SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR QUARTER ENDING JUNE 30, 1995

COMMISSION FILE NUMBER 0-6247

ARABIAN SHIELD DEVELOPMENT COMPANY

State of Delaware 75-1256622

10830 North Central Expressway, Suite 175

Dallas, Texas 75231

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 twelve 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 ninety days.

Yes X No ___

Number of shares of the Registrant's Common Stock par value $0.10 per share, outstanding at June 30, 1995.

20,028,494

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

ITEM I - FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	JUNE 30, 1995 (Unaudited)	DECEMBER 31, 1994
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents in U.S.	$ 572,676	$ 1,326,119
Accounts Receivable (Net)	1,859,525	1,402,982
Inventories	821,615	471,074
Total Current Assets	3,253,816	3,200,175
CASH IN SAUDI ARABIA	41,806	430,976
PLANT, PIPELINE & EQUIPMENT (AT COST)		
Refinery Plant, Pipeline & Equip.	5,510,250	5,440,208
Less: Accumulated Depreciation	(2,367,162)	(2,187,256)
Net Equipment	3,143,088	3,252,952
AL MASANE PROJECT & SURROUNDING PROPERTIES	30,308,958	30,112,132
OTHER INTERESTS IN SAUDI ARABIA	2,431,248	2,431,248
INVESTMENT IN AND ADVANCES TO PIOCHE-ELY VALLEY MINES, INC.	246,202	247,052
GOODWILL	538,054	678,206
OTHER ASSETS (NET)	604,213	704,035
TOTAL ASSETS	$ 40,567,385	$ 41,056,776
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$ 1,041,722	$ 944,007
Accrued Liabilities	511,588	616,459
Accrued Liabilities in Saudi Arabia	785,743	785,743
Notes Payable	15,543,176	15,945,393
Current Portion of Long-Term Debt	64,614	67,968

Current Portion of Long-Term Obligations	19,570	18,805
Total Current Liabilities	17,966,413	18,378,375
LONG-TERM DEBT	163,749	195,386
LONG-TERM OBLIGATIONS	196,054	206,013
ACCRUED LIABILITIES IN SAUDI ARABIA	609,296	585,918
DEFERRED REVENUE	152,941	160,693
STOCKHOLDERS' EQUITY		
Common Stock-40,000,000 shares of $0.10 par value authorized: 20,028,494 shares issued and outstanding	2,002,849	2,002,849
Additional Paid-in Capital	32,899,119	32,899,119
Receivables from Stockholders	(226,000)	(276,000)
Accumulated Deficit	(13,197,036)	(13,095,577)
Total Stockholders' Equity	21,478,932	21,530,391
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 40,567,385	$ 41,056,776

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

<S>	THREE MONTHS ENDED JUNE 30, 1995 <C>	SIX MONTHS ENDED JUNE 30, 1995 <C>	THREE MONTHS ENDED JUNE 30, 1994 <C>	SIX MONTHS ENDED JUNE 30, 1994 <C>
REVENUES:				
Refined Product Sales	$4,674,373	$9,135,996	$4,509,880	$8,760,500
Processing Fees	135,083	221,061	50,308	102,585
	4,809,456	9,357,027	4,560,188	8,863,085
OPERATING COSTS AND EXPENSES:				
Cost of Refined Product Sales and Processing	4,185,735	7,910,205	3,368,792	6,602,452
General and Administrative	595,024	1,165,778	492,142	946,154
Settlement of Litigation	--	--	(975,000)	(975,000)
Depreciation & Amortization	167,638	334,349	155,630	325,091
	4,948,397	9,410,332	3,041,564	6,898,697
OPERATING INCOME (LOSS)	(138,941)	(53,305)	1,518,624	1,964,388
OTHER INCOME (EXPENSES):				
Interest Income	9,309	21,141	13,433	29,478
Interest Expense	(93,459)	(190,491)	(91,782)	(176,630)
Equity in Income (Loss) of Affiliate	(1,695)	(3,045)	1,700	(1,858)
Other Income	56,948	124,241	244,626	292,824
Net Income (Loss) Before Income Taxes and Extraordinary Items	(167,838)	(101,459)	1,686,601	2,108,202
Income Tax Expense	--	--	(30,000)	(30,000)
Net Income (Loss) Before Extraordinary Items	(167,838)	(101,459)	1,656,601	2,078,202
Extraordinary Items, Net of Income Tax	--	--	578,150	578,150
NET INCOME (LOSS)	$ (167,838)	$ (101,459)	$2,234,751	$2,656,352
Per Common Share:				
Net Income (Loss) Before Extraordinary Items	$ (.01)	$ (.01)	$ .08	$ .10
Extraordinary Items	--	--	.03	.03
NET INCOME (LOSS)	$ (.01)	$ (.01)	$ .11	$ .13
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	20,028,494	20,028,494	20,028,494	20,026,160

