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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-43759 50409

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

MAR 11 2002

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

B & W Southern Resources, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

4131 North Central Expressway, Suite 910

(No. and Street)

Dallas

TX

75204

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jay Langston

214/522-9200

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Judd, Thomas, Smith & Company, P.C.

(Name - if individual, state last, first, middle name)

12222 Merit Drive, Suite 1900

Dallas

TX

75251

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

P MAR 20 2002

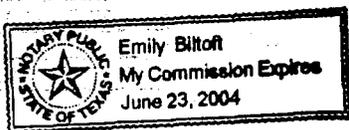
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THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, Jay Langston, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of B & W Southern Resources, Inc., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Jay Langston Signature
PRESIDENT Title

Emily Biltoft Notary Public

This report** contains (check all applicable boxes):

- (a) Facing page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
(o) Independent auditors' report on the internal control structure.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: January 31, 1993
Estimated average burden
hours per form12.00

**Form
X-17A-5**

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
PART II 11

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) 16 2) Rule 17a-5(b) 17 3) Rule 17a-11 18
4) Special request by designated examining authority 19 5) Other 26

NAME OF BROKER-DEALER	SEC FILE NO.
B & W Southern Resources, Inc. 13	8-43759 14
ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)	FIRM I.D. NO.
4131 North Central Expressway, Suite 910 20 <small>(No. and Street)</small>	043759 15
Dallas 21 TX 22 75204 23 <small>(City) (State) (Zip Code)</small>	FOR PERIOD BEGINNING (MM/DD/YY)
	1-1-01 24
	AND ENDING (MM/DD/YY)
	12-31-01 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT	(Area Code)—Telephone No.
Jay Langston 30	214/522-9200 31
NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:	OFFICIAL USE
32	33
34	35
36	37
38	39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41
CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the _____ day of _____ 19__

Manual signatures of:

- 1) _____
Principal Executive Officer or Managing Partner
- 2) _____
Principal Financial Officer or Partner
- 3) _____
Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

Judd, Thomas, Smith & Company, P.C.

70

ADDRESS

12222 Merit Drive, Suite 1900

71

Dallas

72

TX

73

75251

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States
or any of its possessions

77

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

FINANCIAL STATEMENTS



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
B & W Southern Resources, Inc.
A Development Stage Company
Dallas, Texas

We have audited the accompanying balance sheet of B & W Southern Resources, Inc. (a development stage company) as of December 31, 2001, and the related statements of income, changes in stockholder's equity, 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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of B & W Southern Resources, Inc. (a development stage company) as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the statement of financial condition, computation of net capital, computation of basic net capital requirement, computation of aggregate indebtedness, computation for determination of reserve requirements for broker-dealers under Rule 15c3-3, information relating to possession or control requirements under Rule 15c3-3, ownership equity and subordinated liabilities maturing or proposed to be withdrawn within the next six months, statement of changes in liabilities subordinated to claims of general creditors, and reconciliation of the computation of net capital under Rule 15c3-1 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Judd, Thomas, Smith + Company, P.C.
JUDD, THOMAS, SMITH & COMPANY, P.C.

February 27, 2002

B & W SOUTHERN RESOURCES, INC.
A DEVELOPMENT STAGE COMPANY

Balance Sheet
As of December 31, 2001

Assets

Current assets	
Cash and cash equivalents	\$ <u>8,415</u>
Total assets	\$ <u><u>8,415</u></u>

Liabilities and Stockholder's Equity

Current liabilities	
Account payable	\$ <u>-</u>
Total liabilities	<u>-</u>
Stockholder's equity	
Common stock, \$1.00 par value, 1,000 shares authorized, 1,000 shares issued and outstanding	1,000
Additional paid in capital	7,200
Retained earnings during the development stage	<u>215</u>
Total stockholder's equity	<u>8,415</u>
Total liabilities and stockholder's equity	\$ <u><u>8,415</u></u>

The accompanying notes are an integral part of these financial statements.

