UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR QUARTER ENDING SEPTEMBER 30, 1999

COMMISSION FILE NUMBER 0-6247

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

DELAWARE (State or other jurisdiction of incorporation or organization)	75-1256622 (I.R.S. employer identification no.)
10830 NORTH CENTRAL EXPRESSWAY, SUITE 175 DALLAS, TEXAS (Address of principal executive offices)	75231 (Zip code)

Registrant's telephone number, including area code: (214) 692-7872

Former name, former address and former fiscal year, if changed since last report.
NONE

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 X NO

Number of shares of the Registrant's Common Stock (par value $0.10 per share), outstanding at September 30, 1999: 22,019,494.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	SEPTEMBER 30, 1999 (UNAUDITED) <C>	DECEMBER 31, 1998 <C>
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 1,312,185	$ 1,907,242
Short-Term Investments	20,937	30,636
Trade Receivables	4,281,348	2,779,964
Inventories	299,657	178,714

Total Current Assets	5,914,127	4,896,556
REFINERY PLANT, PIPELINE AND EQUIPMENT	9,301,244	7,151,134
Less: Accumulated Depreciation	(4,131,322)	(3,651,626)
Net Plant, Pipeline and Equipment	5,169,922	3,499,508
AL MASANE PROJECT	34,497,756	34,121,501
OTHER INTERESTS IN SAUDI ARABIA	2,431,248	2,431,248
MINERAL PROPERTIES IN THE UNITED STATES	1,305,525	1,280,656
OTHER ASSETS	341,762	453,854
TOTAL ASSETS	$ 49,660,340	$ 46,683,323
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable-Trade	$ 1,041,689	$ 668,683
Accrued Liabilities	1,137,583	1,027,809
Accrued Liabilities in Saudi Arabia	1,444,156	1,444,156
Notes Payable	11,375,780	11,375,780
Current Portion of Long-Term Debt	498,000	498,000
Total Current Liabilities	15,497,208	15,014,428
LONG-TERM DEBT	750,000	1,250,000
ACCRUED LIABILITIES IN SAUDI ARABIA, NET	729,966	703,214
DEFERRED REVENUE	174,444	98,677
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	899,640	909,600
SHAREHOLDERS' EQUITY		
COMMON STOCK-authorized 40,000,000 shares of $.10 par value; 22,019,494 shares issued and outstanding	2,201,949	2,201,949
ADDITIONAL PAID-IN CAPITAL	36,101,150	36,101,150
ACCUMULATED DEFICIT	(6,694,017)	(9,595,695)
Total Shareholders' Equity	31,609,082	28,707,404
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 49,660,340	$ 46,683,323

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended Sep. 30, 1999	Three Months Ended Sep. 30, 1998	Nine Months Ended Sep. 30, 1999	Nine Months Ended Sep. 30, 1998
<S>	<C>	<C>	<C>	<C>
REVENUES				
Refined Product Sales	$ 7,614,063	$ 6,632,986	$ 19,000,796	$ 18,813,838
Processing Fees	484,298	165,647	951,860	570,998
	8,098,361	6,798,633	19,952,656	19,384,836
OPERATING COSTS AND EXPENSES				
Cost of Refined Product Sales and Processing	6,483,917	4,704,962	14,363,539	14,311,093
General and Administrative	697,442	775,452	2,101,359	2,072,272
Depreciation and Amortization	213,495	105,806	505,752	312,994
	7,394,854	5,586,220	16,970,650	16,696,359
OPERATING INCOME	703,507	1,212,413	2,982,006	2,688,477

