

COASTAL CARIBBEAN OILS & MINERALS LTD
Form 10-Q
November 20, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

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) 556-5924
(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 a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

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

The number of shares outstanding of the issuer's single class of common stock as of November 20, 2009 was 47,286,604.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

FORM 10-Q

September 30, 2009

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1	Financial Statements	Page
	Consolidated balance sheets at September 30, 2009 and December 31, 2008	3
	Consolidated statements of operations for the three and nine month periods ended September 30, 2009 and 2008 and for the period from January 31, 1953 (inception) to September 30, 2009	4
	Consolidated statements of cash flows for the nine month periods ended September 30, 2009 and 2008 and for the period from January 31, 1953 (inception) to September 30, 2009	5
	Notes to consolidated financial statements	6
ITEM 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
ITEM 3	Quantitative and Qualitative Disclosure About Market Risk	17
ITEM 4	Controls and Procedures	17

PART II - OTHER INFORMATION

ITEM 1	Legal Proceedings	19
ITEM 5	Other Information	19
ITEM 6	Exhibits	21
	Signatures	22

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 1 - Financial Statements

CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. dollars)

(A Bermuda Corporation)
A Development Stage Company

	September 30, 2009 (Unaudited)	December 31, 2008 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,166	\$ 752
Total current assets	3,166	752
Certificates of deposit, restricted	85,529	84,765
Petroleum leases	2,236,181	2,200,475
Equipment, net	4,525	6,415
Total assets	\$ 2,329,401	\$ 2,292,407
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 235,820	\$ 58,885
Amounts due to related parties	1,020,236	758,021
Notes payable	73,198	-
Notes payable to related parties	45,000	-
Total current liabilities	1,374,254	816,906
Shareholders' equity:		
Common stock, par value \$.12 per share:		
Authorized - 250,000,000 shares		
Outstanding – 46,886,604 and 46,211,604 shares, respectively	5,626,392	5,551,392
Discount on common stock issued	(45,000)	-
Capital in excess of par value	32,139,311	32,139,311
Deficit accumulated during the development stage	(36,765,556)	(36,215,202)
Total shareholders' equity	955,147	1,475,501
Total liabilities and shareholders' equity	\$ 2,329,401	\$ 2,292,407

Note: The balance sheet at December 31, 2008 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
September 30, 2009

ITEM 1 - Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in U.S. dollars)

(A Bermuda Corporation)
A Development Stage Company

(Unaudited)

	Three months ended		Nine months ended		For the
	September 30,		September 30,		period from
	2009	2008	2009	2008	Jan.31, 1953
					(inception) to
					September
					30,
					2009
Interest and other income	\$ 417	\$ 1,587	\$ 764	\$ 3,960	\$ 3,984,735
Gain on settlement	-	-	-	-	8,124,016
	417	1,587	764	3,960	12,108,751
Expenses:					
Legal fees and costs	5,870	37,640	81,538	115,006	17,653,226
Administrative expenses	47,002	63,384	199,521	221,900	11,044,242
Salaries	31,250	31,250	93,750	93,750	4,365,181
Shareholder communications	2,175	2,066	16,881	9,226	4,141,902
Goodwill impairment	-	-	-	-	801,823
Write off of unproved properties	-	-	-	-	6,690,752
Exploration costs	-	-	-	-	188,218
Lawsuit judgments	-	-	-	-	1,941,916
Minority interests	-	-	-	-	(632,974)
Other	45,000	-	45,000	-	409,865
Contractual services	18,019	-	114,428	-	2,270,156
	149,316	134,340	551,118	439,882	48,874,307
Income tax benefit	-	-	-	-	-
Net loss	\$ (148,899)	\$ (132,753)	\$ (550,354)	\$ (435,922)	
Deficit accumulated during the development stage					\$ (36,765,556)
Weighted average number of Shares outstanding (basic & diluted)	46,436,326	46,229,122	46,285,688	46,211,604	

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

See accompanying notes.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 1 - Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