B & W SOUTHERN RESOURCES, INC.
A DEVELOPMENT STAGE COMPANY

Statement of Income
For the year ended December 31, 2001
And From Inception

	<u>2001</u>	<u>Since Inception</u>
Income		
Interest	\$ 37	\$ 267
Miscellaneous	121	121
Expenses	<u>(153)</u>	<u>(173)</u>
Net income	<u>\$ 5</u>	<u>\$ 215</u>

The accompanying notes are an integral part of these financial statements.

**B & W SOUTHERN RESOURCES, INC.
A DEVELOPMENT STAGE COMPANY**

**Statement of Changes in Stockholder's Equity
For the year ended December 31, 2001
And From Inception**

	<u>Common Stock Shares</u>	<u>Additional Paid In Capital</u>	<u>Retained Earnings During The Development Stage</u>	<u>Total</u>
Balance January 1, 1997	\$ -	\$ -	\$ -	\$ -
Common stock issued	<u>1,000</u>	<u>7,200</u>	<u>-</u>	<u>8,200</u>
Balance December 31, 1997	1,000	7,200	-	8,200
Net Income	<u>-</u>	<u>-</u>	<u>67</u>	<u>67</u>
Balance December 31, 1998	1,000	7,200	67	8,267
Net Income	<u>-</u>	<u>-</u>	<u>52</u>	<u>52</u>
Balance December 31, 1999	1,000	7,200	119	8,319
Net Income	<u>-</u>	<u>-</u>	<u>91</u>	<u>91</u>
Balance December 31, 2000	1,000	7,200	210	8,410
Net Income	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Balance December 31, 2001	<u>\$ 1,000</u>	<u>\$ 7,200</u>	<u>\$ 215</u>	<u>\$ 8,415</u>

The accompanying notes are an integral part of these financial statements.

B & W SOUTHERN RESOURCES, INC.
A DEVELOPMENT STAGE COMPANY

Statement of Cash Flows
For the year ended December 31, 2001
And From Inception

	<u>2001</u>	<u>Since Inception</u>
Cash flows from operating activities:		
Net income	\$ 5	\$ 215
Adjustments to reconcile net loss to net cash used in operating activities	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>5</u>	<u>215</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>
Cash flows from financing activities:		
Contributed capital	<u>-</u>	<u>8,200</u>
Net cash provided by financing activities	<u>-</u>	<u>8,200</u>
Net increase in cash and cash equivalents	5	8,415
Cash and cash equivalents at beginning of period	<u>8,410</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 8,415</u>	<u>\$ 8,415</u>
Supplemental cash flow information:		
Cash paid during the year for		
Income taxes	<u>\$ 16</u>	<u>\$ 36</u>
Interest	<u>\$ -</u>	<u>\$ -</u>

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of these financial statements.

**B & W SOUTHERN RESOURCES, INC.
A DEVELOPMENT STAGE COMPANY**

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

B & W Southern Resources, Inc. (the Company), a Texas corporation, was organized July 18, 1997 and is a broker-dealer registered with the National Association of Securities Dealers, Inc. and the Securities and Exchange Commission under (S.E.C.) Rule 15c3-3(K)(2)(i). The Company acts as exclusive selling agent for B & W Southern Petroleum, Inc. and is authorized to sell direct participation programs. The Company has not started selling as of December 31, 2001.

2. Net Capital Requirements

Pursuant to the net capital provision of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

At December 31, 2001, the Company had net capital of \$8,415 and net capital requirements of \$5,000.

3. Income Taxes

The Company uses SFAS No. 109, Accounting for Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. The differences between the financial statement and tax bases of assets and liabilities are determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period, plus or minus the net change in the deferred tax assets and liabilities.

4. Related Party Transactions

The Company's stockholder is also a stockholder of B & W Southern Petroleum, Inc..

The Company is provided office space, office facilities and supplies, and administrative services from B & W Southern Petroleum, Inc.

