and shall from time to time release the amounts collected to Seller, subject to any charges thereto properly made by Purchaser. Purchaser shall charge no additional consideration for such processing and shall bear no responsibility or obligation is connection therewith.

SECTION 20. REPORTS.

Purchaser shall prepare and send to Seller by mail or by telephone facsimile or by other means of delivery periodic reports of Purchases & Advances (herein so called) detailing the Receivables purchased. Such reports shall detail the Purchase Price of each Receivable. By similar means, periodic Collection Reports (herein so called) shall be sent to Seller detailing for a specific period Receivables collected or charged back and other accounts receivable collected, other debits and credits called for in this Agreement, Discounts charged, rebate of Discounts and, in general, the balance of any amounts owed to or from Seller. Seller is aware that such balance is reported in the column titled "Reserve Refund" of each Collection Report and the Reserve Refund has no meaning other than it serves as the title for such column. By similar means, Reserve Account Reports (herein so called) may be sent to Seller (at the discretion of Purchaser) accounting for the balance owing to or from Seller as derived from all debits and credits made in connection with this Agreement.

SECTION 21. RESOLUTION OF DISPUTES; NO ASSUMPTION OF LIABILITY BY PURCHASER.

Seller shall immediately notify Purchaser of the assertion by any account debtor of any Dispute. Seller shall settle, at its own expense, all Disputes, subject to Purchaser's approval, but Purchaser shall have the right, in its discretion, to settle any Dispute directly with the account debtor involved upon such terms as Purchaser may deem advisable and at Seller's expense without waiving Purchaser's right to Charge back any Receivable or to declare a Default.

Seller specifically acknowledges and agrees that Purchaser is not assuming any liability or obligation of any kind to Seller's customers or in any way relating to the Receivables or any of Seller's other accounts receivable.

SECTION 22. SELLER'S INDEMNITY OF PURCHASER.

SELLER HEREBY UNCONDITIONALLY AND IRREVOCABLY, JOINTLY AND SEVERALLY, AGREES TO INDEMNIFY, DEFEND AND HOLD HARMLESS PURCHASER, ITS OFFICERS, SERVANTS, EMPLOYEES, AGENTS, ATTORNEYS, PRINCIPALS, DIRECTORS, AFFILIATES, SHAREHOLDERS, PARENTS, SUBSIDIARIES, PREDECESSORS, SUCCESSORS, AND ASSIGNS (COLLECTIVELY, THE "INDEMNIFIED PARTIES") FROM AND AGAINST ANY AND ALL LOSSES (AS HEREINAFTER DEFINED) THAT ANY INDEMNIFIED PARTY MAY SUFFER, PAY OR INCUR AS A RESULT OF, ARISING FROM OR CONNECTED WITH ANY CLAIM (AS HEREINAFTER DEFINED) THREATENED OR ASSERTED AGAINST ANY INDEMNIFIED PARTY, BY ANY PERSON OR ENTITY.

FOR PURPOSES HEREOF, "CLAIMS" SHALL MEAN ALL, CLAIMS, DEMANDS, LAWSUITS, CAUSES OF ACTION, CHOSES IN ACTION AND OTHER LEGAL AND ADMINISTRATIVE ACTIONS AND PROCEEDINGS OF WHATEVER NATURE OR KIND THREATENED, BROUGHT, THREATENED OR ASSERTED AGAINST ANY INDEMNIFIED PARTY WHETHER BY REASON OR IN CONSEQUENCE OF DIRECT ACTION, COUNTERCLAIM, CROSS-CLAIM, THIRD PARTY CLAIM, INTERVENTION, INTERPLEADER, OR OTHERWISE, EVEN IF GROUNDLESS, FALSE, MERITLESS OR FRAUDULENT, AND WHETHER OR NOT CAUSED DIRECTLY OR INDIRECTLY, BY ANY ERROR, OMISSION, ACT OR NEGLIGENCE OF ANY INDEMNIFIED PARTY SO LONG AS THE CLAIM, LAWSUIT, CAUSE OF ACTION, CHOSE IN ACTION OR OTHER LEGAL ACTION OR PROCEEDING IS ALLEGED OR DETERMINED, DIRECTLY OR INDIRECTLY, TO ARISE OUT OF, RESULT FROM, RELATE TO, OR BE BASED UPON, IN WHOLE OR IN PART: (i) THE OBLIGATIONS, DUTIES, RESPONSIBILITIES, ACTIVITIES, ACTS OR OMISSIONS OF ANY PERSON OR ENTITY, INCLUDING ANY INDEMNIFIED PARTY, IN CONNECTION WITH THIS AGREEMENT OR ANY PURCHASE DOCUMENT; (ii) ANY RELATIONSHIP BETWEEN ANY INDEMNIFIED PARTY AND SELLER (OR ANY PREDECESSOR OR SUCCESSOR-IN-INTEREST TO SELLER); OR (iii) ANY MATTER WHATSOEVER RELATING TO ANY OF THE RECEIVABLES, INCLUDING,

WITHOUT LIMITATION, THE USE, OWNERSHIP, SALE, CONVERSION, DISPOSITION, OR COLLECTION OF ALL OR ANY PORTION OF THE RECEIVABLES (INCLUDING COMPLIANCE WITH LAWS).

FOR PURPOSES HEREOF, "LOSSES" SHALL MEAN ANY LOSSES, COSTS, DAMAGES, EXPENSES, JUDGMENTS, LIABILITIES, OBLIGATIONS AND PENALTIES OF WHATEVER NATURE OR KIND, INCLUDING, WITHOUT LIMITATION, ATTORNEYS', ACCOUNTANTS' AND OTHER PROFESSIONAL FEES; LITIGATION EXPENSES AND COURT COSTS AND EXPENSES; AMOUNTS PAID IN SETTLEMENT; AMOUNTS PAID TO DISCHARGE JUDGMENTS, PENALTIES, FINES AND AMOUNTS PAYABLE TO OR INCURRED BY ANY INDEMNIFIED PARTY TO ANY OTHER PERSON OR ENTITY, DIRECTLY OR INDIRECTLY, RESULTING FROM, ARISING OUT OF OR RELATING TO ONE OR MORE CLAIMS.