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

	2009	Nine months ended September 30, 2008	For the period from Jan. 31, 1953 (inception) to September 30, 2009
Operating activities:			
Net loss	\$ (550,354)	\$ (435,922)	\$ (36,765,556)
Adjustments to reconcile net loss to net cash used in operating activities:			
Gain on settlement	-	-	(8,124,016)
Goodwill impairment	-	-	801,823
Minority interest	-	-	(632,974)
Depreciation	1,890	1,890	8,448
Write off of unproved properties	-	-	6,690,752
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	-	30,040	-
Income taxes receivable	-	-	-
Accounts payable and accrued liabilities	442,076	338,173	1,258,983
Income taxes payable	-	-	-
Net cash used in operating activities	(106,388)	(65,819)	(36,315,867)
Investing activities:			
Additions to oil, gas, and mineral properties net of assets acquired for common stock and reimbursements	(38,632)	(224,363)	(6,491,884)
Well drilling costs	-	-	(1,071,011)
Sale of unproved nonoperating interests	-	217,820	512,595
Net proceeds from settlement	-	-	8,124,016
Proceeds from relinquishment of surface rights	-	-	246,733

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

Purchase of certificate of deposit	(764)	50,696	(140,184)
Redemption of certificate of deposit	-	-	54,655
Purchase of minority interest in CPC	-	-	(801,823)
Purchase of fixed assets	-	-	(74,623)
Net cash provided by (used in) investing activities	(39,396)	44,153	358,474
Financing activities:			
Loan proceeds	73,198	-	73,198
Loans from officers	45,000	-	156,790
Repayments of loans from officers	-	-	(111,790)
Sale of common stock net of expenses	30,000	-	30,410,612
Shares issued upon exercise of options	-	7,500	891,749
Sale of shares by subsidiary	-	-	820,000
Sale of subsidiary shares	-	-	3,720,000
Net cash provided by financing activities	148,198	7,500	35,960,559
Net (decrease) increase in cash and cash equivalents	2,414	(14,166)	3,166
Cash and cash equivalents at beginning of period	752	30,264	-
Cash and cash equivalents at end of period	\$ 3,166	\$ 16,098	\$ 3,166

See accompanying notes.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 1 Financial Statements

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include Coastal Caribbean Oils & Minerals, Ltd. (“the Company”) and its wholly owned subsidiary, Coastal Petroleum Company (“Coastal Petroleum”) 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 month period ended September 30, 2009, are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. 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, 2008. On November 20, 2009, the date the September 30, 2009, interim consolidated financial statements of the Company were issued, the Company evaluated the recognition and disclosure of subsequent events.

Note 2. Going Concern

As of September 30, 2009, the Company had no revenues, had recurring losses from operations and has had an accumulated deficit during the development stage. The Company's current cash position is not adequate to fund existing operations or exploration and development of its oil and gas properties. Currently, management is actively pursuing funding and has had contact with several parties interested in investing in the Company so that the Company could explore its leases on its own. In addition, the Company has been in contact with other parties interested in working with the Company, in buying some of the Company’s leases or in buying an interest in those leases. There is no assurance that the Company will be able to obtain any funding, that sufficient funding can be obtained, or that the Company will be able to raise necessary funds through the sale of some of its leases or interests in those leases. These situations raise substantial doubt about the Company's ability to continue as a going concern. These 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.

Note 3. 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.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 1 Financial Statements

Note 4. Unproved Oil, Gas and Mineral Properties

Farm-out Agreements and Drilling Activity

In May 2008, the Company entered an agreement with Cobra Oil and Gas (“Cobra”). Under the agreement, Cobra paid Coastal \$180,000 for the option to acquire a half interest in approximately 78,000 acres of Coastal’s Valley County Leases. The agreement allowed the Company to pay its Lease rentals that were due June 1, 2008, and brought in a new party to explore on the Leases. Cobra has until May 2010 to exercise the option by spending \$1,000,000 on behalf of the Company, drilling wells on the leases under the agreement. Those leases included approximately 62,000 acres of leases that were formally under an agreement with F-Cross Resources (“F-Cross”) that expired in 2008 and more than 17,000 acres of other leases Coastal held in Valley County.

The Company had previously entered two farm-out agreements with Western Standard Energy Corp. (“Western Standard”) and F-Cross Resources (“F-Cross”), both of which expired in 2008.

Montana Leases

The Company’s primary presence in Montana is in Valley County, where it holds leases covering approximately 35,873 net acres, which are the remaining unexpired leases from those leases 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 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 through 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.