Effective April 30, 1999 the Company has an agreement with B & W Southern Petroleum, Inc. whereby the petroleum company agrees to pay all of the expenses of the Company and receive no reimbursement. During 2001 and 2000, B & W Southern Petroleum, Inc. paid \$2,700 and \$3,212, respectively of the companies direct expenses.

**B & W SOUTHERN RESOURCES, INC.
A DEVELOPMENT STAGE COMPANY**

Notes to Financial Statements

5. Possession or Control Requirements

There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (S.E.C.) Rule 15c3-3(K)(2)(i). The Company does not have any possession or control of customer funds or securities.

SUPPLEMENTAL INFORMATION
PURSUANT TO RULE 17A-5
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE YEAR ENDED
DECEMBER 31, 2001

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER B & W Southern Resources, Inc. N 2

100

STATEMENT OF FINANCIAL CONDITION

as of (MM/DD/YY) 12/31/01 99
 SEC FILE NO. 8-43759 98
 Consolidated 198
 Unconsolidated 199

	<u>ASSETS</u>				
	<u>Allowable</u>	<u>Non-Allowable</u>		<u>Total</u>	
1. Cash	\$ 8,415			\$ 8,415	200
2. Cash segregated in compliance with federal and other regulations					210
3. Receivable from brokers or dealers and clearing organizations:					
A. Failed to deliver:					
1. Includable in "Formula for Reserve Requirements"					220
2. Other					230
B. Securities borrowed:					
1. Includable in "Formula for Reserve Requirements"					240
2. Other					250
C. Omnibus accounts:					
1. Includable in "Formula for Reserve Requirements"					260
2. Other					270
D. Clearing organizations:					
1. Includable in "Formula for Reserve Requirements"					280
2. Other					290
E. Other					300
4. Receivables from customers:					
A. Securities accounts:					
1. Cash and fully secured accounts					310
2. Partly secured accounts					320
3. Unsecured accounts					330
B. Commodity accounts					330
C. Allowance for doubtful accounts	()	()			335
5. Receivables from non-customers:					
A. Cash and fully secured accounts					340
B. Partly secured and unsecured accounts					350
6. Securities purchased under agreements to resell					360
7. Securities and spot commodities owned, at market value:					
A. Bankers acceptances, certificates of deposit and commercial paper					370
B. U.S. and Canadian government obligations					380
C. State and municipal government obligations					390
D. Corporate obligations					400
			\$ 550		810
					800
					820
					830
					840

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER **B & W Southern Resources, Inc.**

as of 12/31/01

STATEMENT OF FINANCIAL CONDITION

		<u>ASSETS</u>			
		<u>Allowable</u>	<u>Nonallowable</u>	<u>Total</u>	
E. Stocks and warrants	\$	410			
F. Options		420			
G. Arbitrage		422			
H. Other securities		424			
I. Sport commodities		430			850
8. Securities owned not readily marketable:					
A. At Cost	\$	130	440	\$ 610	860
9. Other investments not readily marketable:					
A. At Cost	\$	140			
B. At estimated fair value		450	620		870
10. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities	\$	150			
B. Other	\$	160	460	630	880
11. Secured demand notes—market value of collateral:					
A. Exempted securities	\$	170			
B. Other	\$	180	470	640	890
12. Memberships in exchanges:					
A. Owned, at market value	\$	190			
B. Owned at cost				650	
C. Contributed for use of company, at market value				660	900
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	670		910
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements:					
At cost (net of accumulated depreciation and amortization)		490	680		920
15. Other Assets:					
A. Dividends and interest receivable		500	690		
B. Free shipments		510	700		
C. Loans and advances		520	710		
D. Miscellaneous		530	720		930
16. TOTAL ASSETS	\$	8,415	540	\$ -0-	740
				\$	8,415
					940

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER

B & W Southern Resources, Inc.

