

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

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K/A  
(Amendment No. 1)

(Mark One)

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

For the fiscal year ended **December 31, 2005**

OR

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 001-04668

**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)

Registrant's telephone number, including area code (850) 421-2024

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

NONE

Name of each exchange on  
which registered

NONE

Securities registered pursuant to Section 12(g) of the Act:

Common stock, par value \$.12 per share

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

**Note**-Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K §229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$5,280,039 (U.S.) at June 30, 2005.

**Note** - If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: Common stock, par value \$.12 per share, 46,211,604 shares outstanding as of March 7, 2006.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

None

**Explanatory Note:**

Coastal Caribbean Oils and Minerals, Ltd. (the “Company”) is hereby amending its previously filed Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (the “Original Report”). This Amendment No. 1 is being filed solely to amend certain disclosures in Part II, Item 8. Financial Statements and Supplementary Data—Note 1. Summary of Significant Accounting Policies— Section titled “Stock Based Compensation” and Note 6. Stock Option Plans to further comply with the disclosure requirements of paragraphs 8 through 10 and paragraph 45c of SFAS 123. We have also amended the language in Item 9A. 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, 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.

**Item 8. Financial Statements and Supplementary Data**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors  
Coastal Caribbean Oils & Minerals, Ltd.  
Apalachicola, Florida

We have audited the consolidated balance sheet of Coastal Caribbean Oils & Minerals, Ltd. and subsidiary as of December 31, 2005, and the related consolidated statements of operations, cash flows, and common stock and capital in excess of par for the year ended December 31, 2005 and for the period from January 31, 1953 (inception) to December 31, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 provided a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coastal Caribbean Oils & Minerals, Ltd. and subsidiary as of December 31, 2005, and the results of their operations and cash flows for the year ended December 31, 2005, and for the period from January 31, 1953 (inception) to December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Notes 1 and 4 to the consolidated financial statements, the Company suffered recurring losses from operations and has not yet realized any revenues from development activities. This raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Baumann, Raymondo & Company PA

Tampa, Florida  
February 15, 2006

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors,  
Coastal Caribbean Oils & Minerals, Ltd.:

We have audited the accompanying consolidated balance sheet of Coastal Caribbean Oils & Minerals, Ltd. (a development stage company) as of December 31, 2004, and the related consolidated statements of operations, cash flows and common stock and capital in excess of par value for the years ended December 31, 2004 and 2003. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coastal Caribbean Oils & Minerals, Ltd. as of December 31, 2004, and the consolidated results of its operations and cash flows for the years ended December 31, 2004 and 2003, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Notes 1 and 4 to the consolidated financial statements, the Company had a working capital deficiency, has incurred recurring losses and has a deficit accumulated during the development stage. These situations raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classifications or liabilities that may result from the outcome of these uncertainties.

/s/ James Moore & Co., P.L.

March 17, 2005  
Gainesville, Florida

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**(A Bermuda Corporation)  
A Development Stage Company**CONSOLIDATED BALANCE SHEETS**

(Expressed in U.S. dollars)

	December 31,	
	2005	2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,250,236	\$ 179
Prepaid expenses and other	199,754	16,322
Total current assets	2,449,990	16,501
Certificates of deposit	75,000	-
Petroleum leases	1,860,614	-
Equipment, net	1,771	-
Contingent litigation claim (Note 4)	-	-
Total assets	\$ 4,387,375	\$ 16,501
<b>Liabilities and Shareholders' (Deficit) Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 27,526	\$ 863,127
Income taxes payable	35,000	-
Amounts due to related parties	-	1,594,369
Total current liabilities	62,526	2,457,496
Minority interests		-
Shareholders' (deficit) equity:		
Common stock, par value \$.12 per share:		
Authorized - 250,000,000 shares		
Outstanding - 46,211,604 shares, 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	(33,358,354)	(40,124,198)
Total shareholders' (deficit) equity	4,324,849	_(2,440,995)
Total liabilities and shareholders' (deficit) equity	\$ 4,387,375	\$ 16,501

See accompanying notes.