Coastal assigned a 5% overriding royalty interest (before all expenses) in 8/8ths of the oil or natural gas produced from those Valley County (Starbuck East prospect) Montana leases to a previous lender.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 1 Financial Statements

Note 4. Unproved Oil, Gas and Mineral Properties (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 and the Company has invested some additional funds to geochemically test and high-grade these and other prospects on the leases. Since that time, some of the leases have expired and the Company currently holds leases on approximately 8,748 gross and 8,510 net acres in North Dakota. The Company is obligated to drill a test well on the original leases, totaling 7,031.08 acres, before January 1, 2009, and has the option to drill the remaining Lodgepole Reef prospects on these leases. The Company had intended to team 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 \$1,500,000, however, it is unlikely that the Company will be able to identify and contract with a team prospect prior to the expiration date. The leases making up the remaining acreage were leased by the Company and have no obligation associated with them. The Company is actively seeking funding sufficient to allow it to explore its leases on its own.

In December 2007, the Company entered a second farm-out agreement with Western Standard. Under the agreement, the Company assigned leases over four of its high-graded Lodgepole Reef prospects to Western Standard in return for \$80,000 which the Company received between November 2007 and April 2008, and which was recorded as a reduction in capitalized petroleum lease costs. The Company will also retain a back-in working interest of 20% in the leases after payout on wells drilled by Western Standard on these prospects. Oil For America has agreed to waive the drilling obligation on these four prospects. The Company still retains additional Lodgepole reef prospects on its North Dakota leases that are not covered by this farm-out agreement.

Note 5. Income Taxes

For the three and nine month periods ending September 30, 2009 and 2008, the Company reported a loss for both financial statement reporting and income tax purposes. The Company has provided a 100% valuation allowance on its deferred tax asset as a result of its net operating loss carryforwards. The Company had approximately \$10,000,000 in net operating loss carryforwards at December 31, 2008.

Note 6. Related Party Transactions

In May 2009, the Company borrowed \$45,000 from Phillip Ware, the President of Coastal Petroleum Company, which was used to pay a due diligence fee for a group interested in entering an agreement to drill ("Agreement") on the Company's leases. The loan is non interest bearing and has no set repayment terms. If the Agreement is successful, the loan plus a fee of \$45,000 is due. If the Agreement is unsuccessful, the loan is due out of a refund of the due diligence fee, plus 250,000 shares of restricted common stock of the Company. The Company expensed the \$45,000 due diligence fee during the three months ended September 30, 2009. The Agreement was never fulfilled and was terminated by the Company. The Company is pursuing collection of the \$45,000 fee.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 1 Financial Statements

Note 6. Related Party Transactions (Continued)

In November 2009, the Company borrowed \$10,000 from Robert Angerer, Sr., a Director and shareholder, which was used to pay certain operating expenses of the Company. The loan is non interest bearing, has no set repayment terms and is convertible into 200,000 shares of restricted common stock of the Company if not repaid from future capital raising.

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 paid no amounts to this entity for either of the three and nine months ended September 30, 2009, and 2008.

Through May 2009, the Company paid a monthly retainer to the law firm of Angerer & Angerer which had been litigation counsel to the Company for more than twenty-five years and also served the Company in that capacity as well as others including general counsel services, management services, public relations, shareholder relations and representing the Company before state and federal agencies for permitting. The principals of the law firm included two individuals who are collectively shareholders, officers and a director of the Company. The Company expensed \$60,000 and \$108,000 in legal fees billed by Angerer & Angerer for the nine months ended September 30, 2009 and 2008, respectively, including \$0 and \$36,000 in legal fees for the three months ended September 30, 2009 and 2008, respectively. The Company owes \$300,000 in accrued legal fees to Angerer & Angerer as of September 30, 2009.

Since June 2009, the Company has retained Robert J. Angerer, Sr. as legal counsel. Mr. Angerer has been litigation counsel to the Company for more than twenty-five years and continues to serve the Company in that capacity as well as others including general counsel services, management services and representing the Company before state and federal agencies for permitting. Mr. Angerer, Sr. is also a shareholder, officer and a director of the Company. The Company expensed \$11,600 and \$11,600, respectively, in legal fees to Mr. Angerer, Sr. for the three and nine month periods ended September 30, 2009.

Also since June 2009, the Company has retained Robert J. Angerer, Jr. who serves as the Company's corporate secretary and handles management services, public relations, shareholder relations and management of the Company's website. The Company expensed \$0 in fees to Mr. Angerer, Jr. for the three and nine month periods ended September 30, 2009.