as of 12/31/01

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities*</u>	<u>Non-A.I. Liabilities*</u>	<u>Total</u>
17. Bank loans payable:			
A. Includable in "Formula for Reserve Requirements"	\$ 1030	\$ 1240	\$ 1460
B. Other	1040	1250	1470
18. Securities sold under repurchase agreement		1260	1480
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			
1. Includable in "Formula for Reserve Requirements"	1050	1270	1490
2. Other	1060	1280	1500
B. Securities loaned:			
1. Includable in "Formula for Reserve Requirements"	1070	1290 ²¹	1510
2. Other	1080		1520
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	1090		1530
2. Other	1095 ¹⁹	1300	1540
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	1100		1550
2. Other	1105	1310	1560
E. Other	1110	1320	1570
20. Payable to customers:			
A. Securities accounts—including free credits of \$ 950	1120		1580 ²²
B. Commodities accounts	1130	1330	1590
21. Payable to non customers:			
A. Securities accounts	1140	1340	1600
B. Commodities accounts	1150	1350	1610
22. Securities sold not yet purchased at market value—including arbitrage of \$ 960		1360	1620
23. Accounts payable and accrued liabilities and expenses:			
A. Drafts payable	1160		1630
B. Accounts payable	1170		1640
C. Income taxes payable	1180		1650
D. Deferred income taxes		1370 ²⁰	1660
E. Accrued expenses and other liabilities	1190		1670
F. Other	1200	1380	1680

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

B & W Southern Resources

as of 12/31/01

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

<u>Liabilities</u>	<u>A.I. Liabilities*</u>	<u>Non-A.I. Liabilities*</u>	<u>Total</u>
24. Notes and mortgages payable:			
A. Unsecured	\$ 1210		\$ 1690
B. Secured	\$ 1211	\$ 1390	\$ 1700
25. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders ²⁴ \$ 970			
2. Includes equity subordination (15c3-1(d)) of ... \$ 980			
B. Securities borrowings, at market value from outsiders \$ 990		\$ 1410	\$ 1720
C. Pursuant to secured demand note collateral agreements:			
1. from outsiders \$ 1000			
2. Includes equity subordination (15c3-1(d)) of ... \$ 1010		\$ 1420 ²⁷	\$ 1730
D. Exchange memberships contributed for use of company, at market value		\$ 1430 ²⁸	\$ 1740
E. Accounts and other borrowings not qualified for net capital purposes	\$ 1220	\$ 1440	\$ 1750
26. TOTAL LIABILITIES	\$ -0- 1230	\$ -0- 1450	\$ -0- 1760
<u>Ownership Equity</u>			
27. Sole proprietorship			\$ 1770
28. Partnership-limited partners	\$ 1020		\$ 1780
29. Corporation:			
A. Preferred stock			\$ 1791
B. Common stock		\$ 1,000 ²¹	\$ 1792
C. Additional paid-in capital		\$ 7,200	\$ 1793
D. Retained earnings		\$ 215	\$ 1794
E. Total		\$ 8,415	\$ 1795
F. Less capital stock in treasury		\$ ()	\$ 1796
30. TOTAL OWNERSHIP EQUITY			\$ 8,415 1800
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ 8,415 1810

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER B & W Southern Resources, Inc. as of 12/31/01

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition - Item 1800)	\$ 8,415		3480
2. Deduct: Ownership equity not allowable for Net Capital		()	3490
3. Total ownership equity qualified for Net Capital	8,415		3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)		33	3525
5. Total capital and allowable subordinated liabilities	\$		3530
6. Deductions and/or charges:			
A. Total nonallowable assets from			
Statement of Financial Condition (Notes B and C)	\$		3540
1. Additional charges for customers' and non-customers' security accounts	\$		3550
2. Additional charges for customers' and non-customers' commodity accounts			3560
B. Aged fail-to-deliver:			3570
1. Number of Items		29	3450
C. Aged short security differences-less reserve of	\$		3470
number of items		30	3470
D. Secured demand note deficiency			3590
E. Commodity futures contracts and spot commodities - proprietary capital charges			3600
F. Other deductions and/or charges			3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ..			3615
H. Total deductions and/or charges			3620
7. Other additions and/or allowable credits (List)			3630
8. Net capital before haircuts on securities positions	\$ 8,415		3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper		31	3680
2. U.S. and Canadian government obligations			3690
3. State and municipal government obligations			3700
4. Corporate obligations			3710
5. Stocks and warrants			3720
6. Options			3730
7. Arbitrage			3732
8. Other securities		32	3734
D. Undue Concentration			3650
E. Other (list)			3736
10. Net Capital	\$ 8,415		3750