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**(A Bermuda Corporation)  
A Development Stage Company**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Expressed in U.S. Dollars)

	Years ended December 31,			For the period from Jan. 31, 1953 (inception) to Dec. 31, 2005
	2005	2004	2003	
<b>Gain on settlement</b>	\$ 8,124,016	\$ -	\$ -	\$ 8,124,016
<b>Interest and other income</b>	50,723	1	658	\$ 3,928,294
	8,174,739	1	658	12,052,310
<b>Expenses:</b>				
Legal fees and costs	155,388	327,091	342,451	17,055,067
Administrative expenses	201,847	208,414	457,649	9,937,540
Salaries	112,020	112,838	118,745	3,867,831
Shareholder communications	102,817	24,565	30,746	4,075,909
Goodwill impairment	801,823	-	-	801,823
Write off of unproved properties	-	-	59,247	5,560,494
Exploration costs	-	-	-	247,465
Lawsuit judgments	-	-	-	1,941,916
Minority interests	-	-	-	(632,974)
Other	-	-	-	364,865
Contractual services	-	-	-	2,155,728
	1,373,895	672,908	1,008,838	45,375,664
<b>Income tax expense</b>	35,000	-	-	35,000
<b>Net income (loss)</b>	\$ 6,765,844	\$ (672,907)	\$ (1,008,180)	
Deficit accumulated during the development stage				\$ (33,358,354)
Net income (loss) per share based on weighted average number of shares outstanding during the period:				
Basic and diluted EPS	\$ .15	\$ (.01)	\$ (.02)	
Weighted average number of shares outstanding (basic and diluted)	46,211,604	46,211,604	46,211,604	

See accompanying notes.





**COASTAL CARIBBEAN OILS & MINERALS, LTD.**(A Bermuda Corporation)  
A Development Stage Company**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in U.S. Dollars)

	Years ended December 31,			For the period from Jan. 31, 1953 (inception) To Dec. 31, 2005
	2005	2004	2003	
<b>Operating activities:</b>				
Net income (loss)	\$ 6,765,844	\$ (672,907)	\$ (1,008,180)	\$ (33,358,355)
Adjustments to reconcile net loss to net cash used in operating activities:				
Gain on settlement	(8,124,016)	-	-	(8,124,016)
Goodwill impairment	801,823	-	-	801,823
Minority interest	-	-	-	(632,974)
Depreciation	120	-	-	120
Write off of unproved properties	-	-	59,247	5,619,741
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:				
Prepaid expenses and other	(183,432)	71,625	326,752	(199,755)
Accrued liabilities	(2,349,680)	518,296	322,208	27,528
Income taxes payable	35,000	-	-	35,000
Other assets	-	-	-	-
Net cash used in operating activities	(3,054,341)	(82,986)	(299,973)	(35,384,215)
<b>Investing activities:</b>				
Additions to oil, gas, and mineral properties net of assets acquired for common stock and reimbursements	(1,860,614)	-	(59,247)	(5,600,796)
Net proceeds from settlement	8,124,016	-	-	8,124,016
Proceeds from relinquishment of surface rights	-	-	-	246,733
Purchase of certificates of deposit	(75,000)	-	-	(75,000)
Purchase of Minority interest in CPC	(801,823)	—	-	(801,823)
Purchase of equipment	(1,891)	-	-	(63,540)
Net cash provided by (used in) investing activities	5,384,688	-	(59,247)	1,829,590
<b>Financing activities:</b>				

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Loans from Officers	31,500	80,290	-	111,790
Repayment of loans to officers	(111,790)	-	-	(111,790)
Sale of common stock, net of expenses	-	-	-	30,380,612
Shares issued upon exercise of options	-	-	-	884,249
Sale of shares by subsidiary	-	-	70,000	820,000
Sale of subsidiary shares	-	-	-	3,720,000
Net cash provided by financing activities	(80,290)	80,290	70,000	35,804,861
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,250,057</b>	<b>(2,696)</b>	<b>(289,220)</b>	<b>2,250,236</b>
Cash and cash equivalents at beginning of period	179	2,875	292,095	-
Cash and cash equivalents at end of period	\$ 2,250,236	\$ 179	\$ 2,875	\$ 2,250,236

See accompanying notes.