OTHER INCOME (EXPENSE)				
Interest Income	13,425	28,419	48,409	78,532
Interest Expense	(45,774)	(75,010)	(125,204)	(285,242)
Minority Interest	7,200	3,410	9,960	7,238
Miscellaneous Income	108,877	38,361	255,042	112,719
INCOME BEFORE INCOME TAXES	787,235	1,207,593	3,170,213	2,601,724
INCOME TAX EXPENSE	(52,782)	(46,800)	(268,535)	(68,500)
NET INCOME	$ 734,453	$ 1,160,793	$ 2,901,678	$ 2,533,224
NET INCOME PER COMMON SHARE:				
Basic	$ .03	$ .05	$ .13	$ .12
Diluted	$ .03	$ .05	$ .13	$ .10
WEIGHTED AVERAGE NUMBER OF COMMON EQUIVALENT SHARES OUTSTANDING:				
Basic	22,019,494	22,019,494	22,019,494	21,987,816
Diluted	22,559,068	25,685,118	22,623,760	25,343,174

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
	SHARES	AMOUNT			
<S>	<C>	<C>	<C>	<C>	<C>
JANUARY 1, 1999	22,019,494	$ 2,201,949	$ 36,101,150	$ (9,595,695)	$ 28,707,404
Net Income	--	--	--	2,901,678	2,901,678
SEPTEMBER 30, 1999	22,019,494	$ 2,201,949	$ 36,101,150	$ (6,694,017)	$ 31,609,082

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

<S>	NINE MONTHS ENDED SEP. 30, 1999 <C>	NINE MONTHS ENDED SEP. 30, 1998 <C>
OPERATING ACTIVITIES:		
Net Income	$ 2,901,678	$ 2,533,224
Adjustments for Non-Cash Transactions:		
Income Tax Provision	193,121	--
Depreciation and Amortization	505,752	312,994
Increase (Decrease) in Deferred Revenue	75,767	(11,628)
Effects of Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Trade Receivables	(1,501,384)	(585,240)
Decrease (Increase) in Inventories	(120,943)	343,007
Decrease (Increase) in Other Assets	112,092	54,700
(Decrease) Increase in Accounts Payable and Accrued Liabilities	289,659	387,629
Other	(36,016)	(15,880)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,419,726	3,018,806
INVESTING ACTIVITIES:		
Additions to Short-Term Investments	--	321,114
Proceeds from Sale of Short-Term Investments	9,699	--
Additions to Al Masane Project	(376,255)	(483,736)
Additions to Refinery Plant, Pipeline & Equipment	(2,150,110)	(409,353)
Additions to Mineral Properties in the U.S	(24,869)	(6,105)
Increase in Accrued Liabilities in Saudi Arabia	26,752	197,877
NET CASH USED IN INVESTING ACTIVITIES	(2,514,783)	(380,203)
FINANCING ACTIVITIES:		
Common Stock Sold	--	241,000
Additions to Notes Payable and Long-Term Obligations	750,000	--
Reduction of Notes Payable and Long-Term Obligations	(1,250,000)	(1,384,120)
NET CASH USED IN FINANCING ACTIVITIES	(500,000)	(1,143,120)
NET INCREASE (DECREASE) IN CASH	(595,057)	1,495,483
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,907,242	534,086
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,312,185	$ 2,029,569

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated financial statements reflect all adjustments (consisting only of normal and recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of Arabian Shield Development Company and Subsidiaries' financial position and operating results for the interim period. Interim period results are not necessarily indicative of the results for the calendar year. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

These financial statements include the accounts of Arabian Shield Development Company (the "Company") and its wholly-owned subsidiaries, American Shield

Refining Company (the "Refining Company") and American Shield Coal Company (the "Coal Company"). The Refining Company owns all of the outstanding common stock of Texas Oil and Chemical Company II, Inc. ("TOCCO"). South Hampton Refining Company ("South Hampton") is a wholly-owned subsidiary of TOCCO, and Gulf State Pipe Line Company, Inc. ("Gulf State") is a wholly-owned subsidiary of South Hampton. The Company also owns approximately 51% of the capital stock of Pioche-Ely Valley Mines, Inc. ("Pioche"), which owns mining properties in Nevada. The Refining Company and its subsidiaries constitute the Company's Specialty Petrochemicals or Refining Segment. The Coal Company, Pioche and the Company's mineral properties in Saudi Arabia constitute its Mining Segment.