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

B & W Southern Resources, Inc.

as of 12/31/01

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6 2/3% of line 19)	\$ -0-	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$ 5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$ 5,000	3760
14. Excess net capital (line 10 less 13)	\$ 3,415	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$ 8,415	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	3790
17. Add:		
A. Drafts for immediate credit	\$	3800
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810
C. Other unrecorded amounts (List)	\$	3820
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	\$	3838
19. Total aggregate indebtedness	\$ -0-	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	3850
21. Percentage of aggregate indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 ÷ by line 10 less Item 4880 page 11)	%	3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$ N/A	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	3880
24. Net capital requirement (greater of line 22 or 23)	\$	3760
25. Excess net capital (line 10 less 24)	\$	3910
26. Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 8)	%	3851
27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debits (Line 10 less item 4880 page 11 ÷ by line 17 page 8)	%	3854
28. Net capital in excess of the greater of:		
A. 5% of combined aggregate debit items or \$120,000	\$	3920

OTHER RATIOS

Part C

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	3860
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital	%	3852

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
 - 1. Minimum dollar net capital requirement, or
 - 2. 6 2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

B & W Southern Resources, Inc.

as of 12/31/01

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c-3-3 (See Rule 15c3-3, Exhibit A and Related Notes)

CREDIT BALANCES

1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3)	\$	4340
2. Monies borrowed collateralized by securities carried for the accounts of customers (See Note B)		4350
3. Monies payable against customers' securities loaned (see Note C)		4360
4. Customers' securities failed to receive (see Note D)		4370
5. Credit balances in firm accounts which are attributable to principal sales to customers		4380
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days		4390
7. **Market value of short security count differences over 30 calendar days old		4400
8. **Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days		4410
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days		4420
10. Other (List)		4425
11. TOTAL CREDITS	\$	4430

DEBIT BALANCES

12. **Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3	\$	4440
13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver		4450
14. Failed to deliver of customers' securities not older than 30 calendar days		4460
15. Margin required and on deposit with Options Clearing Corporation for all option contracts written or purchased in customer accounts (see Note F)		4465
16. Other (List)		4469
17. **Aggregate debit items	\$	4470
18. **Less 3% (for alternative method only—see Rule 15c3-1(f)(5)(i))	(4471
19. **TOTAL 15c3-3 DEBITS	\$	4472

RESERVE COMPUTATION

20. Excess of total debits over total credits (line 19 less line 11)	\$	4480
21. Excess of total credits over total debits (line 11 less line 19)		4490
22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits		4500
23. Amount held on deposit in "Reserve Bank Account(s)," including value of qualified securities, at end of reporting period		4510
24. Amount of deposit (or withdrawal) including \$ 4515 value of qualified securities		4520
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ 4525 value of qualified securities	\$	4530
26. Date of deposit (MMDDYY)		4540

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FREQUENCY OF COMPUTATION

27. Daily 4332 Weekly 4333 Monthly 4334

**In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER B & W Southern Resources, Inc.

as of 12/31/01

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c-3-3 (continued)

EXEMPTIVE PROVISIONS

28. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

A. (k)(1) — \$2,500 capital category as per Rule 15c3-1	\$		4550
B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained		X	4560
C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm ⁵¹		4335	4570
D. (k)(3) — Exempted by order of the Commission			4580

Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and number of items of:

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frame specified under Rule 15c3-3. Notes A and B	\$		4586
A. Number of items			4587
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D	\$		4588
A. Number of items			4589
OMIT PENNIES			
3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3		Yes 4584	No 4585

NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent within the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).