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**(A Bermuda Corporation)  
A Development Stage Company**CONSOLIDATED STATEMENT OF COMMON STOCK  
AND CAPITAL IN EXCESS OF PAR VALUE**

(Expressed in U.S. dollars)

For the period from January 31, 1953 (inception) to December 31, 2005

	Number of Shares	Common Stock	Capital in Excess of Par Value
Shares issued for net assets and unrecovered costs at inception	5,790,210	\$ 579,021	\$ 1,542,868
Sales of common stock	26,829,486	3,224,014	16,818,844
Shares issued upon exercise of stock options	510,000	59,739	799,760
Market value (\$2.375 per share) of shares issued in 1953 to acquire an investment	54,538	5,454	124,074
Shares issued in 1953 in exchange for 1/3 <sup>rd</sup> of a 1/60 <sup>th</sup> overriding royalty (sold in prior year) in nonproducing leases of Coastal Petroleum	84,210	8,421	-
Market value of shares issued for services rendered during the period 1954-1966	95,188	9,673	109,827
Net transfers to restate the par value of common stock outstanding in 1962 and 1970 to \$0.12 per share	-	117,314	(117,314)
Increase in Company's investment (equity) due to capital transactions of Coastal Petroleum in 1976	-	-	117,025
Balance at December 31, 1990	33,363,632	4,003,636	19,395,084
Sale of subsidiary shares	-	-	300,000
Balance at December 31, 1991	33,363,632	4,003,636	19,695,084
Sale of subsidiary shares	-	-	390,000
Balance at December 31, 1992	33,363,632	4,003,636	20,085,084
Sale of subsidiary shares	-	-	1,080,000
Balance at December 31, 1993	33,363,632	4,003,636	21,165,084
Sale of subsidiary shares	-	-	630,000
Balance at December 31, 1994	33,363,632	4,003,636	21,795,084
Sale of subsidiary shares	-	-	600,000
Balance at December 31, 1995	33,363,632	4,003,636	22,395,084
Sale of common stock	6,672,726	800,727	5,555,599
Sale of subsidiary shares	-	-	480,000
Exercise of stock options	10,000	1,200	12,300
Balance at December 31, 1996	40,046,358	4,805,563	28,442,983
Sale of subsidiary shares	-	-	240,000
Exercise of stock options	10,000	1,200	10,050
Balance at December 31, 1997, 1998 and 1999	40,056,358	4,806,763	28,693,033
Sale of common stock	3,411,971	409,436	2,729,329
Compensation recognized for stock option grant	-	-	75,000
Balance at December 31, 2000 and 2001	43,468,329	5,216,199	31,497,362
Sale of common stock	2,743,275	329,193	570,449

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Balance as of December 31, 2002	46,211,604	5,545,392	32,067,811
Sale of subsidiary shares	-	-	70,000
Balance as of December 31, 2003, 2004 and 2005	46,211,604 \$	5,545,392 \$	32,137,811

See accompanying notes.

## **1. Summary of significant accounting policies**

### Consolidation

The accompanying consolidated financial statements include the accounts of Coastal Caribbean Oils & Minerals, Ltd., a Bermuda corporation (Coastal Caribbean) and its wholly owned subsidiary, Coastal Petroleum Company (“Coastal Petroleum”), referred to collectively as the Company. The Company, which has been engaged in a single industry and segment, is considered to be a development stage company since its exploration for oil, gas and minerals has not yielded any significant revenue or reserves. All intercompany transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation.