2. INVENTORIES

Inventories at September 30, 1999 and December 31, 1998 were $299,657 and $178,714, respectively, and consisted entirely of finished goods.

3. EARNINGS PER COMMON SHARE

The following table (in thousands, except per share amounts) sets forth the computation of basic and diluted earnings per share for the nine months ended September 30, 1999, and 1998, respectively.

<TABLE>
<CAPTION>

	Nine Months Ended September 30	
	1999	1998
<S>	<C>	<C>
Net Income	$ 2,902	$ 2,533
Weighted average shares outstanding (basic)	22,019	21,988
Effect of dilutive stock options	605	3,355
Weighted average shares outstanding (diluted)	22,624	25,343
Earnings per share:		
Basic	$ .13	$ .12
Diluted	$ .13	$ .10

</TABLE>

In the nine months ended September 30, 1999 and 1998, the effect of assumed debt conversions was anti-dilutive.

4. REVOLVING BANK CREDIT LINE

At September 30, 1999, South Hampton paid off the balance of its debt of $1,250,000 to Den norske Bank ASA and entered into a $2.25 million revolving credit agreement with a Houston, Texas bank that is collateralized by a first security interest in substantially all of its domestic assets. Interest (at the bank's prime rate plus .5%) is payable monthly. The agreement contains various restrictive covenants including the maintenance of various financial ratios, net worth and parent company distribution limitations. The credit agreement expires on May 31, 2001.

5. 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 the segments is as follows:

<TABLE>
<CAPTION>

Three Months ended September 30, 1999	Refining	Mining	Total
<S>	<C>	<C>	<C>
Revenue from external customers	$ 8,098,361	$ --	$ 8,098,361
Operating income (loss)	777,625	(74,118)	703,507

Total assets	$ 11,235,790	$ 38,424,550	$ 49,660,340

</TABLE>

<TABLE>
<CAPTION>

Three Months ended September 30, 1998	Refining	Mining	Total
<S>	<C>	<C>	<C>
Revenue from external customers	$ 6,798,633	$ --	$ 6,798,633
Operating income (loss)	1,283,796	(71,383)	1,212,413
Total assets	$ 9,111,852	$ 37,897,811	$ 47,009,663

</TABLE>

<TABLE>
<CAPTION>

Nine Months ended September 30, 1999	Refining	Mining	Total
<S>	<C>	<C>	<C>
Revenue from external customers	$ 19,952,656	$ --	$ 19,952,656
Operating income (loss)	3,274,270	(292,264)	2,982,006

</TABLE>

<TABLE>
<CAPTION>

Nine Months ended September 30, 1998	Refining	Mining	Total
<S>	<C>	<C>	<C>
Revenue from external customers	$ 19,384,836	$ --	$ 19,384,836
Operating income (loss)	2,995,599	(307,122)	2,688,477

</TABLE>

6. LEGAL PROCEEDINGS

South Hampton is a defendant in a lawsuit filed in a Jefferson County, Texas District Court in December 1997 by a former employee of the Goodyear Tire & Rubber Company plant located in Beaumont, Texas. The suit claims an illness and disease resulting from alleged exposure to chemicals, including benzene, butadiene and/or isoprene, during his employment with Goodyear. The plaintiff claims that South Hampton engaged in the business of manufacturing, selling and/or distributing these chemicals in a manner which subjected him to liability for unspecified actual and punitive damages. South Hampton intends to vigorously defend itself against this lawsuit.

In August 1997, the Texas Natural Resource Conservation Commission ("TNRCC") notified South Hampton that it had violated various rules and procedures. The TNRCC proposed administrative penalties totaling $709,408 and recommended that South Hampton undertake certain actions necessary to bring the operations at its refinery into compliance The violations generally relate to various air and water quality issues. Appropriate modifications have been made by South Hampton where it appeared there were legitimate concerns. South Hampton feels the penalty is greatly overstated and intends to vigorously defend against it. A preliminary hearing was held in November 1997, but no further action has been taken.