NOTE: B & W Southern Resources, Inc. deals exclusively in direct participation programs and does not hold funds or securities for or owe money or securities to customers and is, therefore, exempt from the determination of reserve requirement provisions of Sec. Rule 15c3-3.

B & W SOUTHERN RESOURCES, INC.

**STATEMENT OF INFORMATION RELATING TO THE POSSESSION OR CONTROL OF SECURITIES
DECEMBER 31, 2001**

B & W SOUTHERN RESOURCES, INC. deals exclusively in direct participation programs, and does not hold funds or securities for, or owe money or securities to, customers and is therefore exempt from the determination on reserve requirement provisions of SEC Rule 15c3-3.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

B & W Southern Resources, Inc.

as of 12/31/01

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
54	4600	4601	4602 \$	4603	4604 4605
55	4610	4611	4612	4613	4614 4615
56	4620	4621	4622	4623	4624 4625
57	4630	4631	4632	4633	4634 4635
58	4640	4641	4642	4643	4644 4645
49	4650	4651	4652	4653	4654 4655
60	4660	4661	4662	4663	4664 4665
61	4670	4671	4672	4673	4674 4675
62	4680	4681	4682	4683	4684 4685
63	4690	4691	4692	4693	4694 4695

Total \$ -0- 4699*

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*To agree with the total on Recap (Item No. 4880)

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals
4.	15c3-1(c)(2)(iv) Liabilities

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
Capital Withdrawals
PART II

BROKER OR DEALER B & W Southern Resources, Inc. as of 12/31/01

RECAP

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, which have not been deducted in the computation of net capita.

1. Equity Capital	
A. Partnership Capital:	
1. General Partners	4700
2. Limited	4710
3. Undistributed Profits	4720
4. Other (describe below)	4730
5. Sole Proprietorship	4735
B. Corporation Capital:	
1. Common Stock	4740
2. Preferred Stock	4750
3. Retained Earnings (Dividends and Other)	4760
4. Other (describe below)	4770
2. Subordinated Liabilities	
A. Secured Demand Notes	4780
B. Cash Subordinates	4790
C. Debentures	4800
D. Other (describe below)	4810
3. Other Anticipated Withdrawals	
A. Bonuses	4820
B. Voluntary Contributions to Pension or Profit Sharing Plans	4860
C. Other (describe below)	4870
Total	\$ 4880
4. Description of Other	

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period	\$ 8,410	4240
A. Net income (loss)	5	4250
B. Additions (includes non-conforming capital of	\$ 4262	4260
C. Deductions (includes non-conforming capital of	\$ 4272	4270
2. Balance, end of period (From Item 1800)	\$ 8,415	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period	\$ 4300
A. Increases	4310
B. Decreases	() 4320
4. Balance, end of period (From Item 3520)	\$ 4330

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B & W SOUTHERN RESOURCES, INC.

A Reconciliation of the Computation of Net Capital
Under Rule 15c3-1 and the Computation for Determination
of the Reserve Requirements Under Exhibit A of Rule 15c3-3
As of December 31, 2001

There were no differences.



**INDEPENDENT AUDITORS' REPORT ON THE
INTERNAL CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5**

Board of Directors
B & W Southern Resources, Inc.
A Development Stage Corporation
Dallas, Texas

In planning and performing our audit of the financial statements of B & W Southern Resources, Inc. (a development stage company) (the Company) for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by B & W Southern Resources, Inc. (a development stage company) that we considered relevant to the objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not make a study of the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recording of differences required by rule 17a-13 because the Company did not own any securities during the year.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the accounting system and control procedures, including procedures for safeguarding securities, that we considered material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives on all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Judd, Thomas, Smith + Company, P.C.

JUDD, THOMAS, SMITH & COMPANY, P.C.

February 27, 2002



B & W SOUTHERN RESOURCES, INC.
A DEVELOPMENT STAGE COMPANY
ANNUAL AUDITED REPORT
FORM X-17A-5

DECEMBER 31, 2001

B & W SOUTHERN RESOURCES, INC.
A DEVELOPMENT STAGE COMPANY

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