### Cash and Cash Equivalents

The Company considers all highly liquid short-term investments with maturities of three months or less at the date of acquisition to be cash equivalents.

### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The outcome of the litigation and the ability to develop the Company’s oil and gas properties will have a significant effect on the Company’s financial position and results of operations. Actual results could differ from those estimates.

### Unproved Oil, Gas and Mineral Properties

The Company follows the full cost method of accounting for its oil and gas properties. All costs associated with property acquisition, exploration and development activities whether successful or unsuccessful are capitalized.

The capitalized costs are subject to a ceiling test which basically limits such costs to the aggregate of the estimated present value discounted at a 10% rate of future net revenues from proved reserves, based on current economic and operating conditions, plus the lower of cost or fair market value of unproved properties.

The Company assesses whether its unproved properties are impaired on a periodic basis. This assessment is based upon work completed on the properties to date, the expiration date of its leases and technical data from the properties and adjacent areas.

## **1. Summary of significant accounting policies (Cont'd)**

Prior to 2005, the Company's undeveloped and nonproducing Florida properties were subject to extensive litigation with the State of Florida and all costs associated with oil and gas properties were deemed impaired and had been expensed.

### Sale of Subsidiary Shares

All amounts realized from the sale of Coastal Petroleum shares have been credited to capital in excess of par value.

### Net Income (Loss) Per Share

Net income (loss) per common 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.

### Financial instruments

The carrying value for cash and cash equivalents, and accounts payable approximates fair value based on anticipated cash flows and current market conditions.

### Stock Based Compensation

The Company uses the fair value based method of accounting for its stock option plans. The Company applies APB Opinion No. 25 and related Interpretations in accounting for stock issued to employees. Compensation expense resulting from stock options issued under the stock option plan (Note 6) is measured at the grant date based upon the difference between the exercise price and the market value of the common stock. All stock options issued to employees during 2005 were granted at an exercise price equal to the market value at the date of grant. Stock-based compensation arrangements involving non-employees are accounted for under Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). The Company provides the disclosure requirements of SFAS 123 and the Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of SFAS 123 for employee arrangements*.

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.

Under SFAS No. 123, the fair value of each option granted is estimated using the Black-Scholes stock option pricing model. The following assumptions were made in estimating fair value of options issued to employees and directors: risk-free interest rate of 4.52% in 2005; no dividend yield; expected life of five years; and expected volatility of 146%. Had the compensation cost of stock options issued to employees and directors been determined on the basis of fair value pursuant to SFAS No. 123, the net income (loss) and earnings (loss) would have been as follows:

	2005		2004		2003
<b>Net income (loss):</b>					
Net income (loss)	\$ 6,765,844	\$	(672,907)	\$	(1,008,180)
Less: stock-based employee and director compensation determined under the fair value method for all awards, net of related tax effect	73,000		-		-
Proforma net income (loss)	\$ 6,692,844	\$	(672,907)	\$	(1,008,180)
<b>Earnings (loss) per share:</b>					
Basic and diluted as reported	\$ .15	\$	(.01)	\$	(.02)
Less: stock-based employee and director compensation determined under the fair value method for all awards, net of related tax effect	.01		-		-
Proforma earnings (loss) per share	\$ .14	\$	(.01)	\$	(.02)

#### New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued several new standards which have implementation dates subsequent to the Company's year end. Management does not believe that any of these new standards will have a material impact on the Company's financial position, results of operations or cash flows.

#### Going Concern

The Company has no recurring revenues, had recurring losses prior to 2005 and has a deficit accumulated during the development stage. We, along with various other related parties, settled several lawsuits in 2005, which were filed by the Company, our subsidiary Coastal Petroleum Company and other related parties against the State of Florida (See Note 4). All of these lawsuits were related to the State's actions limiting our ability to commence development activities through our subsidiary. 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.

