

COASTAL CARIBBEAN OILS & MINERALS LTD
Form 10-Q/A
February 01, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended **September 30, 2006**

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

For the transition period from _____ to _____

Commission file number 1-4668

COASTAL CARIBBEAN OILS & MINERALS, LTD.

(Exact name of registrant as specified in its charter)

BERMUDA

(State or other jurisdiction of
incorporation or organization)

NONE

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

Clarendon House, Church Street, Hamilton, Bermuda

(Address of principal executive offices)

HM 11

(Zip Code)

(850) 653-2732

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. T Yes " No

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). " Yes T No

The number of shares outstanding of the issuer's single class of common stock as of October 26, 2005 was 46,211,604.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

**FORM 10-Q/A
(Amendment No. 1)
SEPTEMBER 30, 2006**

Table of Contents

PART I - FINANCIAL INFORMATION

	Page
ITEM 1 Financial Statements	
Consolidated balance sheets at September 30, 2006 and December 31, 2005	3
Consolidated statements of operations for the three and nine month periods ended September 30, 2006 and 2005 and for the period from January 31, 1953 (inception) to September 30, 2006	4
Consolidated statements of cash flows for the nine month periods ended September 30, 2006 and 2005 and for the period from January 31, 1953 (inception) to September 30, 2006	5
Notes to consolidated financial statements	6
ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	
ITEM 3 Quantitative and Qualitative Disclosure About Market Risk	
ITEM 4 Controls and Procedures	10
PART II - OTHER INFORMATION	
ITEM 5 Other Information	
ITEM 6 Exhibits	11
Signatures	12

Explanatory Note:

Coastal Caribbean Oils and Minerals, Ltd. (the "Company") is hereby amending its previously filed Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (the "Original Report"). This Amendment No. 1 is being filed to amend Part I - **Financial Information** Item 1 **Financial Statements** by adding Note 6. **New Accounting Pronouncements**; and to amend the language in Item 4. **Controls and Procedures** to conform to the disclosure requirements of Item 307 and 308(c) of Regulation S-K. Conforming changes have also been made to Exhibits 31.1 and 32.1 included in the Original Report, which are being currently dated and have been changed from those filed in the Original Report in order to comply with the current format set forth in Item 601(b)(31) of Regulation S-K. No

other changes to the Original Report have been made. This Amendment No. 1 does not reflect events occurring after the filing of the Original Report or modify or update disclosures therein in any way other than as described above.

Part I - Financial Information**ITEM 1 - Financial Statements****CONSOLIDATED BALANCE SHEETS**

(Expressed in U.S. dollars)

(A Bermuda Corporation)

A Development Stage Company

	September 30, 2006 (Unaudited)	December 31, 2005 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 641,545	\$ 2,250,236
Income taxes receivable	35,000	-
Prepaid expenses and other	-	199,754
Total current assets	676,545	2,449,990
Certificate of deposit	125,830	75,000
Well drilling costs	961,698	-
Petroleum leases	2,122,384	1,860,614
Equipment, net	10,234	1,771
Total assets	\$ 3,896,691	\$ 4,387,375
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 56,408	\$ 27,526
Income taxes payable	-	35,000
Total current liabilities	56,408	62,526
Shareholders' equity		
Common stock, par value \$.12 per share:		
Authorized - 250,000,000 shares		
Outstanding - 46,211,604, respectively	5,545,392	5,545,392
Capital in excess of par value	32,137,811	32,137,811
	37,683,203	37,683,203
Deficit accumulated during the development stage	(33,842,920)	(33,358,354)
Total shareholders' equity	3,840,283	4,324,849
Total liabilities and shareholders' equity	\$ 3,896,691	\$ 4,387,375

Note: The balance sheet at December 31, 2005 has been derived from the audited consolidated financial statements at that date.

