

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10QSB

Quarterly Report under Section 13 or 15(d) of
the Securities Exchange Act of 1934

For Quarter Ended

Commission File Number

September 30, 2001

000-31553

HOUSTON OPERATING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

76-0307819

(State of incorporation)

(I.R.S. Employer
Identification No.)

11145 Rockland Drive, Littleton, CO 80127

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (720) 981-0523

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 the filing requirements for at least the past 90 days.

Yes No

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

7,795,171 common shares as of September 30, 2001

HOUSTON OPERATING COMPANY, INC.

Financial Statements
For the Three Month Period Ended September 30, 2001
(Unaudited)

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

Michael Johnson & Co. LLC
9175 E. Kenyon Ave., #100
Denver, CO 80237
(303) 796-0099
FAX (303) 796-0137

REPORT ON REVIEW BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors
Houston Operating Company, Inc.
Littleton, Colorado

We have reviewed the accompanying balance sheet of Houston Operating Company, Inc. as of September 30, 2001 and the related statements of operations for the three month and nine months period ended September 30, 2001 and 2000, and the cash flows for the nine months ended September 30, 2001 and 2000 included in the accompanying Securities and Exchange Commission Form 10-QSB for the period ended September 30, 2001. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet as of December 31, 2000, and the related statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein). In our report dated April 10, 2001, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of September 30, 2001 is fairly stated in all material respects in relation to the balance sheet from which it has been derived.

/s/ Michael Johnson & Co., LLC.
Michael Johnson & Co., LLC.
Denver, Colorado
November 8, 2001

HOUSTON OPERATING COMPANY, INC.
BALANCE SHEETS
(Unaudited)

	September 30, 2001	December 31, 2000
	-----	-----
ASSETS:		
Current Assets:		
Cash	\$ 512	\$ 541
	-----	-----
Total Current Assets	512	541
	-----	-----
TOTAL ASSETS	\$ 512	541
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,383	\$ 1,353
Advances from shareholders'	1,896	1,896
	-----	-----
Total Current Liabilities	3,279	3,249
	-----	-----
Stockholders' Deficit:		
Common stock, \$.001 par value; 50,000,000 shares authorized; 7,795,171 shares issued and outstanding, respectively	7,795	7,795
Additional paid-in capital	38,350	38,350
Retained deficit	(48,912)	(48,853)
	-----	-----
Total Stockholders' Deficit	(2,767)	(2,708)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 512	\$ 541
	=====	=====

See accountant's review report.

HOUSTON OPERATING COMPANY, INC.
 STATEMENTS OF OPERATIONS
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
REVENUES:	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES:				
Sales and marketing	-	-	-	-
General and administrative	30	4,000	59	4,474
	-----	-----	-----	-----
Total Operating Expenses	30	4,000	59	4,474
	-----	-----	-----	-----
Net Loss from Operations	(30)	(4,000)	(59)	(4,474)
	-----	-----	-----	-----
Other Income and expenses:				
Interest income	-	-	-	-
Interest expense	-	-	-	-
Other	-	-	-	-
	-----	-----	-----	-----
Net Loss	\$ (30)	\$ (4,000)	\$ (59)	\$ (4,474)
	=====	=====	=====	=====
Weighted average number of shares outstanding	7,795,171	5,795,171	7,795,171	5,795,171
	=====	=====	=====	=====
Basic and diluted net loss per share	*	*	*	*
	=====	=====	=====	=====

* Less than \$.01

See accountant's review report.
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HOUSTON OPERATING COMPANY, INC.
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 (Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Totals
Balance - December 31, 1997	2,795,171	\$ 2,795	\$ 28,820	\$ (38,874)	\$ (7,259)
Net loss for period	-	-	-	(1,725)	(1,725)
Balance - December 31, 1998	2,795,171	2,795	28,820	(40,599)	(8,984)
Conversion of loan payable to additional paid-in capital	-	-	9,530	-	9,530
Net loss for year	-	-	-	(1,000)	(1,000)
Balance - December 31, 1999	2,795,171	2,795	38,350	(41,599)	(454)
Stock issuance for cash	1,000,000	1,000	-	-	1,000
Stock issuance for services	4,000,000	4,000	-	-	4,000
Net loss for year	-	-	-	(7,254)	(7,254)
Balance - December 31, 2000	7,795,171	7,795	38,350	(48,853)	(2,708)
Net loss for period	-	-	-	(59)	(59)
Balance - September 30, 2001	7,795,171	\$ 7,795	\$ 38,350	\$ (48,912)	\$ (2,767)

See accountant's review report.