IN THE EVENT THAT SELLER FAILS OR REFUSES TO DEFEND ANY INDEMNIFIED PARTY AS REQUIRED HEREIN, OR SELLER FAILS OR REFUSES TO ENGAGE INDEPENDENT COUNSEL TO DEFEND ANY INDEMNIFIED PARTY TO AVOID ANY POSSIBLE CONFLICT OF INTEREST THAT RESULTS FROM JOINT REPRESENTATION OF SELLER AND ANY INDEMNIFIED PARTY BY THE SAME COUNSEL, THEN, IN SUCH EVENT, INDEMNIFIED PARTY, AT ITS OPTION, MAY ENGAGE COUNSEL TO DEFEND INDEMNIFIED PARTY AND SELLER CONSENTS, COVENANTS AND AGREES TO BEAR AND PAY ALL SUCH LEGAL FEES AND RELATED COSTS JUST AS THOUGH SELLER HAD INCURRED THE SAME FOR ITS OWN ACCOUNT.

SECTION 23. BOOKS AND RECORDS.

Seller agrees to permit Purchaser access to all books and records of the Seller during normal business hours.

SECTION 24. TAXES.

All taxes and governmental charges imposed with respect to the sales of the goods related to the Receivables shall be charged to Seller.

SECTION 25. TERMINATION.

Seller and Purchaser recognize that future purchases of Receivables are to be made only with mutual consent, through joint execution of a supplemental Schedule "A". Accordingly, either party may terminate this Agreement at any time as it relates to future Receivables. As to Receivables at any time purchased,

however, Seller may terminate this Agreement only upon prior written notice to Purchaser, and subject to the following terms: Purchaser shall not be obligated to release its security interest and execute releases of UCC filings until five Business Days (hereinafter defined) after all Receivables have been paid to Purchaser in full. At such time, Purchaser shall also release to Seller the balance, if any, owed to Seller as derived from all debits and credits made in connection with this Agreement. Termination of this Agreement shall not terminate any of Seller's other liabilities or obligations hereunder, including but not limited to any obligations that may arise under Seller's indemnification obligation described above. As used in this Agreement, the term "Business Day" means any day on which commercial banks are not authorized or required to close in Houston, Texas.

SECTION 26. WAIVER.

Any failure by Purchaser to exercise any of its rights hereunder shall not be deemed to be a waiver by Purchaser of such or any other rights, nor in any manner impair the subsequent exercise of the same or any other right, and any waiver by Purchaser of any Event of Default or Default shall not constitute a waiver of any subsequent Event of Default or Default.

SECTION 27. CHOICE OF LAW; VENUE, SERVICE OF PROCESS; ARBITRATION.

This Agreement shall be construed according to the laws of the State of Texas, and shall be wholly performable in Harris County, Texas. Except as provided herein the following Arbitration Provision ("Arbitration Provision"), any action or proceeding against Seller under or in connection with this Agreement or any of the Purchase Documents may be brought in any state or federal court in Harris County, Texas, and Seller hereby irrevocably submits to the nonexclusive jurisdiction of such courts and waives any objection it may now or hereafter have as to the venue of any such court is an inconvenient forum. Seller agrees that service of process upon it may be made by certified or registered mail, return receipt requested, at its office specified in this Agreement. Except as provided in the Arbitration Provision, nothing herein or in any of the Purchase Documents shall affect the right of Purchaser to serve process in any other manner permitted by law or shall limit the right of Purchaser to bring any action or proceeding against Seller or with respect to any of its property in courts in other jurisdictions. Except as provided in the Arbitration Provision, any action or proceeding by Seller against Purchaser shall be brought only in a court located in Harris County, Texas.

SECTION 28. ARBITRATION PROVISION.

THE SELLER AND PURCHASER AGREE THAT ALL DISPUTES, CLAIMS AND CONTROVERSIES ARISING FROM THIS DOCUMENT OR ANY DOCUMENTS EXECUTED IN CONNECTION HEREWITH OR OTHERWISE, INCLUDING WITHOUT LIMITATION CONTRACT AND TORT DISPUTES, SHALL BE ARBITRATED PURSUANT TO THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, UPON REQUEST OF ANY PARTY. NO ACT TO TAKE OR DISPOSE OF ANY COLLATERAL SECURING THE OBLIGATIONS OR COVERED BY THIS INSTRUMENT SHALL CONSTITUTE A WAIVER OF THIS ARBITRATION PROVISION OR BE PROHIBITED BY THIS ARBITRATION PROVISION. THIS INCLUDES, WITHOUT LIMITATION, OBTAINING INJUNCTIVE RELIEF OR A RESTRAINING ORDER; INVOKING A POWER OF SALE UNDER ANY DEED OF TRUST OR MORTGAGE; OBTAINING A WRIT OF ATTACHMENT OR IMPOSITION OF A RECEIVER; OR EXERCISING ANY RIGHTS RELATING TO PERSONAL PROPERTY, INCLUDING TAKING OR DISPOSING OF SUCH PROPERTY WITH OR WITHOUT JUDICIAL PROCESS PURSUANT TO ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE. ANY DISPUTES, CLAIMS OR CONTROVERSIES CONCERNING THE LAWFULNESS OR REASONABLENESS OF ANY ACT, OR EXERCISE OF ANY RIGHT CONCERNING ANY COLLATERAL SECURING THE OBLIGATIONS OR COVERED BY THIS INSTRUMENT, INCLUDING ANY CLAIM TO RESCIND, REFORM, OR OTHERWISE MODIFY ANY AGREEMENT RELATING TO THE COLLATERAL SECURING THE OBLIGATIONS OR COVERED BY THIS INSTRUMENT, SHALL ALSO BE ARBITRATED, PROVIDED HOWEVER THAT NO

ARBITRATOR SHALL HAVE THE RIGHT OR THE POWER TO ENJOIN OR RESTRAIN ANY ACT OF ANY PARTY. JUDGMENT UPON ANY AWARD RENDERED BY ANY ARBITRATOR MAY BE ENTERED IN ANY COURT HAVING JURISDICTION; PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL BE DEEMED TO BE A WAIVER BY ANY PARTY THAT IS A BANK OF THE PROTECTIONS AFFORDED TO IT UNDER 12 USC SECTION 91, TEXAS BANKING CODE ART. 342-609 OR