See accompanying notes.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

FORM 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in U.S. dollars)

(A Bermuda Corporation)

A Development Stage Company

(unaudited)

	Three months ended September 30,		Nine months ended September 30,		For the period from Jan. 31, 1953 (inception) to September 30, 2006
	2006	2005	2006	2005	2006
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses:					
Legal fees and costs	49,951	76,011	161,610	90,068	17,216,677
Administrative expenses	75,739	52,320	272,406	130,811	10,209,946
Personnel	39,050	44,291	104,150	93,810	3,971,981
Shareholder communications	11,924	12,524	16,776	24,584	4,092,685
Write off of unproved properties	-	-	-	-	5,560,494
Exploration costs	-	-	-	-	247,465
Lawsuit judgments	-	-	-	-	1,941,916
Minority interests	-	-	-	-	(632,974)
Other	-	-	-	-	364,865
Contractual services	-	-	-	-	2,155,728
	176,664	185,146	554,942	339,273	45,128,783
Other income (expense):					
Gain on settlement (Note 4)	-	8,125,900	-	8,125,900	8,124,016
Goodwill impairment	-	(801,923)	-	(801,923)	(801,923)
Interest and other income	8,913	21,657	35,376	21,657	3,963,670
	8,913	7,345,634	35,376	7,345,634	11,285,863
Income tax benefit (expense)	35,000	(35,000)	35,000	(35,000)	-
Net income (loss)	\$ (132,751)	\$ 7,125,488	\$ (484,566)	\$ 6,971,361	

Deficit accumulated during the development stage	\$ (33,842,920)
--	-----------------

Weighted average number of shares outstanding (basic & diluted)	46,221,604	46,221,604	46,221,604	46,221,604
---	------------	------------	------------	------------

Net loss per share (basic & diluted)	\$ (.00)	\$.15	\$ (.01)	\$.15
--------------------------------------	----------	--------	----------	--------

See accompanying notes.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in U.S. Dollars)

(A Bermuda Corporation)
A Development Stage Company
(Unaudited)

	Nine months ended September 30,		For the period from Jan. 31, 1953 (inception) to September 30, 2006
	2006	2005	
Operating activities:			
Net income (loss)	\$ (484,566)	\$ 6,971,361	\$ (33,842,920)
Adjustments to reconcile net loss to net cash used in operating activities:			
Goodwill impairment	-	801,923	801,823
Gain on settlement	-	(8,125,900)	(8,124,016)
Write off of unproved properties	-	-	5,619,741
Depreciation	2,100	-	2,220
Minority interest	-	-	(632,974)
Common stock issued for services	-	-	119,500
Compensation recognized for stock option grant	-	-	75,000
Recoveries from previously written off properties	-	-	252,173
Net change in:			
Income taxes receivable	(35,000)	-	(35,000)
Prepaid expenses and other	199,754	14,438	-
Accounts payable and accrued liabilities	28,882	(2,337,420)	56,408
Income taxes payable	(35,000)	35,000	-
Net cash provided by (used in) operating activities	(323,830)	(2,640,598)	35,708,045)
Investing activities:			
Additions to oil, gas, and mineral properties net of assets acquired for common stock and reimbursements	(333,907)	(143,023)	(5,934,703)
Well drilling costs	(889,561)	-	(889,561)
Drilling advances from joint interest owners	632,432	-	-
Net proceeds from settlement	-	8,125,900	8,124,016
Proceeds from relinquishment of surface rights	-	-	246,733
Purchase of certificate of deposit	(50,830)	(10,000)	(125,830)
Purchase of minority interest in CPC	-	(801,923)	(801,823)

Edgar Filing: COASTAL CARIBBEAN OILS & MINERALS LTD - Form 10-Q/A

Equipment purchases	(10,563)	(1,891)	(74,103)
Net cash provided by (used in) investing activities	(1,284,861)	7,169,063	544,729
Financing activities:			
Loans from officers	-	31,500	111,790
Repayment of loans to officers	-	(111,790)	(111,790)
Sale of common stock net of expenses	-	-	30,380,612
Proceeds from exercise of options	-	-	884,249
Sale of shares by subsidiary	-	-	820,000
Sale of subsidiary shares	-	-	3,720,000
Net cash provided by (used in) financing activities	-	(80,290)	35,804,861
Net increase (decrease) in cash and cash equivalents	(1,608,691)	4,448,175	641,545
Cash and cash equivalents at beginning of period	2,250,236	179	-
Cash and cash equivalents at end of period	\$ 641,545	\$ 4,448,354	\$ 641,545

See accompanying notes.