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 1995

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL	RECEIVABLES		
	SHARES	AMOUNT	PAID-IN CAPITAL	FROM STOCKHOLDERS	ACCUMULATED DEFICIT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1994	20,028,494	$2,002,849	$32,899,119	$(276,000)	$(13,095,577)	$21,530,391
Payment on Receivables				50,000		50,000
Net Income (Loss)					(101,459)	(101,459)
Balance, June 30, 1995	20,028,494	$2,002,849	$32,899,119	$(226,000)	$(13,197,036)	$21,478,932

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 1995	SIX MONTHS ENDED JUNE 30, 1994
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net Income (Loss)	$(101,459)	$2,656,352
Adjustments for Non-Cash Transactions:		
Depreciation and Amortization	334,349	325,091
Equity in (Income) Loss of Affiliate	3,045	1,858
(Decrease) Increase in Deferred Revenue	(7,752)	(7,752)
Decrease (Increase) in Accounts Receivable	(456,543)	(347,034)
Decrease (Increase) in Inventories	(350,541)	162,940
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(7,156)	(245,999)
Decrease (Increase) in Other Assets	99,822	83,357
Settlement of Litigation	--	(975,000)
Extraordinary Item	--	(578,150)
Other	(16,486)	9,381
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(502,721)	1,085,044
INVESTING ACTIVITIES:		
Additions to Al Masane Project and Surrounding Properties	(196,826)	(594,044)
Additions to Other Interests in Saudi Arabia	--	(32,597)
Additions to Plant, Pipeline & Equipment	(70,042)	(79,534)
(Increase) Decrease in Cash in Saudi Arabia	389,170	793,812
Increase (Decrease) in Accrued Liabilities in Saudi Arabia	23,378	20,550
NET CASH USED FOR INVESTING ACTIVITIES	145,680	108,187
FINANCING ACTIVITIES:		
Common Stock Issued for Cash	--	14,000
Decrease in Receivables from Stockholders	50,000	--
Additions to Notes Payable & Long-Term Obligations	--	--
Reductions to Notes Payable & Long-Term Obligations	(446,402)	(666,981)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(396,402)	(652,981)
NET INCREASE (DECREASE) IN CASH	(753,443)	540,250
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,326,119	118,828
CASH AND CASH EQUIVALENTS AT		

END OF PERIOD	$ 572,676	$ 659,078
	=========	==========

</TABLE>

See notes to consolidated financial statements.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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1. REPORTING POLICIES

The consolidated 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 accounts of the Refining Company include its wholly owned subsidiary, Texas Oil and Chemical Company II, Inc. ("TOCCO") and TOCCO's accounts include its wholly owned subsidiaries, South Hampton Refining Company ("South Hampton") and Gulf States Pipeline Company, Inc. ("Gulf States"). The Company accounts for its 46% ownership interest in Pioche-Ely Valley Mines, Inc. ("Pioche") by the equity method. In 1992, the Company began to fully consolidate the Al Masane Project (see Note 3). Previously, the Company accounted for the Project by the equity method.

2. GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company's current primary source of revenue attributable to its wholly owned subsidiary, South Hampton Refining Company, is fully dedicated to repayment of debt and funding refining operations. Additionally, the Company is not generating cash flow from any of its other activities.

Management of Arabian Shield Development Company plans to fund its future operations through sales of its common stock, borrowings, and from the anticipated profits of its mining operations in Saudi Arabia, which are anticipated to commence in 1996.