342-705, OR ANY OTHER PROTECTION PROVIDED BANKS BY THE LAWS OF TEXAS OR THE UNITED STATES. THE STATUTE OF LIMITATIONS, ESTOPPEL, WAIVER, LACHES, AND SIMILAR DOCTRINES WHICH WOULD OTHERWISE BE APPLICABLE IN AN ACTION BROUGHT BY A PARTY SHALL BE APPLICABLE IN ANY ARBITRATION PROCEEDING, AND THE COMMENCEMENT OF AN ARBITRATION PROCEEDING SHALL BE DEEMED THE COMMENCEMENT OF AN ACTION FOR THESE PURPOSES. THE FEDERAL ARBITRATION ACT SHALL APPLY TO THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT OF THIS ARBITRATION PROVISION. IF THE FEDERAL ARBITRATION ACT IS INAPPLICABLE TO ANY SUCH CLAIM OR CONTROVERSY FOR ANY REASON, SUCH ARBITRATION SHALL BE CONDUCTED PURSUANT TO THE TEXAS GENERAL ARBITRATION ACT AND IN ACCORDANCE WITH THIS ARBITRATION PROVISION AND THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION.

SECTION 29. ASSIGNMENT; SUCCESSORS AND ASSIGNS.

Purchaser may from time to time assign its rights under this Agreement, and the assignee shall be entitled to all of the rights and remedies of Purchaser under this Agreement, including its rights as a secured party. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective administrators, legal representatives, successors and assigns; however, Seller may not assign its obligations or rights under this Agreement without the written consent of Purchaser.

SECTION 30. SEVERABILITY.

If any provision of this Agreement shall, for any reason, be held to violate any applicable law, then the remaining portion of this Agreement shall remain in full force and effect.

SECTION 31. HEADINGS, CONSTRUCTION.

The headings contained in this Agreement are for reference purposes only and shall not modify or affect the terms of this Agreement in any manner.

SECTION 32. SATURDAY, SUNDAY OR LEGAL HOLIDAY.

If any day provided in this Agreement for the performance of any obligation should fall on a day which is not a Business Day, the compliance with such obligation or delivery shall be deemed acceptable on the next Business Day following such day.

SECTION 33. NOTICES.

Any notice, demand or request permitted, required or desired to be given under this Agreement shall be in writing and shall be deemed effectively given when actually hand delivered, when sent by facsimile to the number set forth below for each party or when sent by United States certified or registered mail, return receipt requested, postage prepaid, or sent by private, receipted carrier guaranteeing same-day or next-day delivery, addressed as follows:

IF TO PURCHASER:

SOUTHWEST BANK OF TEXAS, N.A.
Accounts Receivable Finance Division
P.O. Box 27459
Houston, Texas 77227-7459
Attention: Robert W. Kincaid
Telephone No.: (713) 235-8800
Fax No.: (713) 232-2542

IF TO SELLER:

SOUTH HAMPTON REFINING CO.
P.O. Box 1636
Silsbee, TX 77656
Attention: Nicholas N. Carter
Telephone No.: 409-385-1400
Fax No.: 409-385-2453

SECTION 34. COSTS OF ENFORCEMENT.

In the event of any default or breach by Seller under this Agreement, or any portion hereof, whether or not such enforcement becomes necessary by reason of a breach or default by Seller and/or in the event it becomes necessary

for Purchaser to employ an attorney and incur other expenses to collect any Receivable, Seller agrees to pay to Purchaser on demand, from time to time as such amounts are incurred by Purchaser, an amount or amounts equal to all fees, expenses, attorneys' fees and costs incurred by Purchaser including but not limited to court costs and reasonable attorneys' fees. The costs described in this section may become Obligations under Section 12 of this Agreement.

SECTION 35. NATURE OF CHARGES.

The Discounts, any additional Discounts, and commissions or other charges payable hereunder constitute consideration for Purchaser's services provided hereunder in connection with making credit investigations, supervising the ledgering of accounts purchased, supervising the collection of the accounts purchased, assuming certain risks and other services provided by Purchaser hereunder. Nothing contained herein shall be construed to require the payment of interest for the use, forbearance, or detention of money (except with

respect to the interest that may be charged by Purchaser under Section 15); however, should a court of competent jurisdiction rule that any part of Purchaser's discounts, additional discounts, and factoring commissions or any other charges hereunder are in fact or in law to be treated as interest on funds advanced, in no event shall Seller be obligated to pay that interest at a rate in excess of the maximum amount permitted by law, and all agreements, conditions, or stipulations contained herein, if any, which may in any event or contingency whatsoever operate to bind, obligate, or compel Seller to pay a rate of interest exceeding the maximum rate of interest permitted by law shall be without binding force or effect at law or in equity to the extent only of the excess of interest over such maximum rate of interest permitted by law. Also in such event, Purchaser may "spread" all charges characterized as interest over the entire term of all transactions with Seller and may refund to Seller the excess of any payments made over the highest lawful rate. It is the intention of the parties hereto that in the construction and interpretation of this Agreement, this paragraph shall be given precedence over any other agreement, condition, or stipulation herein contained which is in conflict with same.

SECTION 36. EQUITABLE SUBROGATION.

To the extent that Purchaser advances proceeds under this Agreement to Seller that are used to pay any prior indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against, in, on or to the Receivables, then such proceeds shall have been advanced by Purchaser at Seller's request; and Purchaser shall be fully subrogated to any and all rights, titles, interests, powers, equities, liens, encumbrances, and security interests (collectively "Liens") owned or granted by any owner or holder of such Liens, irrespective of whether said Liens are released of record, or otherwise, and all of said Liens shall fully inure to the benefit of Purchaser.

SECTION 37. FACSIMILE.

Seller agrees that any executed facsimile (faxed) copy of documents received by Purchaser relating to this agreement, including but not limited to Schedules A, Invoices or Bills of Lading, shall be deemed to be of the same force and effect as the original, manually executed documents.

SECTION 38. JOINT AND SEVERAL OBLIGATIONS.

If more than one party is executing this Agreement as Seller, each party agrees that its obligations hereunder are joint and several. Each party constituting Seller agrees each party constituting Seller warrants to Purchaser that (a) the value of the consideration received and to be received by it as a result of its liability on the obligations of each other Seller is reasonably worth at least as much as the liability and obligation it has hereunder, and (b) such liability and obligation may reasonably be expected to benefit it, directly or indirectly. Each party constituting Seller specifically agrees that execution by any one of them of any Schedule A, bill of sale, or other instrument executed in connection herewith shall be deemed the fully authorized act of each party

constituting Seller, jointly and severally binding upon each.