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 \$12,528 and \$12,447 in legal fees and costs for the nine months ended September 30, 2009 and 2008, respectively, including \$6,270 and \$2,768 in legal fees for the three months ended September 30, 2009 and 2008, respectively.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 1 Financial Statements

Note 7. Stock Transactions

In November 2009, the Company received \$25,000 from the sale of 333,000 shares of restricted common stock of the Company to an individual and an entity, which the Company used to pay the November 2009 rentals due on its leases in the amount of \$21,550. The individual and entity also each received a 0.25% royalty covering the Company's leases covering its Starbuck East Montana shallow gas leases. In connection with this transaction, the Company paid a consultant \$3,500 and issued 66,667 shares of restricted Company common stock and a .25% overriding royalty in the Company's Starbuck East Montana Shallow Gas leases.

On September 1, 2009, the Company received \$15,000 from the sale of 325,000 restricted shares of stock of the Company to an individual, which the Company used to pay its September 1st annual lease rentals on other Montana, Starbuck East leases. In August, the Company received \$15,000 from the sale of 300,000 restricted shares of stock of the Company to an entity, which the Company used to pay certain operational expenses. In these two transactions, the shares were issued at a discount to par value.

In March 2008, the Company received \$7,500 from the exercise of outstanding stock options for 50,000 shares from Robert J. Angerer, Sr., a vice president and a director of the Company.

Note 8. Certificates of Deposit – Restricted

The Company has pledged certificates of deposit for pollution bond requirements under three previous well permits.

Note 9. Notes Payable

During the first six months of 2009, the Company borrowed \$48,198 from an individual, which was used to make annual rental payments on specific leases. The loan is non interest bearing and has no set repayment terms. The individual was granted a 0.5% royalty interest in the leases for which the borrowed money was used to pay rentals, which are located primarily in the Starbuck prospect area in Montana.

During August 2008, the Company borrowed \$25,000 from an entity working with the Company to identify investors to consummate the Agreement and fund the 2009 Drilling Plan. The funds from the loan were used to pay the Company's annual corporate fee to Bermuda as well as certain other operational expenses. The loan is non interest bearing and has no set repayment terms. If the Agreement is successful, the loan plus a fee of \$25,000 is due.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations, which are not historical in nature are intended to be forward looking statements. The Company cautions readers that forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements. Among the risks and uncertainties are: the uncertainty of securing additional funding through the sale of shares of Coastal Petroleum and/or Coastal Caribbean; changes in the income tax laws relating to tax loss carry forwards; the failure of the Company's test wells to locate oil or gas reserves or the failure to locate oil or gas reserves which are economically feasible to recover; reductions in world wide oil or gas prices; adverse weather conditions; or mechanical failures of equipment used to explore the Company's leases.

Critical Accounting Policies

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.

General

We are an active independent oil and gas exploration company and through our subsidiary, Coastal Petroleum, we hold mineral rights in Montana and North Dakota in the oil producing region known as the Williston Basin. Our objective formations on those leases include the Lodgepole and the Eagle among others. The Company's future growth will be driven primarily by exploration and development activities. Our business strategy is to increase shareholder value by acquiring and drilling reasonably priced prospects that have good potential, whether in the Williston Basin or in other parts of the United States, with the goal of shaping the Company into a producing independent oil and gas firm. We will continue to seek high quality exploration projects with potential for providing long-term drilling inventories that generate high returns.

In Montana, we have obtained the rights to explore for oil and gas in one area which will be our primary area of focus. This primary area is a large assembly of leases covering approximately 35,873 net acres in Valley County, located in northeastern Montana close to known production from a Lodgepole reef.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

This area of Montana has a number of other producing formations in addition to the Lodgepole, including the Eagle sands. Currently we have one agreement with a party covering some of the areas of the leases and during 2008 we had two agreements expire under which exploration had begun on the leases. We also hold leases in southwestern North Dakota and have an agreement covering four Lodgepole prospects on those leases.

Liquidity and Capital Resources

Liquidity

The Company had \$3,000 in cash, excluding certificate of deposits pledged for drilling permits, at September 30, 2009, and no available cash at December 31, 2008. Our current liabilities exceed our current assets by \$1,361,000 at September 30, 2009. We have suspended payments to our directors, general legal counsel, and employee since the second quarter of 2007 and have accrued \$1,364,000 in expenses as of September 30, 2009. We expect to continue to suspend payments to these parties until sufficient funding can be secured to resume exploration operations and cover normal operating expenses. During the three months ended September 30, 2009, we received \$30,000 from the sale of common stock and borrowed \$70,000 from various individuals and entities. Subsequent to September 30, 2009, we received \$25,000 from the sale of restricted shares of common stock and borrowed \$10,000 from an officer of the Company.