COASTAL CARIBBEAN OILS & MINERALS, LTD.**FORM 10-Q/A
(Amendment No. 1)****PART I - FINANCIAL INFORMATION****ITEM 1 Financial Statements**Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include Coastal Caribbean Oils & Minerals, Ltd. (the Company's), its wholly owned subsidiary, Coastal Petroleum Company (Coastal Petroleum) and Coastal Petroleum's wholly owned subsidiary, Williston Basin, Inc., and have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three and nine month periods ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Note 2. Going Concern

As of September 30, 2006, the Company had no revenues, had recurring losses from operations and has had an accumulated deficit during the development stage. We, along with various other parties, settled several lawsuits in 2005, which were filed by the Company, our subsidiary Coastal Petroleum Company and others against the State of Florida (See Notes 3 and 5). All of these lawsuits were related to the State's actions limiting oil and gas exploration and development activities on land covered by our subsidiary's leases and by royalties held by the Company and others. The cost of that litigation was substantial. Management believes its current cash position will allow the Company to move forward to explore and develop profitable oil and gas operations, although there is no assurance these efforts will be successful.

Note 3. LitigationFlorida Case

In June 2005, the Company and others agreed to a final settlement of all claims and rights with the State of Florida (the State) for \$12.5 million (the Agreement). The State paid out the settlement through an intermediary in July 2005. The total settlement and the amount received by the Company was as follows:

Gross settlement proceeds	\$ 12,500,000
Distribution to other parties:	
Lykes Mineral Corporation	1,390,000
Outside Royalty Holders	2,540,000
Settlement Consultant	465,000
Gross proceeds to Coastal	8,105,000

Edgar Filing: COASTAL CARIBBEAN OILS & MINERALS LTD - Form 10-Q/A

Purchase of other CPC shares	802,000
Paid to Coastal Creditors	2,431,000
Net proceeds to Company	\$ 4,872,000

6

COASTAL CARIBBEAN OILS & MINERALS, LTD.

**FORM 10-Q/A
(Amendment No. 1)**

PART I - FINANCIAL INFORMATION

ITEM 1 Financial Statements (Continued)

Note 3. Litigation (Continued)

As part of the settlement, the Company acquired the remaining minority interests in its subsidiary, Coastal Petroleum for \$802,000. As Coastal Petroleum had no tangible or intangible assets at the time the shares were acquired, the full purchase price was assigned to goodwill. The Company reviewed its goodwill related to Coastal Petroleum for impairment and determined the goodwill was fully impaired. Therefore, an impairment charge of \$802,000 was made during the quarter ending September 30, 2005. The Company now owns 100% of Coastal Petroleum Company.

For the quarter ending September 30, 2005, the Company recorded a gain on its share of the settlement of \$8,126,000 after deducting all direct settlement costs and costs to cancel various royalty rights related to the Florida leases.

Lease Taking Case (Lease 224-A)

This proceeding has been dismissed as part of the Agreement with the State.

Royalty Taking Case

This proceeding has been dismissed as part of the Agreement with the State.

Lease Taking Case (Lease 224-B)

This proceeding has been dismissed as part of the Agreement with the State.

Note 4. Net income (loss) per share

Net income (loss) per share is based upon the weighted average number of common and common equivalent shares outstanding during the period. The Company's basic and diluted calculations of EPS are the same because the exercise of options is not assumed in calculating diluted EPS, as the result would be anti-dilutive (for 2006, the Company reported a net loss; for 2005, the fair value of the common stock exceeded the option price at September 30, 2005).