In the event the Company is unable to finance the Al Masane mining project or realize cash flow from its refining operations, or through the further sale of stock, or reach a final agreement on the repayment of the $11,000,000 loan from the Saudi government, there will then be substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

3. AL MASANE PROJECT

The Company and National Mining Company ("NMC"), a Saudi Arabian Company, entered into an agreement in 1971 to explore and develop certain areas in Saudi Arabia. The Company and NMC jointly entered into an interest-free loan agreement for $11,000,000 in January 1979, with the Saudi Arabian Ministry of Finance and National Economy, the proceeds of which loan were required to be used for the underground development program at Al Masane. Repayment of the loan was to begin December 31, 1984, in ten equal annual installments. None of the scheduled payments have been made.

On April 13, 1992, the Company and National Mining Company signed an agreement whereby NMC transferred to the Company all of its rights and interests in the Al Masane Area in return for the Company assuming sole responsibility for the repayment of the $11 million loan obtained from the Saudi Arabian government in 1979. The loan is to be rescheduled so that repayment would be made from the profits of mining after the mining lease is issued. On April 30, 1992, the Minister of Petroleum and Mineral Resources was informed by the Company about the agreement with NMC and that the Company would not ask for the loan which was approved by the Saudi Arabian government in 1984. On October 4, 1992, the Company and the Minister of Petroleum and Mineral Resources initialed approval of a new mining lease which was submitted to the Council of Ministers for approval.

On April 26, 1993, the Council of Ministers passed the resolution granting the Company the mining lease, and on May 22, 1993, a Royal Decree was issued by the King. The initial period of the mining lease is 30 years, which can be renewed for another period or periods, not to exceed 20 years. The lease area is 44 square kilometers in size. The lease agreement stipulates that, when the profitability of the project is demonstrated, a Saudi public stock company will be formed, in which the Company will contribute its interest in the Al Masane Project in return for 50% of the stock. The Petroleum and Mineral Organization ("PETROMIN"), a company wholly-owned by the Saudi government, has an option to acquire up to 25% of the stock with the remaining 25% interest to be put out for public subscription to Saudi citizens. In the Al Masane Lease area, proven and probable reserves of the ore of copper, zinc, silver and gold, which the Company discovered and developed, are estimated to be 7.2 million tonnes, and the exploration potential to increase these reserves at the mine site and in the area remain excellent, as reported by the Company's geological and engineering consultant.

A 1994 report on the Al Masane Project by the consulting firm, Watts, Griffis and McQuat, which was begun in 1993 subsequent to the granting of the mining lease was completed in July 1994. The purpose of this report is to provide a feasibility study for the Project to be used in obtaining financing, as well as an implementation plan for the Project. The report projects production of the proven and probable ore reserves of 7.2 million tonnes over a ten year period commencing in 1996. The total capital cost of the Project is estimated to be $81.3 million. The cash flow projection was made based on the assumption that 50% of the financing of the Project's cost will come from loans from the Saudi Industrial Development Fund,

25% from bank loans, and 25% from equity financing. This financing is anticipated to be completed in 1995. Revenues were estimated utilizing projected mineral prices from a third party pricing expert. Since positive net cash flows are indicated in the report, the consultants have recommended that the mine be brought into production. The Company now intends to form a Saudi limited liability company to operate the Project with the Company having a 50% interest and some Saudi private investors having the other 50%. After two years of profitable mine operation, a Saudi public stock company can be formed with 25% of the stock being offered to Saudi citizens in a public subscription.

In March 1995, the Company entered into an agreement with Carlyle SEAG ("Carlyle"), whereby Carlyle has been retained as the Company's financial advisor in connection with the Al Masane mining project. Carlyle's services will include, but not be limited to, (1) advising on the capitalization structure of the proposed Saudi company to be established for the project; (2) the raising of capital funds for the project implementation; and (3) assisting the Company in the filing of all licenses and necessary documents for regulatory purposes. In addition to compensation for their services, including the grant of an option allowing Carlyle to purchase 2,000,000 shares of the Company's common stock at $1 per share, Carlyle will nominate one member to the Board of Directors at the Company's next Board meeting and will nominate a second board member upon the closing of the financing for the Al Masane project.