In April 2009, we received a loan of \$20,800 from a private party, which we used to pay lease payments due March 31, 2009, in exchange for the right to be repaid once the Company acquires funding as well as a 0.5% royalty in the leases for which rentals were paid by the loan. We also received another loan in May 2009 from that individual in the amount of \$27,398, under the same terms, which we used to pay some of the lease payments on June 1, 2009, covering the most prospective lease acreage upon which the rentals were due at that time. Those leases are located in our Starbuck Prospect area and the lease rentals on additional acreage which was located well to the west of the Starbuck Prospect were not able to be paid and expired. That same individual paid the Company \$15,000 on September 1, 2009, in exchange for 325,000 restricted shares of the Company common stock to allow the Company to pay its September 1st annual lease rentals on other Montana, Starbuck East leases.

In May 2009, the Company borrowed \$45,000 from Philip Ware, the President of Coastal Petroleum Company, which was used to pay a due diligence fee for a group interested in drilling on the Company's leases. The loan is non interest bearing and has no set repayment terms. If the Agreement is successful, the loan plus a fee of \$45,000 is due. If the Agreement is unsuccessful, the loan is due out of a refund of the due diligence fee, plus 250,000 shares of restricted common stock of the Company. The Company expensed the \$45,000 due diligence fee during the three months ended September 30, 2009. The Agreement was never fulfilled and was terminated by the Company. The Company is pursuing collection of the \$45,000 fee.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

During August 2009, the Company also received a loan of \$25,000 from an entity working with the Company to identify investors to fund the 2009 Drilling Plan. The funds from the loan were used to pay the Company's annual corporate fee to Bermuda as well as operational costs associated with remaining a reporting public company. The terms of the loan reflect the risk involved and call for repayment of \$50,000 once the Company secures funding to begin drilling operations. Also in August 2009, the Company made another sale of stock to an entity for \$15,000 to cover operational costs associated with remaining a reporting public company, in exchange for 300,000 shares of restricted common stock and an option to pay additional funds to begin exploration under the 2009 Drilling Plan.

In November 2009, the Company issued 333,000 restricted shares of common stock to an individual in return for \$25,000 which the Company used to pay the November 2009 rentals due on its leases in the amount of \$21,550. The individual also each received a 0.25% royalty covering the Company's leases covering its Starbuck East Montana shallow gas leases. In connection with this transaction, the Company paid a consultant \$3,500 and issued 66,667 shares of restricted Company common stock and a .25% overriding royalty in the Company's Starbuck East Montana Shallow Gas leases.

In November 2009, the Company borrowed \$10,000 from Robert Angerer, Sr., a Director and shareholder, which was used to pay certain operating expenses of the Company. The loan is non interest bearing, has no set repayment terms and is convertible into 200,000 of restricted shares of common stock of the Company if not repaid from future capital raising.

We have additional lease rental payments in the amount of \$20,800 due by April 1, 2010. We may need to sell additional lease rights, obtain additional loans or secure funding to obtain the cash to make these payments, although there is no guarantee we will be able to sell additional lease rights or obtain loans or funding.

We are actively engaged in pursuing funding for our Drilling Program. The Drilling Program is an aggressive \$9,500,000 exploration operation which would allow us to explore the potential of each of the areas we hold under lease. The Drilling Program covers exploration in three areas: a development Red River Formation prospect in Slope County, North Dakota, on approximately 400 acres we acquired; the drilling of three Lodgepole Formation prospects we have on our North Dakota Leases; and twelve step out wells from the Federal 1-19 well on the Starbuck East prospect in Montana. The Company is proceeding with the relatively inexpensive process of permitting wells in its main block of leases in Valley County, Montana, in order to accommodate the drilling of the expected wells. The Drilling Program is separate from the agreements described below.