SECTION 39. OBLIGATIONS ABSOLUTE.

Seller and (if more than one party) each party constituting Seller agrees that its obligations shall not be released, diminished, impaired or affected by the occurrence of any one or more of the following events, all of which may occur without notice to or consent of any other Seller:

(a) Any release, partial release, subordination or loss of any security, guaranty or collateral at any time existing in connection with the obligations contained herein;

(b) The death, insolvency, bankruptcy, disability or incapacity of any Seller, any guarantor, or any other party now or hereafter obligated hereon;

(c) Any renewal, extension, and/or rearrangement of all or any portion of the obligations contained herein;

(d) Any neglect, delay, omission, failure or refusal of Purchaser to take or prosecute any action for the collection of the obligations provided herein;

(e) The unenforceability for any reason of all or any part of the obligations contained herein against any Seller, guarantor or other party;

(f) The finding of any payment by any Seller to constitute a preference under bankruptcy or similar debtor relief law;

(g) Any release or partial release of liability of any Seller, guarantor or other party; or

(h) Any other action that might impair rights in the nature of contribution or subrogation that any Seller might otherwise have.

SECTION 40. SELLER'S WAIVER OF NOTICE.

Seller hereby waives notice of nonpayment of any Receivables as well as all other notices, demands or presentations for payment under this Agreement. Seller further agrees that Purchaser may extend, modify or renew from time to time the payment of any Receivable without notice to or consent by Seller.

SECTION 41. ENTIRE AGREEMENT; AMENDMENT.

This Agreement and the other instruments executed and delivered by Seller and Purchaser in connection herewith represents and embodies the final, entire agreement between the parties hereto and supersedes any

and all prior commitments, agreements, representations and understandings, whether written or oral relating to the subject matter hereof 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 between the parties hereto. The provisions of this Agreement may not be amended or modified except by a written instrument executed by Purchaser and Seller.

DATED this 29th day of July, 2003.

PURCHASER:

SOUTHWEST BANK OF TEXAS, N.A.

By: /s/ ROBERT W. KINCAID

Name: Robert W. Kincaid

Title: Vice President

SELLER:

SOUTH HAMPTON REFINING CO.

By: /s/ NICHOLAS N. CARTER

Name: Nicholas N. Carter

Title: President

THE STATE OF TEXAS

COUNTY OF HARDIN

Before me, Connie J. Cook, a notary public, on this day personally appeared Nicholas N. Carter, President of South Hampton Refining Co., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 29th day of August, 2003.

/s/ CONNIE J. COOK
Notary Public - State of Texas

(STAMP)

psa/sa (a/r & invent)(variable)(prime)
rev 01-27-00, revised Section 11, 08-26-03
(South Hampton Refining Co.)

SOUTHWEST BANK OF TEXAS, N.A.

RESTRICTED PAYMENTS LETTER AGREEMENT

THIS RESTRICTED PAYMENTS LETTER AGREEMENT (this "Agreement") is made by and among SOUTHWEST BANK OF TEXAS, N.A., a national banking association ("Purchaser") and SOUTH HAMPTON REFINING CO. (whether one or more, "Seller").

WHEREAS, Seller has executed a Purchase and Sale Agreement/Security Agreement (P&S Agreement) with Purchaser; and

WHEREAS, the parties desire to enter into an agreement which will control their course of dealing with respect to the purchase and sale of such accounts receivable and other rights;

NOW, THEREFORE, Purchaser and Seller do hereby additionally agree, in consideration of the mutual promises therein contained, as follows:

SECTION 1. RESTRICTED PAYMENTS.

Seller 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 on the sixteen (16th) day of any month, Seller may pay a cash distribution or dividend for the preceding month in an amount which does not exceed $50,000.00.

Seller further agrees payments in excess of Restricted Payment limits above shall be deemed and event of default under Section 13 of the previously executed Purchase and Sale Agreement/Security Agreement between Seller and Purchaser. Notice, Rights to Cure and Remedies for such events of default are the same as those described in said P&S Agreement for other events of default.

SECTION 2. SEVERABILITY.

If any provision of this Agreement shall, for any reason, be held to violate any applicable law, then the Purchase and Sale Agreement/Security Agreement shall remain in full force and effect.

SECTION 3. ENTIRE AGREEMENT; AMENDMENT.

This Agreement and the other instruments executed and delivered by Seller and Purchaser in connection herewith represents and embodies the final, entire agreement between the parties hereto and supersedes any and all prior commitments, agreements, representations and understandings, whether written or oral relating to the subject matter hereof 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 between the parties hereto. The provisions of this Agreement may not be amended or modified except by a written instrument executed by Purchaser and Seller.

DATED this 29th day of July, 2003.

PURCHASER:

SOUTHWEST BANK OF TEXAS, N.A.

By: /s/ ROBERT W. KINCAID

Name: Robert W. Kincaid

Title: Vice President

SELLER:

SOUTH HAMPTON REFINING CO.

By: /s/ NICHOLAS N. CARTER

Name: Nicholas N. Carter

Title: President

BILL OF SALE

STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF HARRIS

The undersigned ("Seller") hereby sells, assigns and transfers all of Seller's rights, titles and interests in and to the accounts receivable ("Receivables") listed on each and every Schedule "A" presented now or in the future to Southwest Bank of Texas, N.A. ("Purchaser"), pursuant to that certain Purchase And Sale/Security Agreement, dated _____, 200__ ("Agreement"), between Seller and Purchaser, the terms, conditions and provisions of which are fully incorporated by reference herein for all purposes. Seller represents and warrants to Purchaser that (i) Seller has good, clear legal and equitable title to the Receivables, free and clear of any and all security interests, liens, charges, assignments, tax liens and other encumbrances of any kind, character or type, (ii) the Receivables are not subject to any offsets, credits, claims or defenses, including, without limitation, any claims or defenses arising out of the demand, charge or collection of unlawful or usurious interest for the use, forbearance or detention of money or credit; and (iii) all just and lawful offsets, payments and credits, if any, have already been allowed and made by Seller on the Receivables and fully disclosed to Purchaser prior to the date set forth below.