These situations raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities, which may result from the outcome of this uncertainty.

## **2. Coastal Petroleum Company - Minority Interests**

In 2005, as part of the settlement with the State of Florida, Lykes Minerals Corp. (Lykes), a wholly owned subsidiary of Lykes Bros. Inc. returned its 78 Coastal Petroleum shares (26.35%) to Coastal Petroleum in order to receive compensation from the State of Florida for all its rights and to cancel an agreement with Lykes that entitled Lykes to exchange each Coastal Petroleum share for 100,000 Coastal Caribbean shares, subject to adjustment for dilution and other factors and the right to exchange Coastal Petroleum shares for overriding royalty interests in Coastal Petroleum's properties.

In 2005, Coastal Petroleum also acquired 45 of its shares (15.20%) from others as part of the settlement with the State of Florida 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 expensed in 2005.

Coastal Petroleum is a wholly owned subsidiary of Coastal Caribbean at December 31, 2005.

## **3. Unproved Oil, Gas and Mineral Properties**

### **North Dakota and Montana Leases**

In November 2005, the Company acquired a group of oil and gas lease rights to approximately 103,557 acres in Montana for \$1,568,000. These leases are subject to a various overriding royalty interests to others up to 19.5%. The leases expire in years from 2007 to 2014.

In July 2005, the Company acquired the rights to drill two 6,500 foot wells to test a Mississippian Lodgepole Reef 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. The Company is obligated to drill a test well before March 31, 2006 and has the option to drill fifty additional prospects in the Valley County area. The Company estimates the cost to drill each of these test wells to be approximately \$500,000 and expects partners to participate for the bulk of expenditures.

Also in July 2005, the Company acquired leases to the deeper rights in approximately 21,688 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. The Company is obligated to drill a test well before March 31, 2006, and has the option to drill the remaining Lodgepole Reef prospects on these leases. The Company plans to again partner with other entities to share the cost of the initial 9,700 foot test well the total estimated drilling cost of which would be approximately \$1,200,000.

The Company is currently assessing its oil and gas leases and identifying prospective drilling sites.



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 cover 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.

**4. Litigation****Settlement Agreement with the State of Florida**

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

The Company recorded a gain on its share of the settlement of \$8,124,000 after deducting all direct settlement costs and costs to cancel various royalty rights related to the Florida leases.

The settlement with the State of Florida in July 2005, included the closing and dismissal of the following legal actions:

Drilling Permit Litigation - Lease Taking Case (Lease 224-A)

Drilling Permit Litigation - Lease Taking Case (Lease 224-B)  
Royalty Taking Case

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Prior to 2005, Coastal Petroleum had agreed to pay an aggregate of 7.9% in contingent fees based on any net recovery from execution on or satisfaction of judgment or from settlement of the Florida litigation. No contingency fees were deemed due from the proceeds of the settlement agreement with the State of Florida, as the past costs and fees for the Florida Litigation exceed the amount of funds the Company will receive under the Agreement.

## **5. Common Stock**

The Company's Bye-Law No. 21 provides that any matter to be voted upon must be approved not only by a majority of the shares voted at such meeting, but also by a majority in number of the shareholders present in person or by proxy and entitled to vote thereon.

**5. Common Stock (Cont'd)**

On March 10, 2003, the Company concluded the sale of two shares of Coastal Petroleum at a price of \$25,000 per share. On October 7 and 28, 2003, the Company concluded the sale of two shares of Coastal Petroleum at a price of \$10,000 per share. The Company realized net proceeds of \$70,000 in 2003 for these sales.

There was no activity in Common Stock during 2005 and 2004.