As of September 30, 2009, we had no revenues, had recurring losses prior to 2005 and since 2005, and had an accumulated deficit during the development stage. Our current cash position is not adequate to fund existing operations or exploration and development of its oil and gas properties. These situations raise substantial doubt about our ability to continue as a going concern.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Capital Resources

In May 2008, we entered an agreement with Cobra. Under the agreement, Cobra paid Coastal \$180,000 for the option to acquire a half interest in approximately 87,000 acres of Coastal's Valley County Leases. The agreement allowed the Company to pay its Lease rentals that were due on June 1, 2008, and brought in a new party to explore on the Leases. Cobra has until May 2010 to exercise the option by spending \$1,000,000 on behalf of the Company, drilling wells on the leases covered by the agreement. Those leases included approximately 62,000 acres of leases that were formally under an agreement with F-Cross Resources that expired in 2008 and more than 17,000 acres of other leases Coastal held in Valley County. No drilling has taken place yet under this agreement.

Two other agreements covering the leases expired during 2008. The first of the two agreements was a farm-out agreement with Western Standard, entered in August 2007. Upon execution of the agreement, Western Standard paid us \$40,000. Subsequently, they paid an additional \$384,000, \$255,000 of which covered the costs of drilling the first well to test a shallow natural gas prospect in Valley County, Montana and \$129,000 was paid to cover associated lease rentals. Western Standard would have had an interest in the first well drilled as well as an option to purchase a 50% interest in the 42,000 acres under the lease. Upon receiving the funds to cover lease rentals, we repaid in full our loan of \$126,000. Under the loan agreement, the individual that loaned us the money continues to hold a 5% overriding royalty on the same approximately 42,000 acres that are covered in the Western Standard agreement.

The first well under this agreement was drilled during October 2007, to test a shallow natural gas prospect near the middle of the Company's Valley County Leases. The well, known as the Federal 1-19 Well, had three objectives: to confirm the 34,000 acre Starbuck East Prospect by finding that the Eagle formation was high to surrounding wells off the Prospect; to confirm that there were good natural gas shows in the Starbuck East Prospect; and to find commercial gas in either the Eagle formation or the Judith River formation. The first two objectives were met. Due to drilling damage, the third objective has not yet been met.

During October 2007, the Federal 1-19 well reached a total depth of 1,126 feet, and confirmed the structural high that was targeted. The well also had gas shows in two zones. Casing was run into the hole and operations to complete and test the well were scheduled to begin at the end of November, but were delayed by equipment repairs. The well is located on Federal land and the Bureau of Land Management would not allow the completion and testing operations or any further drilling to begin until July 2008, so operations were suspended until that time. The Company also received an additional \$29,000 from Western Standard to cover additional drilling and other costs associated with the delay in well completion, which has been recorded as a reduction in capitalized petroleum lease costs. Western Standard paid the estimated well completion costs of \$65,000 and operations to complete and test the well were performed in two stages during the third quarter and proceeded to the third stage in the fourth quarter of 2008. In October 2008, the Company received approximately \$29,000 from Western Standard to pay for the third stage of operations which included stimulation of the well, a common procedure in completing oil and gas wells.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company was unable to determine by this well whether the target formations contain economic quantities of gas. Drilling damage in the well prevented the testing of either of the prospective formations at this location. Completion efforts found that the Eagle formation was damaged by the initial drilling and the formation was not able to be tested from this well. Further drilling into the Eagle formation during completion did not yield gas like the gas show seen from the upper part of the formation that was damaged. The Judith River formation, a secondary target, was damaged by drilling fluids lost into the formation while drilling through it to get to the Eagle formation, the primary target. Future wells to test this structure will incorporate the information obtained from these wells to prevent that damage from occurring again in other locations on the structure.

It is not unusual that the first well confirming a structure does not become a producing well. The test well did produce valuable information about the two gas bearing formations and their potential for economically feasible commercial gas production. Problems encountered in drilling the test well can now be avoided when future wells are drilled on the Starbuck East Prospect. With the first two objectives met, the Company will now focus on achieving the third objective, specifically finding commercial gas in either the Eagle or Judith River formations. We have received two permits to drill a step-out well and are currently in the permitting process for one more.

After the completion efforts on the Federal 1-19 well were finished, Western Standard had the option to purchase a 50% interest in approximately 42,000 acres near the well location for \$1,000,000. The time to exercise that option passed and Western Standard did not exercise it, so we regained complete control of the leases formerly under the Western Standard agreement and Western Standard no longer has an interest in them. The Company abandoned the Federal 1-19 well in September 2009.