4. OTHER PROJECTS IN SAUDI ARABIA

In December 1993, the Company commissioned Sherritt Ltd, of Fort Saskatchewan, Canada, to prepare a conceptual engineering design for a proposed zinc refinery based on Sherritt's two stage pressure leach process, to be built by the Company and Saudi partners at the Red Sea port of Yanbu, Saudi Arabia; the refinery would have the capacity to produce 100,000 tonnes of slab zinc per year, with elemental sulfur as a by-product. Sherritt Ltd. completed the study in May 1994, and it contains a proposed flow sheet that has been commercialized and designed for a state of the art zinc refinery. Sherritt's zinc pressure leach technology provides significant advantages over other existing zinc production processes, including being known as the most favored technology for environmental considerations. In its study Sherritt concluded that all the elements of the project that could be identified to date are included in its study, and these offer a strong potential for the project and enhance the concept. Sherritt encouraged the Company to proceed to carry out further studies toward the implemention of the project.

In May 1993, the Company had discussions with Chevron Chemical Company regarding the Company's proposal to purchase 5,000 barrels per day of mixed pentanes from an Aromax petrochemical project to be built in Jubail, Saudi Arabia by Chevron Chemical in a joint venture with the Saudi Venture Capital Group (SVCS). The Company and some Saudi joint venture partners, all of whom are stockholders of the Company, contemplate building a processing plant located next to the Chevron Aromax plant, On July 6, 1993, the Company received a letter from Chevron Chemical stating that Chevron Chemical and SVCS have jointly agreed to commit to supply the Company's proposed pentane project with up to 5,000 barrels per day of mixed pentane feedstock. Subsequently, engineering and marketing studies were made for the project by outside consultants which reflected positive results. The Company, Chevron Chemical and SVCS have been waiting for new regulations

from the Saudi government regarding private investments in petrochemical projects before proceeding further with these projects. These regulations were recently issued and planning has begun toward the construction and operation of the Chevron Aromax plant and the Company's processing plant. Construction is estimated to be completed in late 1996. The Company will begin applying to the Saudi government for a license for the project when the Aromax project receives final approval from the Saudi government.

5. MINERAL EXPLORATION AND DEVELOPMENT PROJECTS IN THE UNITED STATES

A major component of the Company's activities relates to the acquisition, exploration, and development of mineral deposits. All direct costs incurred in these activities are capitalized as mineral exploration and development costs until such time as (1) the Company commences commercial exploitation of the related mineral deposits, at which time that project's costs will be amortized, (2) the related project is abandoned, at which time the capitalized costs will be written off, or (3) when any or all deferred costs are permanently impaired. The Coal Company defaulted in 1988 under its lease agreement and forfeited its interests in the coal properties. The Coal Company was required by the Colorado Mined Land Reclamation Division to complete reclamation work on the property. The reclamation work was secured by a letter of credit in favor of the Division which was backed by a certificate of deposit for $36,000. In March 1994 the Division exercised its right under the letter of credit, and the $36,000 was paid to the Division. This action concludes the Coal Company's involvement in the reclamation project. The Coal Company has a tax loss carry-forward of approximately $14.8 million which is limited to its net income. The Coal Company is currently negotiating with a company toward the possible use of this amount.

In August 1993, Pioche-Ely Valley Mines, Inc. ("Pioche") entered into a new lease of the Wide Awake mine property with the same joint venturer it had previously leased to in 1990. The new agreement stipulates a 6% royalty on net smelter returns with no annual rental required. The lease commenced on October 1, 1993, for a primary term of twenty-seven months, and will continue as long as minerals are produced in commercial quantities or unless terminated by the parties. A significant core hole is planned to be drilled on the Wide Awake claim in 1995.

Based on geophysical work of the mining claims in 1989 by a major mining company, Pioche drilled a test hole in September 1994 in search of zinc deposits similar to those found and mined by another company on its claims between 1924-1958, which amounted to 2.6 million tons of ore containing 11.8% zinc, 4.6% lead and 4.8 ounces of silver per ton. The nearest ore body of the above mined ore is located only 2,500 feet to the west of the Pioche claims. The drill hole, which was to go down to 1,500 feet, encountered formation problems at 700 feet and further drilling had to be abandoned. A new site will be selected and a second hole is expected to be drilled in 1995.

