

COASTAL CARIBBEAN OILS & MINERALS LTD

Form 10-K

March 31, 2011

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**Form 10-K**

(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, 2010**

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

**NONE**  
(I.R.S. Employer

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Incorporation or Organization)

Identification No.)

Clarendon House, Church Street, Bermuda  
(Address of Principle Executive Offices)

HM 11  
(Zip Code)

Registrant's telephone number, including area code:

(850) 878-2411

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:

Title of Class

Common stock, par value \$.12 per share

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  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, 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

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: \$2,314,770 (U.S.) at June 30, 2010.

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**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, 70,661,604 shares outstanding as of March 30, 2011.

### **DOCUMENTS INCORPORATED BY REFERENCE**

List hereunder the following documents if incorporated by reference and the Part of the Form 10K (e.g. Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

None

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All monetary figures set forth are expressed in United States currency.



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**PART I**

**Item 1. Business**  
**Company Website**

The Company has a website located at <http://www.coastalcarib.com>. The website can be used to access recent news releases, Securities and Exchange Commission ( SEC ) filings, and other items of interest. The contents of the Company's website are not incorporated into this document. Securities and Exchange Commission filings, including supplemental schedules and exhibits can also be accessed free of charge through the SEC website at <http://www.sec.gov>.

**General**

Coastal Caribbean Oils & Minerals, Ltd. ( Company or Coastal Caribbean ), was organized in Bermuda on February 14, 1962. The Company is the successor to Coastal Caribbean Oils, Inc., a Panamanian corporation organized on January 31, 1953 to be the holding company for Coastal Petroleum Company ( Coastal Petroleum ). Coastal Caribbean, has been engaged, through its subsidiary, Coastal Petroleum, in the exploration for oil and gas reserves. At December 31, 2010, Coastal Caribbean's principal asset was its 100% interest in its subsidiary Coastal Petroleum. Coastal Petroleum's principal assets are its nonproducing oil and gas leases in the States of Montana and North Dakota in a fertile oil producing region know as the Williston Basin. Coastal Petroleum is the lessee under leases relating to the exploration for and production of oil and gas on approximately 32,313 net acres of land in Valley County, Montana and approximately 400 net acres of land in Slope County, North Dakota.

Prior to acquiring leases in Montana and North Dakota, and beginning in the 1940's the Company held State of Florida oil, gas and mineral leases covering approximately 3,700,000 acres of submerged lands along the Gulf Coast and under certain inland lakes and rivers. For more than 15 years, the State of Florida used laws, policies and permit denials to prevent Coastal Petroleum from using its leases. The Company vigorously litigated to be able to use its leases or to be compensated for the State's taking of them, but Florida courts ultimately ruled against the Company. On June 1, 2005, the Company, Coastal Petroleum and other royalty holders, based upon the court decisions and State policies, entered an agreement to exchange mutual releases, dismiss pending actions and to surrender the leases and royalty rights back to the State of Florida in exchange for a total compensation of \$12.5 million to be divided among the parties in interest. The Company and its subsidiary received approximately \$4,872,000 in net proceeds and the Company regained 100% ownership of its subsidiary, Coastal Petroleum.

The Company has utilized the funds it received from the Agreement with the State of Florida to acquire the leases in Montana and North Dakota described above and to begin drilling there. No economical oil or gas discoveries have yet been made on these properties; therefore, the Company has no proved reserves of oil and gas and has had no production.

**Crude Oil and Natural Gas Exploration**

Through its wholly owned subsidiary, Coastal Petroleum, the Company has begun to explore for oil and gas in Montana, although during 2010, the Company's primary activity was seeking capital to fund its Drilling Program. The Company is continuing its effort to raise capital.

During the fourth quarter of 2010, the Company drilled an exploratory gas well on its Valley County, Montana Leases to test multiple zones potentially containing natural gas. The well has been logged and cased and the results and information gathered from the well continue to be evaluated in order to provide an assessment of the potential for natural gas production from the several target horizons drilled through at this location. To date, we do not have a definitive determination as to whether economic quantities of oil and gas exist within the target zones at this location.

Under a past agreement,, the Federal 1-19 well, was drilled on our Valley County, Montana Leases to test a shallow gas prospect during October 2007. The well reached a total depth of 1,126 feet and confirmed the structural high that was targeted and had gas shows in two zones. Casing was run into the hole and the Company engaged in three stages of completion operations, including stimulation of the well, a common procedure in completing oil and gas wells.

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The Company was unable to determine by this well whether the target formations contain economic quantities of gas because 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.