In May 1991, the Company filed a complaint with the U.S. Department of Justice ("DOJ") against Hunt Oil Company of Dallas, Texas ("Hunt"). The Company's complaint alleged various violations of the Foreign Corrupt Practices Act ("FCPA") by Hunt, at the Company's detriment, in obtaining its 1981 Petroleum Production Sharing Agreement ("PSA") in Yemen. The DOJ requested additional documentation regarding the Company's allegations in 1995 that the Company provided in early 1996. In late 1996, the DOJ advised the Company that the documents presented did not provide sufficient evidence of any criminal activity and that the DOJ did not intend to pursue the investigation. In December 1996, after providing the DOJ with additional legal analyses, the Company's representatives were told that the DOJ would take a more aggressive stance if additional legal evidence was presented to the DOJ. In an effort to comply with the DOJ's request, in 1997 the Company requested certain documents from the Central Intelligence Agency ("CIA") under the Freedom of Information Act ("FOIA"). The Company believes the requested documents may contain the evidentiary information that the DOJ needs to properly and sufficiently evaluate the Company's complaint against Hunt. The CIA refused to either confirm or deny the existence of the requested information. After exhausting its administrative appeals, the Company filed suit against the CIA in early 1998 in the U.S. District Court for the Northern District of Texas seeking a judicial determination of the Company's FOIA request. The Company argued the FOIA specifically prohibits any agency from using the FOIA to conceal criminal activity, in this instance Hunt's violation of the FCPA. Following a February 1999 hearing, the Court rejected the Company's arguments and issued a summary judgment in favor of the United States and its agency, the CIA. The Company believes the Court erred in its interruption of the FOIA and, since it believes this could be a landmark case, it filed an appropriate appeal with the U.S. Court of Appeals for the Fifth Circuit on February 26, 1999. A supporting brief was filed on June 4, 1999 in which the Company requested an oral argument because it believes the facts of the case create unique applications of the FOIA, FCPA, the National Security Act, the CIA Act, and Executive Order No. 12958. The Company is now awaiting the decision of the Court of Appeals. The Company intends to request additional documents from both the CIA and DOJ under appropriate provisions of the FOIA and may seek judicial review in the event its requests are denied. In the event the Company is able to provide the DOJ with appropriate legal evidence and the DOJ prevails in any FCPA action against Hunt regarding the PSA, the Company would then institute an appropriate action against Hunt in accordance with the provisions of the Victim Restitution Act.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

GENERAL

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 serious difficulties obtaining additional financing. While the Company presently needs additional financing in order to fund its planned mineral development activities, management believes its ability to remain a going concern is no longer dependent on obtaining outside financing. Consequently, management intends to focus additional time and resources on improving its specialty petrochemical refining operations and reducing the cost of any required outside financing.

Statements in Part I, Item 2 as well as elsewhere in, or incorporated by reference in, this Quarterly Report on Form 10-Q 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 case, "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 Quarterly Report on Form 10-Q, 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 and mining. Its corporate overhead needs are minimal. A discussion of each segment's liquidity and capital resources follows.

SPECIALTY PETROCHEMICALS SEGMENT. This segment contributes substantially all of the Company's internally generated cash flows from operating activities and its primary source of revenue is the specialty products refinery owned and operated by South Hampton near Silsbee, Texas. In order to supplement its cash flows from operating activities, this business segment has a $2.25 million credit agreement with Southwest Bank of Texas in Houston, Texas (the "Bank"). The terms and conditions of this credit agreement are discussed in Note 4 to the Company's Consolidated Financial Statements. This segment's cash flows from operating activities, along with its available credit facility, are expected to be adequate to finance its planned capital expenditures and debt service requirements. 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.