The other agreement that expired in 2008 was with F-Cross and was entered in September of 2007, covering approximately 64,000 acres on the northwest part of our Valley County Leases. Under the agreement, F-Cross had the option to drill a Lodgepole test well within six months and after drilling that well had the further option to acquire an interest in surrounding acreage. F-Cross was to pay for the cost of drilling the initial well and will receive a 100% working interest in the well until payout and an 80% working interest subsequent to payout. F-Cross exercised its option and the first Lodgepole test well was spudded on November 3, 2007. Drilling has finished, but the well is still awaiting completion and testing of several zones which have potential for both oil and gas. However, F-Cross did not meet the requirements in the agreement and in late March 2008 the option to acquire an interest in additional acreage expired, leaving F-Cross with rights only in the section in which it drilled.

In North Dakota, we control the working interest on approximately 8,510 net acres in Slope, Billings, and Stark Counties, on which a number of drillable prospects have been mapped to date. The depth of wells in North Dakota is greater than in Montana (approximately 9,500 feet versus approximately 5,000 feet), and thus the cost of drilling is higher. A typical North Dakota wildcat well costs about \$1.5 million to drill. We had originally intended to bring in others to share the risk and investment in wells it drills in North Dakota until the Company is in a stronger financial position, but are now actively seeking funding to allow us to begin such exploration on our own.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

In December of 2007 we entered a second farm-out agreement with Western Standard. Under the agreement, we assigned leases over four of our high-graded Lodgepole Reef prospects to Western Standard in return for \$80,000 which we received between November 2007 and April 2008. We will also retain a back-in working interest of 20% in the leases after payout. The leases cover all rights below the Tyler formation, including the Lodgepole formation, with an 80% net revenue interest. We acquired these and other leases in the area in 2005 from Oil For America for \$50,000 and we have invested some additional funds to geochemically test and high-grade these and other prospects on the leases. Oil For America has agreed to waive the drilling obligation on these four prospects. We will still retain three additional Lodgepole reef prospects on our North Dakota leases that are not covered by this farm-out agreement.

If our funding efforts are successful, we plan to drill or participate in as many as sixteen exploratory wells under our Drilling Plan. However, the number of wells that we drill in 2009 and their cost will be subject to various factors, including whether or not we can obtain sufficient funding to carry out the Drilling Plan, whether Cobra will exercise its option and begin exploration under its agreements, the availability of drilling rigs that we can hire and whether we drill alone or with other participants. In addition, we could reduce the number of wells that we drill if oil and natural gas prices were to decline significantly. We expect the cost of drilling the sixteen wells incorporated in the Drilling Plan to depend upon many factors, including those above, which may affect the cost of operations and whether and to what extent others participate with the Company.

Results of Operations

Nine months ended September 30, 2009 vs. September 30, 2008

We did not conduct new drilling activities on our leased property for the nine months ended September 30, 2009, due to lack of funding. We did not conduct drilling activities on our leased property for the nine months ended September 30, 2008, due to weather and/or landowner access restrictions on our leases from January 1st to July 1st. We expensed \$114,000 for the nine months ended September 30, 2009, for well closure costs. There was some activity paid for under our farm-out agreements with other entities to perform some completion activities during the third quarter of 2008. Substantially all the drilling activity on our leases for 2008 was conducted in the fourth quarter and was financed under farm-out agreements with other entities. We reduced our legal fees by \$36,000 per quarter beginning June 1, 2009 and our directors fee expense by \$6,250 per quarter effective July 1, 2009. Therefore, our expenses are primarily administrative and our 2009 expenses remained consistent with 2008 amounts.

Our interest income decreased in 2009 from 2008 due to lower cash balances.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Three months ended September 30, 2009 vs. September 30, 2008

We did not conduct any drilling activities in for the three months ended September 30, 2009, due to lack of funding. We did not conduct drilling activities on our leased property for the nine months ended September 30, 2008, due to weather and/or landowner access restrictions on our leases from January 1st to July 1st. We expensed \$18,000 for the three months ended September 30, 2009, for well closure costs. There was some activity paid for under our farm-out agreements with other entities to perform some completion activities in the third quarter of 2008. Substantially all the drilling activity on our leases for 2008 was conducted in the fourth quarter and was financed under farm-out agreements with other entities. We reduced our legal fees by \$36,000 per quarter beginning June 1, 2009 and our directors fee expense by \$6,250 per quarter effective July 1, 2009. Therefore, our expenses are primarily administrative and our 2009 expenses remained consistent with 2008 amounts.