The Company is actively engaged in pursuing funding for our Drilling Program. The Program is an aggressive exploration operation which would allow the Company to explore the potential of each of the areas held under its leases. The Program covers exploration in two areas: a development Red River Formation prospect in Slope County, North Dakota, on approximately 400 acres the Company acquired; and twelve step out wells from the Federal 1-19 well on the Starbuck East prospect in Montana. The Drilling Program is currently being reviewed by prospective funding parties. 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. We have no assurances at this time that any funding will be available for the Drilling Program. During 2010 and into the beginning of 2011 the Company had discussions and negotiations with multiple parties in its effort to secure funding for the exploration of the Company's leases. The Company continues discussions with other parties to secure the capital to fund the Drilling Plan.

During the second half of 2010, we acquired four additional high-graded Lodgepole Reef prospects in North Dakota for \$20,000 and began the permitting process to allow the leases to be drilled before their expiration. While multiple parties were interested in drilling the prospects on those leases, no agreement was able to be reached before the expiration of those leases.

## **Environmental Regulation**

Coastal Caribbean is committed to responsible management of the environment, health and safety, as these areas relate to the Company's operations. The Company strives to achieve the long-term goal of sustainable development within the framework of sound environmental, health and safety practices and standards.

All facets of the Company's operations are affected by a myriad of federal, state, regional and local laws, rules and regulations. The Company is further affected by changes in such laws and by constantly changing administrative regulations. Furthermore, government agencies may impose substantial penalties if the Company fails to comply with such regulations or for any contamination resulting from the Company's operations.

The costs incurred to ensure compliance with environmental, health and safety laws and other regulations are inextricably connected to normal operating expenses such that the Company is unable to separate the expenses related to these matters.

When acting as the operator and conducting drilling operations, Coastal Caribbean maintains insurance coverage that it believes is customary in the industry although it is not fully insured against all environmental or other risks. The Company is not currently conducting drilling operations and therefore does not currently have such insurance. The Company is not aware of any environmental claims existing as of December 31, 2010 that would have a material impact upon the Company's financial position, results of operations, or liquidity.

## ***Regulation of Oil and Gas***

The oil and gas industry is extensively regulated by numerous federal, state and local authorities. Legislation affecting the oil and gas industry is under constant review for amendment or expansion, frequently increasing the regulatory burden. Also, numerous departments and agencies, both federal and state are authorized by statute to issue rules and regulations binding on the oil and gas industry and its

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individual members, some of which carry substantial penalties for failure to comply. Although the regulatory burden on the oil and gas industry increases the Company's cost of doing business and, consequently, may affect profitability, these burdens generally do not affect the Company any differently or to any greater or lesser extent than they affect other companies in the industry with similar types, quantities and locations of production.

The Company's operations are subject to various types of regulation at federal, state and local levels. These types of regulation include requiring permits for the drilling of wells, drilling bonds and reports concerning operations. Most states, and some counties and municipalities in which the Company operates may also regulate one or more of the following: the location of wells; the method of drilling and casing wells; the rates of production or allowables; the surface use and restoration of properties upon which wells are drilled; the plugging and abandoning of wells; and notice to surface owners and other third parties.

State laws regulate the size and shape of drilling and spacing units or proration units governing the pooling of oil and natural gas properties. Some states allow forced pooling or integration of tracts to facilitate exploration while other states rely on voluntary pooling of lands and leases. In some instances, forced pooling or unitization may be implemented by third parties and may reduce the Company's interest in the unitized properties. In addition, state conservation laws establish maximum rates of production from oil and natural gas wells, generally prohibit the venting or flaring of natural gas, and impose requirements regarding the ratability of production. These laws and regulations may limit the amount of oil and natural gas the Company can produce from its wells or limit the number of wells or the locations at which it can drill.

Moreover, each state generally imposes a property, production or severance tax with respect to the production and sale of oil, natural gas and natural gas liquids within its jurisdiction.

## **Competition**

The oil and gas industry is highly competitive. The Company must compete with other companies that have substantially greater resources available to them. As an independent, the Company does not own any refining or retail outlets and, therefore, it would have little control over the price it may receive for any crude oil it produces. In acquisition activities, significant competition exists as integrated and independent companies and individual producers are active bidders for desirable oil and gas properties. Although many of these competitors have greater financial and other resources than the Company, Management believes that Coastal Caribbean is in a position to compete effectively due to its low cost structure, transaction flexibility, experience and determination.

## **Employees**

The Company currently has one employee. The Company relies heavily on consultants for legal, accounting, geological and administrative services. The Company uses consultants because it believes it is more cost effective than employing a larger full time staff.

## **Oil and Gas Properties**

### **Williston Basin**

#### ***Valley County, Montana***

The Company's assets in Valley County consist of leases covering approximately 32,313 net acres. The Company's working interest in these properties is 100% and would be reduced to 75% at payout, except as modified by the agreements described below. Most of the leases were acquired during 2005, but some were included in approximately 27,780 gross acres (27,740 net acres) the Company acquired in February of 2006, most of which expired in March 2009. Two wells have been drilled on the leases held by the Company but one has not yet been completed and tested and the other was damaged during drilling and could not be tested, so the Company has no proved reserves on the property as yet. While the Company has entered contracts with parties regarding exploration on the leases in the past, currently there are no such agreements in place.