6. REFINERY OPERATIONS

The principal assets of the Refining Company are a special products refinery located near Beaumont, Texas, and 45 miles of pipelines to the Gulf of Mexico. South Hampton, the Company's only revenue producing asset, sells its products primarily to companies in the petroleum industry. Downturns in the industry could negatively impact the refinery operations in the future.

Various refinery upgrade and expansion projects initiated in 1988 and 1989 were completed in 1989 and early 1990. South Hampton's source of funds for these projects included advances by the Company of proceeds from the sale of additional shares of the Company's common stock. All of the amounts advanced by the Company to South Hampton are subordinated to the liens securing the indebtedness of South Hampton to Den norske Bank.

7. LEGAL PROCEEDINGS

In 1990 and 1991, Cajun Energy, Inc. and E-Z Mart Stores, Inc., respectively, each filed a lawsuit against South Hampton alleging that South Hampton manufactured and sold defective gasoline and/or failed to properly test its product prior to sale. Before the initiation of the lawsuit by Cajun, claims in excess of $906,000 were paid by South Hampton's insurance carrier under a $1 million liability policy. The plaintiffs were seeking to recover all claims and related costs paid. In May 1994, the E-Z Mart lawsuit went to trial and a judgement was entered against South Hampton. In consideration of the judgement and, since the issues were identical to the claims asserted in the Cajun lawsuit, there has been a dismissal by Cajun of its lawsuit against South Hampton. At the trial, South Hampton consented to a settlement agreement whereby the plaintiffs took a judgement against South Hampton for the amounts sought and the plaintiffs signed a "nonexecution agreement" not to execute upon the judgement in return for the assignment by South Hampton of certain claims against its insurance carrier. South Hampton also agreed not to pursue its 1992 lawsuit against the insurance company. The total judgement granted to the plaintiffs was approximately $5.5 million, after credit of approximately $1 million was given to the plaintiffs by another defendant in the causes of action. This concludes the claims and actions against South Hampton in these matters.

South Hampton, together with over twenty-five other companies, is a defendant in two proceedings pending in the 60th Judicial District Court in Jefferson County, Texas, and in the 136th Judicial District Court in Jefferson County, Texas, respectively, brought on July 21, 1993 and July 18, 1994, respectively, by two former employees of the Goodyear Tire & Rubber Company plant located in Beaumont, Texas, claiming illness and diseases resulting from alleged exposure to chemicals, including benzene, butadiene and/or isoprene, during their employment with Goodyear. Plaintiffs claim that the defendant companies engaged in the business of manufacturing, selling and/or distributing these chemicals in a manner which subjects each and all of them to liability for unspecified actual and punitive damages. South Hampton intends to vigorously defend against these lawsuits.

On May 15, 1991, Arabian Shield Development Company filed a complaint with the U. S. Department of Justice (DOJ) against Hunt Oil Company of Dallas, Texas, alleging violations of the Foreign Corrupt Practices Act by Hunt Oil Company in obtaining its Petroleum Production Sharing Agreement (PSA) in Yemen in 1981, at the time when Arabian Shield was a serious contender for the PSA which it had presented to the Yemen Government for the same area

before Hunt Oil Company made its application. On May 5, 1995, Arabian Shield Development Company attorneys opined that because the PSA of Hunt Oil Company is still extant as of this date, and under its auspices, payments and receipts occur daily, the DOJ still has ample jurisdiction to continue its investigation with further credible evidence that may be discovered. Arabian Shield is pursuing the matter.

8. INVENTORIES

Inventories include the following:

<TABLE>
<CAPTION>

<S>	June 30, 1995 <C>	December 31, 1994 <C>
Refinery feedstock	$ 378,340	$ 226,265
Refined products	443,275	244,809
Total inventories	$ 821,615	$ 471,074

</TABLE>

Refined products and feedstock are recorded at the lower of cost, determined on the last-in, first-out method (LIFO), or market. The market value of the inventory at June 30, 1995 was below the LIFO value by approximately $11,000 and at December 31, 1994, the market value exceeded the LIFO value by approximately $193,000.