SELLER SPECIFICALLY CONFIRMS THAT THE REPRESENTATIONS, WARRANTIES AND COVENANTS CONTAINED IN THE AGREEMENT APPLY IN FULL TO THE RECEIVABLES DESCRIBED ON SCHEDULE "A" HERETO.

Executed the 29th day of July, 2003.

Seller: SOUTH HAMPTON REFINING CO.

By: /s/ NICHOLAS N. CARTER

Name: Nicholas N. Carter

Title: President

CERTIFIED COPY OF RESOLUTIONS

THE UNDERSIGNED, Secretary of SOUTH HAMPTON REFINING CO., a Texas corporation (the "Company"), hereby certifies that the following is a true and correct copy of Resolutions duly adopted by the Board of Directors of the Company on 7/2/03, _____, and that the same have not been amended, altered or rescinded and are now in full force and effect:

RESOLVED, that the Purchase and Sale Agreement/Security Agreement between the Company and Southwest Bank of Texas, N.A. ("Purchaser"), pursuant to which the Company will sell to the Purchaser and Purchaser will purchase from the Seller certain accounts receivable, together with all related security agreements, financing statements, bills of sale, powers of attorney, assignments and other instruments now or hereafter executed in connection therewith (all such documents are referred to as the "Purchase and Sale Documents") be, and the same hereby are, approved on the terms and conditions as set forth therein;

RESOLVED, that all officers of this Company be, and will hereby be, authorized and directed to enter into said Purchase and Sale Documents and all other agreements and documents related thereto and to execute the same for and on behalf of this Company on the terms and conditions set forth therein;

RESOLVED, that said officers of this Company be, and are hereby, authorized and directed to negotiate, agree upon, execute and deliver (without the joinder or attestation of any other person), from time to time, in the name of, and on behalf of, the Company, such agreements, amendments and supplements to said Purchase and Sale Documents as such officer may choose to make, and to perform any and all such acts and things as may be required by Purchaser in connection therewith, or as may to him seem necessary or proper to implement and effect complete consummation of said Purchase and Sale Documents;

RESOLVED, that all previous actions taken by any officer or employee of the Company in furtherance of the foregoing are hereby ratified, approved and confirmed in all respects;

RESOLVED, that these resolutions shall remain in full force and effect until written notice of their amendment or repeal shall be received by Purchaser and all indebtedness and obligations arising out of said Purchase and Sale Documents shall have been paid and satisfied in full.

The undersigned does hereby further certify that the Corporation is duly organized and existing under the laws of the State of Texas; that all franchise and other taxes required to maintain the corporate existence of the Company have been paid when due and that no such taxes are delinquent; that no proceedings are pending for the forfeiture of the Certificate of Incorporation of the Company or for its dissolution, voluntary or involuntary; that the Company is duly qualified to do business in the State of Texas, and is in good standing in such state; that there is no provision of the Articles of Incorporation or By-Laws of the Company limiting the powers of the Board of Directors to pass or consent to the Resolutions set forth above and that said Resolutions are in conformity with the provisions of said Articles of Incorporation and By-Laws; and that the Secretary is the keeper of the Records and Minutes of the proceedings of the Board of Directors of the Company.

Any person listed below has the authority to release by their signature any "Schedule A" as described in the Purchase and Sale Agreement and Guaranty between SOUTH HAMPTON REFINING CO. and Southwest Bank of Texas, N.A., their signatures having the same force and effect as if signed by the parties executing the Purchase and Sale Agreement and the Guaranty.

Name and Title		Signature
Nick Carter	President	/s/ NICK CARTER
Connie Cook	Asst. Secretary	/s/ CONNIE COOK
Ada Hartman	Human Resources	/s/ ADA HARTMAN

The undersigned does hereby further certify that the following is a true and correct list of certain of the present officers of the corporation and their respective signatures:

Name of Officer	Signature of Officer
Nicholas N. Carter, President	/s/ NICHOLAS N. CARTER
Richard Crain, Executive Vice President	/s/ RICHARD CRAIN
Connie Cook, Asst. Secretary	/s/ CONNIE COOK

DATED as of 7/28/03.

/s/ CONNIE COOK

(Signature)

Connie Cook, Assistant Secretary

THE UNDERSIGNED, Connie Cook, Assistant Secretary of the Company, hereby certified that Nicholas N. Carter is the duly elected and qualified President of the Company, that the signature above is his (her) genuine

signature, that the foregoing Resolutions are a true and correct copy of Resolutions duly adopted by the Board of Directors of the Company, which are now in full force and effect and that the foregoing Certificate is true and correct.

/s/ CONNIE COOK

(Signature)

Connie Cook, Assistant Secretary

(Print Name)

GUARANTY

WHEREAS, SOUTH HAMPTON REPINING CO. (whether one or more, "Seller") and SOUTHWEST BANK OF TEXAS, N.A.("Purchaser") have executed a certain Purchase and Sale Agreement/Security Agreement dated 7/29/03 (as it has been or may hereafter be amended, renewed or extended, the "Agreement"); and

WHEREAS, the Agreement provides for the sale by Seller to Purchaser of certain accounts receivable and other rights, and also creates certain obligations of Seller to Purchaser, including an obligation to pay Purchaser the amount of any such receivables charged back to Seller; and

WHEREAS, Seller may have entered into, or may in the future enter into, similar purchase and sale agreements with Purchaser; and

WHEREAS, the undersigned desires that the obligations of Seller under the Agreement and all other present and future obligations of Seller to Purchaser under any other similar purchase and sale agreements be guaranteed hereby; and

WHEREAS, (a) the value of the consideration received and to be received by Guarantor from the Agreement is reasonably worth at least as much as the liability and obligation of Guarantor hereunder; (b) such liability and obligation may reasonably be expected to benefit, directly or indirectly, Guarantor; and (c) Guarantor desires to induce Purchaser to grant various present and future financial accommodations to Seller, and intends that Purchaser rely hereon;

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned ("Guarantor") hereby jointly and severally guarantee to Purchaser the prompt payment when due, and at all times thereafter, of the Guaranteed Obligation (hereinafter defined), this guaranty being upon the following terms and conditions:

1. The term "Guaranteed Obligation," as used herein, means all of the obligations of any Seller to Purchaser, of any kind or type, now or hereafter arising, fixed or contingent, foreseeable and otherwise, including but not limited to (a) all obligations and liabilities of Seller of any kind now or hereafter existing under the Agreement and all other documents executed by Seller in connection with the Agreement; (b) all obligations and liabilities of Seller of any kind now or hereafter existing under any similar purchase and sale agreement between Seller and Purchaser and (c) any renewals, extensions, amendments, rearrangements or other modifications to any of the obligations or instruments described above. Capitalized terms used herein not otherwise defined have the meaning given in the Agreements.