The following represents shares issued upon sales of common stock:

Year	Number of Shares	Common Stock	Capital in Excess of Par Value
1953	300,000	\$ 30,000	\$ 654,000
1954	53,000	5,300	114,265
1955	67,000	6,700	137,937
1956	77,100	7,710	139,548
1957	95,400	9,540	152,492
1958	180,884	18,088	207,135
1959	123,011	12,301	160,751
1960	134,300	13,430	131,431
1961	127,500	12,750	94,077
1962	9,900	990	8,036
1963	168,200	23,548	12,041
1964	331,800	46,452	45,044
1965	435,200	60,928	442,391
1966	187,000	26,180	194,187
1967	193,954	27,153	249,608
1968	67,500	9,450	127,468
1969	8,200	1,148	13,532
1970	274,600	32,952	117,154
1971	299,000	35,880	99,202
1972	462,600	55,512	126,185
1973	619,800	74,376	251,202
1974	398,300	47,796	60,007
1975	-	-	(52,618)
1976	-	-	(8,200)
1977	850,000	102,000	1,682,706
1978	90,797	10,896	158,343
1979	1,065,943	127,914	4,124,063
1980	179,831	21,580	826,763
1981	30,600	3,672	159,360
1983	5,318,862	638,263	1,814,642
1985	-	-	(36,220)
1986	6,228,143	747,378	2,178,471
1987	4,152,095	498,251	2,407,522
1990	4,298,966	515,876	26,319
1996	6,672,726	800,727	5,555,599
2000	3,411,971	409,436	2,729,329
2002	2,743,275	329,193	570,449
	39,657,458	\$ 4,763,370	\$ 25,674,221



**5. Common Stock (Cont'd)**

The following represents shares issued upon exercise of stock options:

Year	Number of Shares	Common Stock	Capital in Excess of Par Value
1955	73,000	\$ 7,300	\$ 175,200
1978	7,000	840	6,160
1979	213,570	25,628	265,619
1980	76,830	9,219	125,233
1981	139,600	16,752	227,548
1996	10,000	1,200	12,300
1997	10,000	1,200	10,050
	530,000	\$ 62,139	\$ 822,110

**6. Stock Option Plans**

At December 31, 2005, the Company maintains two stock-based employee compensation plans.

During 1995, the Company adopted a Stock Option Plan covering 1,000,000 shares of the Company's common stock. In July 2005, the Company issued an option to its president to acquire 50,000 shares of the Company's common stock at a price of \$.15 per share under the Company's stock option plan. The option expires in ten years. The Company determined the fair value of the stock did not exceed the exercise price on the date of issue and no expense was recorded in 2005.

Unexercised options that existed prior to the 2005 Agreement with the State of Florida were terminated by the Agreement or the releases exchanged during the process of closing the Agreement.

In December 2005, the Company issued options to its directors to acquire 200,000 shares of the Company's common stock at a price of \$.15 per share. The option expires in December 2015. The Company determined the fair value of the stock did not exceed the exercise price on the date of issue.

During 2005, the Company adopted a Stock Option Plan covering 2,300,000 shares of the Company's common stock. In September 2005, the Company issued an option to its president to acquire 250,000 shares of the Company's common stock at a price of \$.15 per share under the Company's stock option plan, subject to the approval of the Plan by shareholders. The Plan was approved at the shareholders meeting on December 9, 2005. The option expires in ten years. The Company determined the fair value of the stock did not exceed the exercise price on the date of issue.

The Company applies APB Opinion No. 25, *Accounting for Stock Issued to Employees*, in accounting for options issued to employees, which is referred to as the intrinsic value method. Under that method no expense related to their issuance has been recognized in the accompanying financial statements.