On October 20, 1999, South Hampton signed a letter of intent to purchase a 92% interest in Productos Quimicos Coin ("Coin"), of Mexico, which owns a petrochemical plant located in the Yucatan peninsula. Coin's products are similar to those produced by South Hampton's refinery and are marketed in Mexico, Latin America and the U.S. It is estimated that the two refineries will initially have combined annual total sales of approximately forty million dollars, of which approximately twenty-five million dollars will be attributable to South Hampton's refinery. The transaction is anticipated to be completed by the end of 1999.

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. Management has attempted to finance commercial development of the Al Masane mining project through a proposed joint venture in Saudi Arabia. Due to the continuing depressed market prices of zinc, copper, gold and silver (which comprise the Al Masane mining project's proved reserves), the Company and its proposed joint venture partner have concluded that proceeding with the mining project's financing and development should be deferred at this time. Accordingly, the Company has decided to delay commercial development of the Al Masane project until a sustained rise in the market price of zinc, copper, gold and silver becomes evident. Most reputable predictions indicate that metals prices (except for gold) will not increase to the average prices seen during the 1988 through 1997

period until 2001, therefore, the proposed joint venture company, Arabian Shield Company for Industrial Mining ("Arabian"), which was formed in August 1998, has been dissolved and the proposed joint venture partner's capital contribution has been returned. The proposed joint venture company may be reestablished once the Company decides to proceed with the commercial development of the Al Masane mining project. The Company has advised the Saudi Ministry of Petroleum and Mineral Resources and the Saudi Industrial Development Fund of these decisions. The Al Masane mining lease will remain in the Company's name. The Company also anticipates that it will keep Arabian's previously issued Industrial License since it was issued jointly to the Company and Arabian. The Company remains fully committed to the eventual commercial development of the Al Masane mining project as well as the Company's other mineral interests in Saudi Arabia. These assets contain substantial and valuable quantities of proved and probable mineral reserves. However, as a result of these developments, management is actively reviewing and evaluating its options regarding what, if any, additional near term investment will be required in the Al Masane mining project. This process may force the Company to attempt to obtain additional outside financing.

The Company on June 22, 1999 submitted a formal application for a five-year exclusive mineral exploration license for the Greater Al Masane Area of 2,850 square kilometers, which surrounds the Wadi Qatan and Jabal Harr exploration license areas, and the Al Masane thirty-year mining lease area of 44 square kilometers, which the Company was granted in 1993. The Company has previously worked in the Greater Al Masane Area after obtaining written permission from the Saudi Ministry of Petroleum and Mineral Resources, and has spent over $3 million in exploration work there, which included geophysical, geochemical work and diamond core drilling. That work outlined a nickel deposit in the Wadi Qatan-Jabal Harr areas, and zinc-copper-silver-gold deposits similar to those developed in the Al Masane area, where the Company has spent over $30 million in mine development through 45,000 meters of core drilling, 3.2 miles of underground work, and a fully updated feasibility study. When the Company is granted the exploration license to the Greater Al Masane Area, a detailed exploration program will be developed.

The Company's mineral interests in the United States include its ownership interests in the Coal Company and Pioche. The Coal Company's sole remaining asset is its net operating loss carryforward of approximately $5.9 million at December 31, 1998 and its future, if any, is uncertain. Pioche has been inactive for many years. Its properties include 48 patented and 80 unpatented claims totaling approximately 3,500 acres in Lincoln County, Nevada. There are prospects and mines on these claims that previously produced silver, gold, lead, zinc and copper.

Management also continues to address 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 $840,000 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 approximately $730,000). Regarding the note payable, this loan was originally due in ten annual installments beginning in 1984. While the Company has not made any repayments, it has not received any payment demands or other communications regarding the note payable from the Saudi government. This despite the fact the Company remains active in Saudi Arabia and received the Al Masane mineral 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 recently 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. 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 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. Management would then seek to enter into immediate negotiations with the government in an effort to reach a mutually acceptable payment rescheduling agreement. 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 its Specialty Petrochemicals Segment.