2. This instrument shall be an absolute, continuing, irrevocable, and unconditional guaranty of payment and performance, and not a guaranty of collection, and Guarantor shall remain liable on its obligations hereunder until the payment and performance in full of the Guaranteed Obligation. No set-off counterclaim, recoupment, reduction, or diminution of any obligation, or any defense of any kind or nature which Seller may have against Purchaser or any other party, or which Guarantor may have against Seller, Purchaser or any other party, shall be available to, or shall be asserted by, Guarantor against

Purchaser or any subsequent holder of the Guaranteed Obligation or any part thereof or against payment of the Guaranteed Obligation or any part thereof.

3. The exercise by Purchaser of any right hereunder or under any other instrument, or at law or in equity, shall not preclude the concurrent or subsequent exercise of any other fight. Guarantor covenants and agrees that Guarantor will not assert any fights arising from payment or other performance hereunder until all of the Guaranteed Obligation shall have been paid and performed in full and Seller shall have no right to incur any more Guaranteed Obligation to Purchaser.

4. Upon the occurrence of a default by Seller to pay or perform any part of the Guaranteed Obligation, Guarantor shall, on demand and without further notice of dishonor, pay the amount due thereon to Purchaser, and it shall not be necessary for Purchaser, in order to enforce such payment by Guarantor, first to institute suit or exhaust its remedies against Seller, any other guarantor or any other person liable on the Guaranteed Obligation, or to enforce its rights against any security or collateral which shall ever have been given to secure the Guaranteed Obligation.

5. All principal of and interest on all indebtedness, liabilities, and obligations of Seller to Guarantor (the "Subordinated Debt"), whether direct, indirect, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several, now or hereafter existing, due or to become due to Guarantor, or held or to be held by Guarantor, whether created directly or acquired by assignment or otherwise, and whether evidenced by written instrument or not, shall be expressly subordinated to the Guaranteed Obligation. Guarantors agrees not to receive or accept any payment from Seller with respect to the Subordinated Debt at any time either a default in respect of any of the Guaranteed Obligation has occurred and is continuing or any of the Guaranteed Obligation is otherwise due or owing and unpaid; and, in the event any Guarantor receives any payment on the Subordinated Debt in violation of the foregoing, Guarantor will hold any such payment in trust for Purchaser and forthwith turn such payment over to Purchaser, in the form received, to be applied to the Guaranteed Obligation.

6. Guarantors hereby agrees that Guarantors' obligations under the terms of this guaranty shall not be released, diminished, impaired, reduced, or affected by the occurrence of any one or more of the following events: (a) the taking or accepting of any other security or guaranty for any or all of the Guaranteed Obligation; (b) any release, surrender, exchange, subordination, or loss of any security at any time existing in connection with any or all of the Guaranteed Obligation; (c) the death, insolvency,

bankruptcy, disability, or incapacity of Seller, any of the undersigned, or any person at any time liable for the payment of any or all of the Guaranteed Obligation, whether now existing or hereafter occurring; (d) any renewal, extension, and/or rearrangement of the payment of any or all of the Guaranteed Obligation, either with or without notice to or consent of Guarantor, or any adjustment, indulgence, forbearance, or compromise that may be granted or given by Purchaser to Seller, any Guarantor or any other person now or at any time hereafter liable for the payment of any or all of the Guaranteed Obligation; (e) any neglect, delay, omission, failure, or refusal of Purchaser to take or prosecute any action for the collection of any of the Guaranteed Obligation or the enforcement of any agreement evidencing or securing all or any part of the Guaranteed Obligation (including, without limitation, the Agreement); (f) any failure of Purchaser to notify Guarantor of any renewal, extension, or assignment of the Guaranteed Obligation or any part thereof, or the release of any security or of any other action taken or refrained from being taken by Purchaser against Seller or any new agreement between Purchaser and Seller, it being understood that Purchaser shall not be required to give Guarantor any notice of any kind under any circumstances whatsoever with respect to or in connection with the Guaranteed Obligation; (g) the unenforceability for any reason of all or any part of the Guaranteed Obligation against Seller or any other person now or at any time hereafter liable for the payment of any or all of the Guaranteed Obligation; (h) any payment by Seller to Purchaser is held to constitute a preference under any Debtor Relief Law (as hereinafter defined) or if for any other reason Purchaser is required to refund such payment or pay the amount thereof to someone else; or (i) any release or partial release of the

liability of Guarantor hereunder, or the release or partial release of any other person now or at any time hereafter liable for or guarantying the payment of any or all for the Guaranteed Obligation.

"Debtor Relief Law, as used herein, means the Bankruptcy code of the United States and any other insolvency, receivership, debt moratorium or similar law.

7. Guarantor represents and warrants that the value of the consideration received and to be received by Guarantor as a result of the execution for this guaranty is fair and adequate and is reasonably worth at least as much as the liability and obligation of Guarantor hereunder, and such liability and obligation may reasonably be expected to benefit Guarantor directly or indirectly.

8. Purchaser shall have the right to set off and apply against this guaranty or the Guaranteed Obligation or both, at any time and without notice to Guarantor, any and all deposits (general or special, time or demand, provisional or final) or other sums at any time credited by or owing from Purchaser to Guarantor whether or not the Guaranteed Obligation is then due and irrespective of whether or not Purchaser shall have made any demand under this guaranty. In addition to Purchaser's right of setoff and as further security for this guaranty and the Guaranteed Obligation, Guarantor hereby grants Purchaser a security interest in all deposits (general or special, time or demand, provisional or final) and all other accounts of Guarantor now or hereafter on deposit with or held by Purchaser and all other sums at any time credited by or owing from Purchaser to Guarantor. The rights and remedies of Purchaser hereunder are in addition to other

rights and remedies (including, without limitation, other rights of setoff) which Purchaser may have.