Our interest income decreased in 2009 from 2008 due to lower cash balances.

ITEM 3 Quantitative and Qualitative Disclosure About Market Risk

The Company does not have any significant exposure to market risk as there were no investments in marketable securities at September 30, 2009.

ITEM 4 Controls and Procedures

a. Management's annual report on internal control over financial reporting.

We maintain 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. Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

b.Changes in internal controls. The Company made no changes in its internal control over financial reporting that occurred during the Company's first fiscal quarter that has materially affected, or which is reasonably likely to materially affect the Company's internal control over financial reporting.

c.Limitations on the Effectiveness of Controls Our management, including our Chief Executive and Chief Financial Officer, does not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control

issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART I - FINANCIAL INFORMATION
September 30, 2009

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

18

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART II - OTHER INFORMATION
September 30, 2008

ITEM 1

Legal Proceedings

During the third quarter, the Company was involved as a defendant in a case entitled American Pipe & Supply Co. v. Coastal Petroleum Company, et.al, Cause No. DV 08-63, in the Montana Seventeenth Judicial District Court in Valley County, Montana. This claim is in relation to the failure of our farmee, F-Cross, who has filed for bankruptcy, to pay for pipe purchased from the Plaintiff to drill the State 7-16 well. The claim seeks relief against Coastal Petroleum Company: to foreclose and oil and gas lien on the single part of one lease involved which is held in Coastal Petroleum Company's name; and damages for breach of contract and quantum meruit in the amount of about \$80,000. Because the farmee has filed bankruptcy the proceeding is in abeyance. Coastal has filed an answer and its counsel advises it is likely that only the claim to foreclose the lien should withstand a motion for summary judgment by Coastal. While it is likely that the Plaintiff will obtain the lien, this lien would only apply to the small area under that specific lease that was drilled. We have an outstanding invoice for \$800 due to the Coastal's counsel in the case.

Except as described in the preceding paragraph, to the best knowledge of our management, there are no material litigation matters pending or threatened against us.

ITEM 5

Other Information

The Internal Revenue Code of 1986, as amended, provides special rules for distributions received by U.S. holders on stock of a passive foreign investment company (PFIC), as well as amounts received from the sale or other disposition of PFIC stock. Under the PFIC rules, a non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is passive income or (2) at least 50 percent of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income.

The Company believes that it would not be classified as a PFIC for the year 2008, because it derived the majority of its gross income in 2008 from the sale of interests in parts of its leases to other companies through farm-out agreements, and received a relatively small amount of interest the Company. However, the Company may have been considered a PFIC in previous years, which could result in negative tax consequences to a shareholder. The determination of whether the Company will be considered a PFIC for United States federal income tax purposes is an annual determination that cannot be made until the close of the fiscal year. Also, how the Company was classified last year does not affect how it will be classified this year.

If, for any taxable year, the Company's passive income or assets that produce passive income exceed levels provided by U.S. law, the Company would be a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes. For the years 1987 through 2004 and in 2006, Coastal Caribbean's passive income and assets that produce passive income exceeded those levels and for those years Coastal Caribbean constituted a PFIC. If Coastal Caribbean is a PFIC for any taxable year, then the Company's U.S. shareholders potentially would be subject to adverse U.S. tax consequences of holding and disposing of shares of our common stock for that year and for future tax years. Any gain from the sale of, and certain distributions with respect to, shares of the Company's common stock,

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
PART II - OTHER INFORMATION
September 30, 2008

ITEM 5

Other Information (continued)

would cause a U.S. holder to become liable for U.S. federal income tax under section 1291 of the Internal Revenue Code (the interest charge regime). The tax is computed by allocating the amount of the gain on the sale or the amount of the distribution, as the case may be, to each day in the U.S. shareholder's holding period. To the extent that the amount is allocated to a year, other than the year of the disposition or distribution, in which the corporation was treated as a PFIC with respect to the U.S. holder, the income will be taxed as ordinary income at the highest rate in effect for that year, plus an interest charge.

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, 2008.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
FORM 10-Q
September 30, 2009

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

21

COASTAL CARIBBEAN OILS & MINERALS, LTD.

FORM 10-Q

September 30, 2009

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: November 20, 2009

By: /s/ Phillip W. Ware
Phillip W. Ware
Chief Executive Officer, President
and Treasurer