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.

RESULTS OF OPERATIONS

SPECIALTY PETROCHEMICALS SEGMENT. In the nine months ended September 30, 1999, total product sales increased approximately $187,000 or 1.0%, while the cost of sales increased approximately $52,000 or 0.4% from the same period in 1998. Consequently, 1999's gross profit margin increased approximately $135,000 or 3.0%. Sales volume in the third quarter of 1999 increased 12% over the same period in 1998 with 8.3 million gallons being sold. The average selling price in the third quarter of 1999 was slightly higher by $.021 a gallon; however, feedstock prices were higher by almost 33% from the price for the same period in 1998. Total sales for the third quarter of 1999 increased $981,000 or 14.8% over the same quarter of 1998, however, cost of sales increased $1,779,000 or 38%, due primarily to higher feedstock and fuel gas prices. Sales continued the trend of the last two years by staying at near capacity levels for the premium Pentane products. Some of the increase in volume for the quarter can be attributed to additional tankage added in early 1999, which allows improved inventory management and better capacity utilization. By the end of the third quarter, feedstock prices seemed to have leveled out and further significant increases are not expected. Fuel gas expenses were higher due to higher market prices of natural gas and increased usage. Administrative expenses have slightly increased in 1999 due to increased business activity and efforts to resolve Y2K issues. Interest Expense in the third quarter of 1999 was down from 1998 due primarily from the settlement of some existing debt in the last half of 1998. Interest Income primarily results from short-term investments by the refinery. Miscellaneous Income includes income from tank rentals, commission income and occasional small asset sales proceeds at the refinery.

Processing fees have increased from 1998 by $380,000 in the first nine months of 1999 and by $319,000 in the third quarter of 1999. A new toll-processing unit, designed to produce a line of specialty solvents for a major customer on a multi-year contract, was constructed in the first quarter of 1999 and production began on May 1, 1999. This is expected to add a minimum of $138,000 per month in additional toll-processing revenues. The refinery has found that there are many opportunities for a smaller company to provide processing services on streams that the larger companies are not able to handle economically. The Company is currently operating processes for four different entities and, while the contracts are being renewed on a year-to-year basis, the expectations on all the contracts are for longer-term operations. Sales of the refinery's prime products remain stable and expanded marketing efforts have kept the refinery at near capacity since the second quarter of 1997. In addition, the completion in the second quarter of 1999 of two spherical storage tanks to allow maximum use of the available PenHex Unit capacity should allow the expansion of sales capacity by approximately 20%. Some of the increase in sales volume for the third quarter of 1999 was due to this increased capability.

MINING SEGMENT AND GENERAL CORPORATE EXPENSES. None of the Company's other operations generate significant operating or other revenues.

Income Tax Expense includes a $75,414 adjustment to 1998 federal income tax expense and provisions of $15,200 and $53,000 for estimated federal income taxes for the three and nine months ended September 30, 1999, respectively, and $37,582 and $140,121 for estimated state income taxes for the three and nine months ended September 30, 1999, respectively. The estimated federal income tax amounts result from the application of the "alternative minimum tax", since the Company has significant net operating loss carryforwards.

The Company periodically reviews and evaluates its mineral exploration and development projects as well as its other mineral properties and related assets. The recoverability of the Company's carrying values of its development properties are assessed by comparing the carrying values to estimated future net cash flows from each property. In 1999, for purposes of estimating future cash flows, the price assumptions contained in the 1996 update to the Al Masane project's feasibility study, which was prepared by WGM, were used. These price assumptions are averages over the projected life of the Al Masane mine and are $1.05 per pound for copper, $.60 per pound for zinc, $400 per ounce for gold, and $6.00 per ounce for silver. Using these price assumptions, no asset impairments were evident.

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

OTHER MATTERS

YEAR 2000. The Company, like most companies, is faced with the Year 2000 issue as a result of the use of computer systems that were designed to process two digits rather than four in order to define a year.