The following table summarizes employee stock option activity:

<b>Employee Options outstanding</b>	<b>Number of Shares</b>	<b>Range of Per Share Option Price (\$)</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Aggregate Option Price (\$)</b>
Outstanding and exercisable at December 31, 2003 and 2004	700,000	.91	.91	637,000
Nullified, cancelled or released during 2005	(700,000)	.91	.91	637,000
Issued during 2005	500,000	.15	.15	75,000
Outstanding and exercisable at December 31, 2005	500,000	.15	.15	75,000
<b>Available for grant at December 31, 2005</b>	<b>2,775,000</b>			

**Summary of Employee Options Outstanding at December 31, 2005**

<b>Year Granted</b>	<b>Number of Shares</b>	<b>Expiration Date</b>	<b>Exercise Prices (\$)</b>
Granted 2005	50,000	July 25, 2015	.15
Granted 2005	250,000	Dec. 20, 2015	.15
Granted 2005	200,000	Dec. 20, 2015	.15

The weighted-average remaining contractual life of the outstanding stock options at December 31, 2005, 2004 and 2003 was 10 years, 8 years and 9 years, respectively.

**Nonqualified Stock Options**

In July 2005, the Company issued an option to its legal counsel to acquire 25,000 shares of the Company's common stock at a price of \$.15 per share. The option expires in July 2015. The market value of the stock equaled the exercise price on the date of issue.

A summary of non-employee option activity follows:

<b>Non-Employee Options outstanding</b>	<b>Number of Shares</b>	<b>Range of Per Share Option Price (\$)</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Aggregate Option Price (\$)</b>
Outstanding and exercisable at December 31, 2003 and 2004.	-	-	-	-
Nullified, cancelled or released during 2005.	-	-	-	-
Issued during 2005.	25,000	.15	.15	3,750
	25,000	.15	.15	3,750

Outstanding and exercisable at December  
31, 2005.

The Company follows SFAS 123 in accounting for stock options issued to non-employees. The fair value of each option granted is estimated using the Black-Scholes stock option pricing model. The following assumptions were made in estimating fair value: risk-free interest rate of 4.52% in 2005; no dividend yield; expected life of five years; expected volatility of 144%.

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The following table summarizes information about non-employee stock options:

**Summary of Non Employee Options Outstanding at December 31, 2005**

<b>Year Granted</b>	<b>Number of Shares</b>	<b>Expiration Date</b>	<b>Exercise Prices (\$)</b>
Granted 2005	25,000	July 25, 2015	.15

**7. Income taxes**

Bermuda currently imposes no taxes on corporate income or capital gains outside of Bermuda. The Company currently has net taxable income as the result of the gain on settlement. The Company will be able to deduct approximately \$1,600,000 in temporary differences and offset the remaining income tax liability using approximately \$1,900,000 of its \$10,700,000 net operating loss carry forward. However, the Company estimates it will have approximately \$35,000 due under the Alternative Minimum Tax. The Company will have approximately \$8,800,000 in net operating losses to carry forward to 2006. The remaining net operating loss carry forwards expire in periods from 2009 through 2024 as follows: \$61,000 in 2009, \$571,000 in 2010, \$955,000 in 2011, \$1,281,000 in 2012, \$757,000 in 2018, \$622,000 in 2019, \$749,000 in 2020, \$1,884,000 in 2021, \$1,693,000 in 2022, \$132,000 in 2023 and \$51,000 in 2024. For financial reporting purposes, a valuation allowance has been recognized to offset the deferred tax assets relating to those carry forwards. Significant components of the Company's deferred tax assets were as follows:

	2005	2004
Net operating losses	\$ 3,300,000	\$ 4,024,000
Accruals to related parties	-	268,000
Write off of unproved properties	-	1,831,000
Total deferred tax assets	3,300,000	6,123,000
Valuation allowance	(3,300,000)	(6,123,000)
Net deferred tax assets	\$ -	\$ -

Components of the income tax provision are as follows:

	2005	2004
<b>Provision for income taxes</b>		
Current provision for income taxes	\$ 1,345,000	\$ -
Provision for deferred tax liability	-	-
Benefit of other deductible carryforward items	(617,000)	-
Benefit of net operating loss	(693,000)	(253,000)
Deferred asset valuation allowance (reversal)	-	253,000
Net income tax provision	\$ 35,000	\$ -

## **8. Related party transactions**

### Oil and Gas Exploration Activities

In 2005, the Company acquired various oil and gas rights for one time fees of \$100,000 from an entity controlled by one of the Company's Directors.