9. This guaranty is binding upon and shall inure to the benefit of Guarantors and Purchaser and their respective heirs, administrators, successors and assigns; provided, however, that Guarantor may not assign its obligations under this guaranty.

10. This guaranty is executed and delivered as an incident to a factoring transaction negotiated, consummated, and performable in Harris County, Texas, and its validity, interpretation, and performance are governed by the laws of the State of Texas. Each payment hereunder by Guarantor shall be due and payable at the designated office of Purchaser in Houston, Texas. Without prejudice to the foregoing, to the fullest extent permitted, Guarantor waives any rights to which he or she may be or become entitled under TEX. BUS. & COM. CODE ANN. Sections 34.02 and 34.03; TEX. REV. CIV. STAT. ANN. Arts. 1986 and 1987; and TEX. RULE CIV. P.No. 31.

11. Should Guarantor become insolvent, or fail to pay its debts generally as they become due, or voluntarily seek, consent to, or acquiesce in the benefit or benefits of any Debtor Relief Law, or become a party to (or be made the subject of) any proceeding provided for by any Debtor Relief Law, other than as a creditor or claimant, that could suspend or otherwise adversely affect the rights of Purchaser granted hereunder, and in the case of any such proceeding to which such Guarantor involuntarily becomes a party or the subject of the continuation of such proceeding for a period of sixty (60 days, then, in any such event, the Guaranteed Obligation shall be, as between Guarantor and Purchaser, a fully matured, due, and payable obligation of Guarantor to Purchaser, payable in full by Guarantor to Purchaser upon demand, which, for purposes of Section 502(c) of the Bankruptcy Code of the United States, as amended, shall be the estimated amount owing in respect of the contingent claim created hereunder.

12. If more than one person signs this guaranty as Guarantor, or if the Guarantor consists of more than one person, each such person agrees that each and every obligation of Guarantor under this guaranty shall be a joint and several obligation of each such person constituting guarantor or signing this guaranty, and each representation and warranty of Guarantor in this guaranty shall be jointly and severally made by each and all of such persons constituting Guarantor or signing this guaranty.

13. Guarantor recognizes and agrees that it is contemplated and expected by Seller and Purchaser that under the Agreement, additional accounts receivable (which are not on a Schedule of accounts receivable delivered to Purchaser as of the date hereof) will be purchased by Purchaser under the Agreement and will give rise to additional obligations of Seller under the Agreement. Guarantor agrees that this Guaranty is a continuing Guaranty and constitutes a guaranty by Guarantor of all existing and hereafter arising obligations of Seller under the Agreement, including obligations arising with respect to the purchase by Purchaser of accounts receivable which are not on a Schedule of accounts receivable delivered to Purchaser as of the date hereof.

DATED this 29th day of July, 2003.

TEXAS OIL & CHEMICAL CO. II, INC.

By: /s/ NICK CARTER

Name: Nick Carter

Title: President

THE STATE OF TEXAS

COUNTY OF HARRIS

Before me, Monica Blair, a notary public, on this day personally appeared Dick Carter, whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the dame for the purposes and consideration therein expressed.

Given under my hand and seal of office this 29th day of July, 2003.

/s/ MONICA BLAIR

Notary Public - State of Texas

(STAMP)

SPECIAL POWER OF ATTORNEY

THE STATE OF TEXAS)
KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF HARRIS)

That the undersigned, a Texas corporation, has made, constituted and appointed and by these presents do make, constitute and appoint Southwest Bank of Texas, N.A. ("Agent"), its true and lawful agent and attorney-in-fact for the corporation and in its name, place and stead to notify account parties of the name and place to direct payment, to open, cash, endorse and otherwise collect all checks and other forms of payment tendered in payment of accounts receivable and other obligations purchased by Agent from the undersigned, or otherwise collected and/or processed by Agent on the undersigned's behalf, pursuant to a certain Purchase and Sale Agreement/Security Agreement between Agent and the undersigned dated July 29, 2003, as it may be renewed, extended, amended or modified. The undersigned intends hereby to vest in Agent the power of attorney to be exercised in its sole discretion fully and to do all intents and purposes as the undersigned might or could do if it were personally present. Agent, as used herein, shall mean all officers or employees of Agent or its affiliate duly authorized by Agent and acting on behalf of Agent.

This special power of attorney and the powers hereby granted may be revoked only upon both (i) termination of the above-described Purchase and Sale Agreement/Security Agreement and final collection by Agent of all Receivables purchased thereunder, and (ii) execution by the undersigned of a notice of revocation and recordation of the same in the office of the County Clerk of Harris, County. It is the intention of the undersigned that every person or entity dealing with Agent shall be entitled to rely on the provisions of this paragraph in determining whether or not this special power of attorney has been revoked, and those dealing with Agent are entitled to rely upon the terms and provisions of this paragraph.

Agent shall not be liable for anything which he may do or refrain from doing in connection herewith, except for its own gross negligence or willful misconduct. Agent shall be protected in acting upon any notice, request, waiver, consent or other document delivered by the undersigned which Agent believes in good faith to be genuine. The undersigned agrees to indemnify and hold harmless Agent against any and all claims, actions, demands, losses, costs and expenses as a result of any claim or legal proceeding relating to the performance or non-performance of any act by Agent hereunder, including claims or proceedings arising from the negligence of Agent, provided that Agent has not acted or failed to act in good faith or with gross negligence or willful misconduct.

This special power of attorney is coupled with an interest as reflected in the terms of the Purchase and Sale Agreement.

Company: SOUTH HAMPTON REFINING CO.

By: /s/ NICHOLAS N. CARTER

Name: Nicholas N. Carter

Title: President

Date: 7/29/03

THE STATE OF TEXAS

COUNTY OF HARRIS

Before me, Monica Blair, a notary public, on this day personally appeared Nicholas N. Carter, President of SOUTH HAMPTON REFINING CO., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 29th day of July, 2003.

/s/ MONICA BLAIR

Notary Public State of Texas

(STAMP)

UCC-1 (FINANCING STATEMENT)

1. DEBTOR (IF PERSONAL LAST) / (FIRST) / M.I. / SUFFIX

SOUTH HAMPTON REFINING CO.