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

RESULTS OF OPERATIONS

Effective January 1, 1988, the Company determined it had ceased to be a development stage Company due to the significant revenues generated by the Refining Company. The Refining Company generates substantially all of the revenues of the Company.

The Company had a net loss of $101,459 for the six months ending June 30, 1995, compared to net income of $2,656,352 for the same period in 1994, resulting in a net income decrease of $2,757,811 in 1995 from the comparable period in 1994. $1,553,150 of the decrease from 1994 was attributable to two factors: (1) a credit of $975,000 relating to the reversal of a charge in 1992 for potential expenses relating to litigation that was settled in 1994, and (2) an extraordinary credit of $578,150 attributable to the settlement in 1994 of an indebtedness owed to a vendor. The remaining decrease in income from 1994 was primarily due to higher feedstock prices in 1995. For the six months ending June 30, 1995, the Refining Company had gross operating income of $245,251, and net income of $198,019. The Refining Company cash flow during the period was a positive $439,178. The gross operating income in 1995 includes processing fees of $221,061, compared to processing fees of $52,277 in 1994. The Refining Company had gross operating income for the same period in 1994 of $477,690 and net income of $421,601. The amount of gross sales in 1995 was $375,466 higher than in 1994 due to higher volumes and prices; however, the margins were not as good due to higher feedstock prices. The cost of product sales in 1995 was $1,307,753 higher and amounted to 87% of gross sales compared to 76% in 1994. Feedstock prices in the first half of 1995 were about $.08 per gallon higher than in the same period a year ago. This rise in the cost of feed is having a significant difference in the performance so far in 1995. It is expected that this cost will come down as the warmer months continue. The refinery has been running at its full capacity of 2,200 barrels per day since July 1994 and will continue to do so in the coming months. Processing fees in 1995 were higher than in 1994 by $118,476. Negotiations were completed in February on a toll processing agreement with a large chemical company which began operating in April, after equipment modifications were made by the refinery. Minimum monthly fees of $16,000 are expected which are anticipated to increase up to $50,000 per month within nine months if their markets develop as they expect. A toll processing contract for racing fuel blending was renewed in February for a three year term and another contract was renewed in May. The refinery has recently been spending extra time and money in replacing old pipes and equipment, cleaning up tank bottoms and complying with environmental regulations. A continuous effort is being made to control and reduce all expenses.

General and administrative expenses for the first six months in 1995 were higher by $219,624 than for the same period in 1994. The expenses and time demands of regulatory and environmental compliance and reporting continue to increase and are reflected in the higher G & A costs. Interest expense in 1995 and 1994 was practically all attributable to the debt of the refinery and increased by $13,861 due to higher interest rates in 1995.

The equity in loss of affiliate of $3,045 for the six months in 1995 was attributable to Pioche-Ely Valley Mines, Inc. A charge for amortization of goodwill of $138,570 for the same period in 1995 and 1994 relates to the goodwill recognized on the purchase of the refinery in 1987. Interest income in both periods was primarily from time deposits of the refinery operation and from excess cash invested in Saudi Arabia. Other income in both periods primarily includes income from leases, rentals, and miscellaneous items at the refinery.

LIQUIDITY AND CAPITAL RESOURCES

Prior to the acquisition in June 1987 of the refinery in Silsbee, Texas, the Company had substantially no significant operating revenues since 1972. Because of the lack of operating revenues, it has been necessary for the Company continually to seek additional debt and equity financing in order to have funds to continue operations. The Company has required additional debt or equity financing in order to continue development activities on its various projects and to fund its general and administrative costs.

Due to the granting by Saudi Arabia of the Al Masane mining lease in May 1993, the Company has begun planning for the mobilization program and financing to implement the construction and commissioning of the mining treatment plant and housing facilities for the mine. The firm of Watts, Griffis and McOuat of Toronto, Canada, has been appointed as owner's agent and project manager. The Company will also soon start an intensive exploration program to increase the reserves at the mine site and elsewhere in the lease area. In addition, the Company is now actively engaged in studies for the feasibility of the establishment of a petrochemical plant in Saudi Arabia similar to the one owned by it in Silsbee, Texas. The products to be manufactured would be solvents for the plastics industry and they are anticipated to be sold in the Middle East, Europe and the Far East.