The Company uses an entity controlled by one of the Company's Directors to perform geotechnical analysis of potential drilling sites at a cost of \$500 per site plus expenses. The Company has paid \$50,000 to this entity as of 2005.

### Loans

Since 2003, Robert Angerer Sr. and Phillip Ware loaned the Company a total of \$112,000, which was repaid in 2005.

### Services

The Company was billed \$72,000 in fees by Angerer & Angerer during 2005 and was billed annually \$288,000 by Angerer & Angerer in 2004 and 2003. Robert Angerer, Sr. was elected a director of Coastal Caribbean and of Coastal Petroleum on January 30, 2003 and re-elected a Vice President of Coastal Caribbean and Coastal Petroleum in December 2005.

The Company was billed \$44,022 for legal fees by the law firm of Iglar & Dougherty, PA, during 2005 and \$7,725 in fees during 2004. Mr. Herbert D. Haughton, a shareholder of the firm, was elected a director of Coastal Caribbean and of Coastal Petroleum in December 2005.

At December 31, 2004, accounts payable included accrued fees from related parties of \$129,000, \$268,000 and \$597,000 due to G&OD, INC, Murtha Cullina LLP and Angerer & Angerer, respectively and those amounts were paid in 2005.

Murtha Cullina LLP provided legal services to the Company prior to 2004. Mr. Timothy L. Largay, a partner of the firm of Murtha Cullina LLP, was a director and Vice President of the Company from January 15, 2001 until his resignation on October 7, 2002. G&O'D INC provided accounting and administrative services prior to 2004. G&O'D INC was owned by Mr. James R. Joyce, who was the Company Treasurer and Assistant Secretary, until his retirement in December 2002.

**9. Selected quarterly financial data (unaudited)**

The following is a summary (in thousands, except for per share amounts) of the quarterly results of operations for the years ended December 31, 2005 and 2004:

<b>2005</b>	<b>QTR 1</b> (\$)	<b>QTR 2</b> (\$)	<b>QTR 3</b> (\$)	<b>QTR 4</b> (\$)
Total revenues	-	-	-	-
Expenses	(88)	(66)	(185)	(233)
Gains and other income	-	-	8,147	28
Income Taxes	-	-	(35)	-
Impairment of goodwill	-	-	(802)	-
Net income (loss)	(88)	(66)	7,125	(205)
Per share (basic & diluted)	(.002)	(.001)	.154	(.004)
Weighted average number of shares outstanding	46,212	46,212	46,212	46,212
<b>2004</b>	<b>QTR 1</b> (\$)	<b>QTR 2</b> (\$)	<b>QTR 3</b> (\$)	<b>QTR 4</b> (\$)
Total revenues	-	-	-	-
Expenses	(192)	(171)	(152)	(158)
Gains and other income	-	-	-	-
Income Taxes	-	-	-	-
Net income (loss)	(192)	(171)	(152)	(158)
Per share (basic & diluted)	(.004)	(.004)	(.003)	(.003)
Weighted average number of shares outstanding	46,212	46,212	46,212	46,212

**Item 9A. 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 December 31, 2005 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 fourth fiscal quarter that has materially affected, or which is reasonably likely to materially affect the Company's internal control over financial reporting.

**Exhibits**

The following exhibits are filed as part of this report:

- 31.1 Certification of Chief Executive Officer and Principal Financial Officer Required by Rule 13a-14(a)-15d-14(a) under the Exchange Act
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 executed by Phillip W. Ware.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**  
(Registrant)

Dated: January 31, 2007

By: /s/ Phillip W. Ware

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**Phillip W. Ware**, President and  
Chief Executive Officer

**INDEX TO EXHIBITS**

Exhibit No.

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

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