The Company began significant efforts to address its year 2000 exposures in 1998. A project team assessed, remedied or replaced, and will test and implement Year 2000 compliant computer systems and applications (which consist of purchased computer applications, hardware, systems software and embedded chip systems) so that such systems and related processes will continue to operate and properly process information dated after December 31, 1999. Most of this work was performed in conjunction with the implementation of necessary data processing capacity increases.

The initial phase of these plans, an inventory and assessment of potential problem areas for its information technology ("IT") systems and non-IT systems, such as embedded technology, is complete. The remediation and replacement phase for its IT and non-IT systems is substantially complete. The Company estimates that as of September 30, 1999 it had completed approximately 98% of the activities in this phase and the remaining tasks should be completed by November 30, 1999. During November 1999, the Company plans to complete a complete Year 2000 readiness test as well as a full systems integration test in an environment that simulates processing conditions that will exist after December 31, 1999. The Company anticipates that all of its phases will be completed by November 30, 1999; however, there can be no assurances that this deadline will be met.

Formal communications have been initiated with major customers and suppliers to assess the Company's potential exposure from their failure to remediate their own Year 2000 issues. A failure by any of these customers and suppliers could become a significant challenge to the Company's ability to operate its facilities at affected locations. If needed, the Company may choose to identify and develop alternate customers and storage facilities as well as alternative providers of products and services. Although the Company has no means of ensuring the Year 2000 readiness of such customers and suppliers, it will continue to gather information and monitor their compliance

The Company's total cost of achieving Year 2000 compliant systems is currently estimated to be approximately $175,000. This amount, which includes both expense and capital spending, will be funded from the Company's net cash flows from operating activities. Through September 30, 1999, approximately $165,000 had been spent for the replacement of hardware and software and capitalized.

The failure to correct a material Year 2000 problem or the inability of any key customer, key supplier or a governmental agency to make the necessary computer system changes on a timely basis could result in interruptions to the Company's operations or business activities. Such interruptions could have a material adverse impact on the Company's financial condition, operating results and cash flows. Due to the general uncertainty inherent in the Year 2000 issue, particularly as it relates to the readiness of the Company's key customers and suppliers, and of governmental agencies, the Company cannot ascertain at this time whether the consequences of Year 2000 failures will have a material impact on the Company's financial condition, operating results or cash flows.

The Company is also developing contingency plans regarding the Year 2000 issue that addresses various scenarios and alternatives. Among other things, these plans will probably include replacing electronic applications with manual processes, identifying alternative vendors, adjusting staffing requirements and increasing raw material inventory levels, as considered necessary. Contingency plans are expected to be completed by November 30, 1999, and will be updated regularly as current issues develop or as new issues are identified. However, there can be no assurances that these contingency plans will be timely completed or implemented.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

SHAREHOLDER' PROPOSALS

Any proposal by a shareholder of the Company intended to be presented at the 2000 annual meeting of shareholders, which is tentatively scheduled sometime in May 2000, must be received by the Company at its principal executive office no later than December 3, 1999 for inclusion in the Company's Proxy Statement and form of proxy. Any such proposal must also comply with the other requirements of the proxy solicitation rules of the Securities and Exchange Commission. The Company intends to exercise discretionary voting authority granted under any proxy which is executed and returned to the Company on any matter that may properly come before the 2000 annual meeting of shareholders, unless written notice of the matter is delivered to the Company at its principal executive office no later than February 15, 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

27 Financial Data Schedule

(b) REPORTS ON FORM 8-K

No Reports on Form 8-K were filed during the quarter ended September 30, 1999.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: November 10, 1999

ARABIAN SHIELD DEVELOPMENT COMPANY

(Registrant)

/s/ J. A. CRICHTON

J. A. Crichton, Chairman of the Board of Directors

/s/ DREW WILSON, JR.

Drew Wilson, Jr. Secretary/Treasurer

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
27	Financial Data Schedule

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