1a. MAILING ADDRESS: P.O. Box 1636, Silsbee, TX 77656

1b. CHARTER NUMBER: 6579500

1c. TAX IDENTIFICATION NUMBER: 74-1381278

2. ADDITIONAL DEBTOR (IF PERSONAL LAST) / (FIRST) / M.I./ SUFFIX

2a. MAILING ADDRESS:

2b. CHARTER NUMBER:

2c. TAX IDENTIFICATION NUMBER:

3. SECURED PARTY: Southwest Bank of Texas, N.A. - Accounts Receivable Finance Div.

3a. MAILING ADDRESS: P.O. Box 27459, Houston, TX 77227-7459

4. ASSIGNEE OF SECURED PARTY (IF ANY) - N/A

4a. MAILING ADDRESS

5. THIS FINANCING STATEMENT COVERS THE FOLLOWING TYPES OF PROPERTY:

ALL NOW OWNED OR HEREAFTER ACQUIRED ACCOUNTS, ACCOUNTS RECEIVABLE AND INVENTORY, INCLUDING BUT NOT LIMITED TO CONTRACTS, NOTES, DRAFTS, ACCEPTANCES, INSTRUMENTS, CHATTEL PAPER, GENERAL INTANGIBLES, DOCUMENTS, MONEY, PAYMENT INTANGIBLES, COMMERCIAL TORT CLAIMS, DEPOSIT ACCOUNTS, AND RETURNED OR REPOSSESSED GOODS ARISING FROM OR RELATING TO ANY SUCH ACCOUNTS, ACCOUNTS RECEIVABLE OR INVENTORY AND OTHER RIGHTS ARISING FROM OR BY VIRTUE OF, OR FROM THE VOLUNTARY OR INVOLUNTARY SALE OR OTHER DISPOSITION OF, OR COLLECTIONS WITH RESPECT TO, OR INSURANCE PROCEEDS PAYABLE WITH RESPECT TO, OR PROCEEDS PAYABLE BY VIRTUE OF WARRANTY OR OTHER CLAIMS AGAINST ANY OTHER PERSON OR ENTITY WITH RESPECT TO ALL OR ANY PART OF THE PROPERTY HERETOFORE DESCRIBED, AND PROCEEDS AND PRODUCTS OF ANY OF THE FOREGOING IN ANY FORM.

DEBTOR HAS SOLD AND ABSOLUTELY CONVEYED SOME OR ALL OF THE ABOVE-DESCRIBED PROPERTY AND OTHER INTERESTS TO SECURED PARTY, OWNERSHIP WHICH IS VESTED IN SECURED PARTY, AND HAS GRANTED TO SECURED PARTY A SECURITY INTEREST IN SUCH PROPERTY AND OTHER INTERESTS TO THE EXTENT OF ANY FORM OF OWNERSHIP INTEREST WHICH DEBTOR MAY NOW OR HEREAFTER HAVE OR ACQUIRE.

6. PRODUCTS OF COLLATERAL ARE ALSO COVERED.

7. NUMBER OF PAGES 2

7/29, 2003

Secured Party:	Debtor:
Southwest Bank of Texas, N.A.	SOUTH HAMPTON REFINING CO.
By: /s/ ROBERT W. KINCAID	By: /s/ NICHOLAS N. CARTER
Name: Robert W. Kincaid	Name: Nicholas N. Carter
Title: Vice President	Title: President

PLEASE RETURN ACKNOWLEDGMENT TO:
SOUTHWEST BANK OF TEXAS, N.A.
P.O. BOX 4652
HOUSTON, TEXAS 77210-4652

ACKNOWLEDGEMENTS REGARDING UNDERSTANDING
OF RECEIPT OF FUNDS AND CONTRA ACCOUNTS

1.) RECEIPT OF FUNDS:

I understand that my Agreement with Southwest Bank of Texas, N.A. ("SWBT"), requires that we direct ALL PAYMENTS FOR INVOICES (FACTORED AND UNFACTORED) to SWBT at: P.O. Box 4346, Department 640, Houston, TX 77210-4346.

In the event that our company receives any payments directly from any of our customers, we understand that we must immediately fax a copy of the check and

stub to SWBT Factoring Division (Attention: Credit Manager). WE FURTHER AGREE TO AND UNDERSTAND THAT WE ARE REQUIRED TO DELIVER THESE PAYMENTS TO SWBT FACTORING DIVISION WITHIN 24 HOURS OF RECEIPT. WE CANNOT DEPOSIT THESE CHECKS INTO OUR ACCOUNT UNDER ANY CIRCUMSTANCE AND WE MUST DELIVER THEM TO SWBT IN THE SAME FORM AS WE RECEIVED THEM. I will share these procedures with all employees who have access to any payments.

2.) CONTRA ACCOUNTS:

The Purchase and Sale Agreement prohibits our company from submitting contra accounts to SWBT for funding. A contra account includes any customer of our company that sells products or services to us or that extends credit to us on any basis. I UNDERSTAND AND AGREE NOT TO SUBMIT ANY CONTRA ACCOUNTS TO SWBT. I will share these procedures and requirements with all employees who have any responsibility for preparing funding schedules.

SOUTH HAMPTON REFINING CO.

By: /s/ NICHOLAS N. CARTER

Name: Nicholas N. Carter
Title: President
Date: 7/29/03

EXHIBIT 31.1

CERTIFICATIONS

I, Hatem El-Khalidi, certify that:

1. I have reviewed this annual report on Form 10-K of Arabian American Development Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 15, 2003

/s/ HATEM EL-KHALIDI

Hatem El-Khalidi
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Drew Wilson, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Arabian American Development Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely

affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over

financial reporting.

Date: December 15, 2003

/s/ DREW WILSON, JR.

Drew Wilson, Jr.
Treasurer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18. U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Arabian American Development Company (the "Company") on Form 10-K for the year ending December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hatem El-Khalidi, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ HATEM EL-KHALIDI
- ------------------------------------
Hatem El-Khalidi
President and Chief Executive Officer
December 15, 2003

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18. U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Arabian American Development Company (the "Company") on Form 10-K for the year ending December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Drew Wilson, Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DREW WILSON, JR.
- ----------
Drew Wilson, Jr.
Treasurer
December 15, 2003

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.