HOUSTON OPERATING COMPANY, INC.
 STATEMENTS OF CASH FLOWS
 (Unaudited)

	Nine Months Ended September 30,	
	2001	2000
	-----	-----
Cash Flows From Operating Activities:		
Net (Loss)	\$ (59)	\$(4,474)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock issued for services	-	4,000
Changes in assets and liabilities:		
Increase in accounts payable	30	-
	30	4,000
Net Cash Used in Operating Activities	(29)	(474)
Cash Flow From Financing Activities:		
Advances from Stockholders	-	474
Issuance of Common Stock	-	1,000
Net Cash Provided By Financing Activities	-	1,474
Increase (Decrease) in Cash	(29)	1,000
Cash and Cash Equivalents - Beginning of period	541	-
Cash and Cash Equivalents - End of period	\$ 512	\$ 1,000
	=====	=====
Supplemental Cash Flow Information:		
Interest paid	\$ -	\$ -
	=====	=====
Taxes paid	\$ -	\$ -
	=====	=====

See accountant's review report.
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HOUSTON OPERATING COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Presentation of Interim Information

In the opinion of the management of Houston Operating Company, Inc., the accompanying unaudited financial statements include all normal adjustments considered necessary to present fairly the financial position as of September 30, 2001, and the results of operations for the three month and nine months ended September 30, 2001 and 2000, and cash flows for the nine months ended September 30, 2001 and 2000. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented as permitted by Form 10-QSB, and do not contain certain information included in the Company's audited financial statements and notes for the fiscal year ended December 31, 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2001

The Company had no income in the nine month period ended September 30, 2001 or 2000 but incurred expenses of \$59 for 2001 and \$4,474 for 2000. The loss for the nine month period for 2001 was (\$59) and in 2000 it was \$(4474). The loss per share was less than (\$.01) in the period in 2001 and none in 2000.

For the current fiscal year the Company anticipates incurring a loss as a result of legal and accounting expenses, expenses associated with registration under the Securities and Exchange Act of 1934, and expenses associated with locating and evaluating acquisition candidates. The Company anticipates that until a business combination is completed with an acquisition candidate, it will not generate revenues, and will continue to operate at a loss prior to and after completing a business combination depending upon the performance of the acquired business.

RESULTS OF OPERATIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2001 COMPARED TO QUARTER ENDED SEPTEMBER 30, 2000

The Company had no revenues in the quarter in 2001 or 2000. The Company incurred expenses of \$30 in the quarter in 2001 compared to \$4000 in the quarter in 2000. The loss for the quarter was (\$30) in 2001 and \$4000 in 2000. The Company had a loss per share of less than (\$.01) in the quarter in 2001 and (\$.01) in 2000 in the quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company does not have capital sufficient to meet the Company's cash needs, including the costs of compliance with the continuing reporting requirements of the Securities and Exchange Act of 1934. The Company will have to seek loans or equity placements to cover such cash needs. In the event the Company is unable to complete a business combination during this period, lack of its existing capital may be a sufficient impediment to prevent it from accomplishing the goal of completing a business combination. There is no assurance, however, that without funds it will ultimately allow registrant to complete a business combination. Once a business combination is completed, the Company's needs for additional financing are likely to increase substantially.

Irrespective of whether the Company's cash assets prove to be inadequate to meet the Company's operational needs, the Company might seek to compensate providers of services by issuances of stock in lieu of cash.

PART II - OTHER INFORMATION

- ITEM 1. LEGAL PROCEEDINGS
None
- ITEM 2. CHANGES IN SECURITIES
None
- ITEM 3. DEFAULT UPON SENIOR SECURITIES
None
- ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
None
- ITEM 5. OTHER INFORMATION
None

Appointment of New Directors and Resignation of Directors

None

ITEM 6.

EXHIBITS AND REPORTS ON FORM 8-K

Reports on Form 8-K were made for the period for which this report is filed. None.

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: 11/14/01

HOUSTON OPERATING COMPANY

/s/ J.R. Nelson

J.R. NELSON, President