Since the coal leases in Colorado were relinquished in 1988, there is only a small amount of overhead expenses incurred regarding the Coal Company. Primarily as a result of the write-off of the coal leases in 1988, the Company has net operating loss tax carryforwards from prior years of approximately $27.3 million, of which approximately $14.8 million is limited to the net income of the Coal Company. These carryforwards expire during the years 1995 through 2008. Additionally, approximately $1.1 million of this amount is limited to the net income of TOCCO. The Company is actively seeking a means of utilizing these tax loss carryforwards.

The refinery completed an expansion project in early 1990 which increased the processing capacity from 1,500 to 2,200 barrels a day. The cost of the total refinery upgrade and expansion was approximately $2.5 million. The Company advanced funds for some of these expenditures and put them in the form of a note from the refinery. This note, in the principal amount of $1,363,355 at June 30, 1995, is secured by a second lien on the refinery assets, and was approved by the Den norske Bank AS.

On June 30, 1995, the outstanding principal amount under the Amended and Restated Credit Agreement with Den norske Bank AS was $2,516,951. The entire balance under the Amended and Restated Credit Agreement facility, including amounts drawn under the letter of credit facility, is due on December 31, 1995. South Hampton has agreed to make minimum quarterly principal payments of $150,000, and the Company has committed to use its best efforts to obtain new equity financing of at least $1,500,000 by December 31, 1995, to be remitted to the bank.

In July 1994, South Hampton established a hedging program to help decrease the volatility of the price of fuel gas to the refinery. South Hampton purchased several commodity based derivative futures contracts. Gains and losses related to these contracts have been recognized when the contracts expire and are reflected in the fuel gas costs in the statement of operations. The natural gas market suffered severe price declines in the last few months of 1994 and into 1995, and the contracts held by South Hampton showed concurrent price declines. The first month of these recognized losses was in October 1994, and there was a total net recognized loss of $117,000 in 1994. The first six months of 1995 reflected losses of $104,000. Since it appears that fuel prices are expected to decrease and soften in the next year or two, the hedging program is being discontinued at the present time.

In 1994, the Company (1) negotiated an extension until June 30, 1995 of the maturity of the Amended and Restated Credit Agreement with Den norske Bank AS, (2) issued 14,000 shares of its Common Stock of $1.00 per share pursuant to an option exercised by the Company's Chairman of the Board in exchange for the cancellation of certain indebtedness, (3) consolidated two notes payable by the Company's President and Chief Executive Officer, in the amounts of $99,000 and $27,000, which matured on December 31, 1993 and January 31, 1994, respectively, into one note for $126,000 having a December 31, 1995 maturity date and bearing interest at the rate of six percent per annum, (4) received $50,000 from a 1993 sale of its Common Stock to a private Saudi company controlled by a director of the Company pursuant to a partial option exercise and (5) offset $30,000 in unpaid compensation due to the Company's Chairman of the Board against amounts owed to the Company by four companies owned by the Chairman of the Board.

In the first half of 1995, the Company received an additional $50,000 pursuant to the partial option exercise of the 1993 sale to a private Saudi company. The balance of $100,000 was to be paid in equal amounts of $50,000 in May and August 1995; however, the Saudi company decided in August not to purchase the remaining 100,000 shares at $1.00 per share. In July 1995, South Hampton negotiated an extension until December 31, 1995 of the maturity of the Amended and Restated Credit Agreement with Den norske Bank AS and, also, reduced the required minimum quarterly principal payments from $200,000 to $150,000. Efforts are currently being made for the sale of up to one million shares of Company stock, which was authorized by the Board of Directors in July 1994. These funds will be used to cover present and future cash requirements for continued operations.

In February 1993, South Hampton entered into an agreement to lease to a third party a building with a net book value at December 31, 1993 of $341,868 which South Hampton did not use in its operations. The lease

provides for an option to the lessee to purchase the building after three or five years. The lease is recorded as an operating lease and the building cost is included in Other Assets. The leased building is pledged as collateral for a note payable. Rental income to the Company pursuant to this lease totalled $93,170 in 1994 and $50,820 for the six months ending June 30, 1995.