Note 5. Oil & Gas Development Activity

Drilling Activity

The Company began drilling its initial well in north central Montana in January 2006 under a farm-in agreement with the mineral owner on acreage in Blaine County. The Company has capitalized \$773,000 in drilling costs through September 30, 2006 and is currently in the process of completing and testing the well. The well hit the target Lodgepole reef, but the reef had been flushed with fresh water. Several other formations were drilled through that were prospective for oil or gas and all but one of them have been tested. The remaining formation will be tested after the Company completes the drilling of the twin well in Valley County which is currently the Company's primary focus. Drilling results will remain confidential until that process is complete.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

**FORM 10-Q/A
(Amendment No. 1)**

PART I - FINANCIAL INFORMATION

ITEM 1 Financial Statements (Continued)

Note 5. Oil & Gas Development Activity (Continued)

The Company has participated in and is acting as operator in a twin well to the only known well to produce from the Lodgepole in Montana. Drilling on the well began in early September and was expected to be completed within the month. However, delays and equipment difficulties have extended the drilling time and added to the cost of the well. The Company is still in the process of finishing the project and will provide results of the drilling when the project is complete and the results are available. The Company estimates its participation costs in the twin well to be \$200,000. The total cost of the well is estimated to be \$1 Million. The well is located in Valley County and the Company will be the operator until the well has reached production.

Montana Leases

The Company's primary presence in Montana is in Valley County, where it holds leases covering 137,163.26 net acres, which the Company acquired in three separate acquisitions between July 2005 and February 2006. The leases acquired in those acquisitions are contiguous to each other and are referred to collectively as "the Valley County Leases."

The first acquisition of the Valley County Leases was in July 2005, when the Company acquired the rights to drill two 6,500 foot wells to test Mississippian Lodgepole Reefs in Valley County, in northeast Montana for a one time fee of \$50,000 from an entity controlled by one of the Company's Directors. That acquisition included a small amount of acreage and the option to drill fifty additional prospects in the Valley County area.

The second acquisition of the Valley County Leases was in November 2005, when the Company acquired a group of oil and gas lease rights to approximately 109,423.26 net acres in eastern Montana for \$1,568,000 from EOG Resources, Inc. and Great Northern Gas Company. These leases are subject to various overriding royalty interests to others ranging up to 19.5%. These leases expire in years from 2007 to 2014.

The final acquisition of acreage within the Valley County Leases was in February 2006, when the Company acquired additional oil and gas leases in eastern Montana covering 27,740 net acres contiguous to its existing Montana leases. These leases were acquired from the Bureau of Land Management and United States Department of the Interior.

The Company has an agreement with a consultant entity, controlled by one of the Company's Directors, to identify Mississippian Lodgepole Reef prospects to be drilled on and near its Valley County Leases. Previously under the agreement, the Company was required to drill a test well on an identified Lodgepole Reef prospect by a certain time, however, there is no longer a drilling obligation under the agreement.

The Company has received four permits to drill on its Valley County Leases. The Company estimates the cost to drill a test well on the Valley County Leases to be approximately \$800,000 and the Company is seeking partners to participate for the bulk of expenditures.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

**FORM 10-Q/A
(Amendment No. 1)**

PART I - FINANCIAL INFORMATION

ITEM 1 Financial Statements (Continued)

Note 5. Oil & Gas Development Activity (Continued)

North Dakota Leases

In July 2005, the Company acquired leases to the deeper rights in approximately 21,688 net acres in and near Slope County, North Dakota for a one time fee of \$50,000 from an entity controlled by one of the Company's Directors. Since that time, some of the leases have expired and the Company currently holds leases on 7,671.68 gross and net acres in Slope County. The Company is obligated to drill a test well before January 15, 2007, and has the option to drill the remaining Lodgepole Reef prospects on these leases. The Company intends to partner with other entities to share the cost of the initial 9,700 foot test well the total estimated drilling cost of which is estimated to be \$1,200,000.

Florida Leases

The Florida Leases were surrendered to Florida as a part of the 2005 Agreement with Florida and are no longer held by the Company.

Prior to 2005, Coastal Petroleum held three unproved and nonproducing oil, gas and mineral leases granted by the Trustees of the Internal Improvement Fund of the State of Florida (Trustees). These leases covered submerged and unsubmerged lands, principally along the Florida Gulf Coast, and certain inland lakes and rivers throughout the State. The two leases bordering the Gulf Coast were divided into three areas, each running the entire length of the coastline from Apalachicola Bay to the Naples area. Coastal Petroleum held certain royalty interests in the inner area, no interest in the middle area and a 100% working interest in the outside area. Coastal Petroleum also held a 100% working interest in Lake Okeechobee, and a royalty interest in other areas. Coastal Petroleum had agreed not to conduct exploration, drilling, or mining operations on said lake, except with prior approval of the Trustees.

Note 6. New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (Revised 2004), *Share-Based Payments*, which requires companies to expense stock options and other share-based payments. SFAS No. 123R supersedes SFAS No. 123, which permitted either expensing stock options or providing pro-forma disclosure. The provisions of SFAS No. 123R, which are effective for fiscal periods beginning after December 15, 2005, apply to all awards granted, modified, canceled, or repurchased after December 15, 2005, as well as the unvested portion of the prior awards.

The Company adopted the provisions of SFAS No. 123R effective January 1, 2006, which did not have a material financial impact on the Company's financial statements.

Note 7. Income Taxes

For the three and nine months ended September 30, 2006, the Company reported a loss for both financial statement reporting and income tax purposes. For the three and six months ended September 30, 2005, the Company reported a net income for financial statement reporting, but reported a net loss for income tax purposes due to the utilization of

net operating loss carryforwards. The Company has provided a 100% valuation allowance on its deferred tax asset as a result of its net operating loss carry-forwards. The Company has approximately \$8,800,000 in net operating loss carry-forwards at December 31, 2005.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

**FORM 10-Q/A
(Amendment No. 1)**

PART I - FINANCIAL INFORMATION

ITEM 1 Financial Statements (Continued)

Note 8. Related Party Transactions

Pursuant to a written agreement with respect to the Valley County Leases, the Company uses an entity controlled by an individual who is a shareholder, officer and director of the company to perform geotechnical analysis of potential drilling sites at a cost of \$1,000 per site. The Company capitalized \$60,720 and \$36,341 paid to this entity for the nine months ended September 30, 2006 and 2005, respectively.

The Company pays a monthly retainer to the law firm of Angerer & Angerer. The principals of the law firm include two individuals who are collectively shareholders, officers and a director of the Company. The Company expensed \$108,000 and \$36,000 in legal fees for the nine months ended September 30, 2006 and 2005, respectively.

The Company has retained the law firm of Iglar & Dougherty, P.A. as securities counsel. One of the Company's directors is a shareholder in the law firm. The Company has expensed \$43,640 and \$33,785 in legal fees and costs for the nine months ended September 30, 2006 and 2005 respectively.

ITEM 4 Controls and Procedures

- a. Evaluation of disclosure controls and procedures. The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. As required by Rule 13a-15(b) under the Exchange Act, our Chief Executive Officer who is also our Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. The Company's Chief Executive Officer has concluded that the Company's disclosure controls and procedures, as of September 30, 2006 were effective.
- b. Changes in internal controls. The Company made no changes in its internal control over financial reporting that occurred during the Company's third fiscal quarter that has materially affected, or which is reasonably likely to materially affect the Company's internal control over financial reporting.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q/A
(Amendment No. 1)

PART II - OTHER INFORMATION

September 30, 2006

ITEM 6 - Exhibits

- | | |
|------|--|
| 31.1 | Certification pursuant to Rule 13a-14 by Phillip W. Ware |
| 32.1 | Certification pursuant to Section 906 by Phillip W. Ware |

11

COASTAL CARIBBEAN OILS & MINERALS, LTD.

**FORM 10-Q/A
(Amendment No. 1)**

September 30, 2006

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.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
Registrant

Date: January 31, 2007

By /s/ Phillip W. Ware

Phillip W. Ware
Chief Executive Officer,
President and Principal Financial Officer