South Hampton Refining Company entered into a five-year lease agreement beginning in October 1989 with Silsbee Trading and Transportation Corp., a company owned by the President and Vice President of TOCCO. Under the terms of the agreement, South Hampton will lease vehicles and equipment for use in its operations for $24,140 per month, including vehicle maintenance and other executory costs. South Hampton incurred costs under the lease agreement of approximately $341,000, $320,000, and $291,000 in 1994, 1993, and 1992, respectively. The costs for the first six months of 1995 were $148,555. At June 30, 1995, South Hampton owed $450 for unpaid truck expenses. The agreement expired in September 1994 and is currently continuing on a month to month basis.

In July 1991, a partnership in which Silsbee Trading and Transportation Corp. and M. A. Bomer, the former owner of the refinery, each owned a 50% interest, obtained a line of credit with a bank in Silsbee,, Texas to facilitate the purchase of feedstock by South Hampton. Under this arrangement, feedstock was purchased by the partnership and, at the expense of South Hampton transported and stored until such time as the feedstock was needed by South Hampton in its operations. South Hampton purchased the feedstock from the partnership at a price equal to the cost of the feedstock to the partnership plus two cents per gallon, South Hampton personnel arranged all purchases, transportation and testing of the feedstock and the partnership provided the financing for the feedstock purchases, On June 1, 1992 the arrangement with the partnership was terminated. On July 1, 1992, South Hampton entered into a new agreement whereby Silsbee Trading will assist South Hampton in maintaining its refinery throughput rate by providing feedstock inventory for pipeline fill in its eight-inch pipeline. Silsbee Trading will provide the feedstock inventory at a price to South Hampton of one-half cent per gallon. The volume of feedstock to be carried for this purpose is 453,600 gallons which is the capacity of the pipeline. The agreement expired in December 31, 1993, and is currently continuing on a month to month basis. The fees paid to Silsbee Trading under the agreement were $21,525 in 1992, $88,974 in 1993, $103,212 in 1994, and $59,678 in the first six months of 1995.

At June 30, 1995, accrued unpaid salaries and termination benefits to Company employees in Saudi Arabia, and to Hatem El-Khalidi, the Company's President and Chief Executive Officer, were $645,724 and $609,296, respectively. The payment of these amounts has been deferred until the Company's working capital position improves. Also, at June 30, 1995, the Company had not made all of the surface rental payments due to the government of Saudi Arabia under the terms of the Al Masane Project lease. The past due amount of these rent payments was approximately $235,000. Management believes this lack of compliance will not have any effect on the

planned operations in Saudi Arabia. Payment of these surface rentals will be made upon the consummation of the stock sales which are anticipated to be made in the near future.

A major component of the Company's activities relates to the acquisition, exploration and development of mineral deposits. There can be no assurance that the Company will successfully develop any of its properties, and if developed, whether the mineral acquisition, exploration and development costs incurred will ultimately be recovered. The recovery of such costs is dependent upon a number of future events, some of which are beyond the control of the Company. The ability of the Company to develop any of these properties is dependent upon obtaining additional financing as may be required and, ultimately, its financial success depends on its ability to attain successful operations from one or more of its projects.

The Company management is currently devoting a significant amount of its attention to addressing the Company's immediate and longer term needs for the funds required to continue its business, and maintain and develop its properties. Management believes that, with the expected improved cash flows from expanded refinery operations, adequate financing can be arranged.

ARABIAN SHIELD DEVELOPMENT COMPANY AND SUBSIDIARIES

ITEM III - OTHER INFORMATION

Exhibits and Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ending June 30, 1995.

The information in this report is unaudited, but, in the opinion of Management, all adjustments for a fair statement of the results for the interim period have been made.

DATED: 8-9-95

SIGNATURES

ARABIAN SHIELD DEVELOPMENT COMPANY

/s/ J. A. CRICHTON
J. A. Crichton, Chairman of the
Board of Directors

/s/ DREW WILSON
Drew Wilson, Secretary/Treasurer

INDEX TO EXHIBITS

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27	Financial Data Schedule

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