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The first well under one such agreement was drilled during October 2007, and reached a total depth of 1,126 feet, casing was run into the hole after there were gas shows at two horizons during drilling. 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.

***Slope County, North Dakota***

The Company owns leases covering approximately 400 net acres in Slope County covering its Red River Prospect. The Company has not yet begun any drilling on the property and has no proved reserves on the property. Other leases formerly held in North Dakota have since expired.

**Acreage and Wells**

The following chart reflects the approximate acreage held under lease by Coastal Caribbean through its wholly owned subsidiary Coastal Petroleum, at December 31, 2010:

**Acreage under lease at December 31, 2010**

| Lease Location | Gross Acres <sup>(1)</sup> |           | Net Acres <sup>(2)</sup> |           |
|----------------|----------------------------|-----------|--------------------------|-----------|
|                | Undeveloped                | Developed | Undeveloped              | Developed |
| Montana        | 32,313.00                  | 0         | 32,313.00                | 0         |
| North Dakota   | 400.00                     | 0         | 400.00                   | 0         |
| <b>Total:</b>  | 32,713.00                  | 0         | 32,713.00                | 0         |

(1) A gross acre is an acre in which a working interest is owned.

(2) A net acre is deemed to exist when the sum of fractional ownership working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.

One exploratory gas well was drilled in Montana during 2010, the results of which remain under evaluation. No wells were drilled in 2009.

**Drilling Activity**

During 2010 one well was drilled in Montana, but for most of the year, the Company was seeking funding for drilling on its leases.

During 2009 no wells were drilled because the Company was seeking funding for drilling on its leases.

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### **Item 1B. Unresolved Staff Comments**

None

### **Item 2. Properties**

Information required by Item 2 Properties is included under Item 1 Business.

### **Disclosure Concerning Oil and Gas Operations.**

Since the properties in which the Company has interests are undeveloped and nonproducing, items 2 through 4 of Securities Exchange Act Industry Guide 2 are not applicable.

#### (5) Undeveloped Acreage.

Information required by Item 2 Properties is included under Item 1 Business.

#### (6) Drilling Activity.

Information required by Item 2 Properties is included under Item 1 Business. See Drilling Activity section under Item 1 Business at page 6.

#### (7) Present Activities.

See Drilling Activity section under Item 1 Business at page 6.

### **Item 3. Legal Proceedings**

During 2009, 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 an oil and gas lien on the single part of one lease involved which was held in Coastal Petroleum Company's name and is now held by F. Cross; 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.

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 4. (Removed and Reserved).**

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**Market Information.**

The principal market for the Company's common stock is in the over-the-counter market on the Electronic Bulletin Board of the National Association of Securities Dealers, Inc. under the symbol **COCBF**. The quarterly high and low closing prices on the Electronic Bulletin Board during the last two years were as follows:

| <b>2009</b> | <b>1<sup>st</sup> quarter</b> | <b>2<sup>nd</sup> quarter</b> | <b>3<sup>rd</sup> quarter</b> | <b>4<sup>th</sup> quarter</b> |
|-------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| High        | 0.07                          | 0.06                          | 0.05                          | 0.05                          |
| Low         | 0.02                          | 0.04                          | 0.03                          | 0.03                          |
| <b>2010</b> | <b>1<sup>st</sup> quarter</b> | <b>2<sup>nd</sup> quarter</b> | <b>3<sup>rd</sup> quarter</b> | <b>4<sup>th</sup> quarter</b> |
| High        | 0.09                          | 0.13                          | 0.11                          | 0.10                          |
| Low         | 0.03                          | 0.04                          | 0.03                          | 0.05                          |

 **Holders.**

The approximate number of record holders of the Company's common stock at March 30, 2011 was 7,831.

 **Dividends.**

The Company has never declared or paid dividends on its common stock and it does not anticipate declaring or paying any dividends in the foreseeable future. The Company plans to retain any future earnings to reduce the deficit accumulated during the development stage of \$37,162,676 at December 31, 2010 and to fund its operations.

 ***Foreign Exchange Control Regulations***

The Company is subject to the applicable laws of The Islands of Bermuda relating to exchange control, but has the permission of the Foreign Exchange Control of Bermuda to carry on business in, to receive, disburse and hold United States dollars and dollar securities under its designation as an External Account Company. The Company has been advised that, although as a matter of law it is possible for such designation to be revoked, there is little precedent for revocation under Bermuda law.

 ***Income and Withholding Taxes***

Coastal Caribbean is a Bermuda corporation. Bermuda currently imposes no taxes on corporate income or capital gains realized outside of Bermuda. Any amounts received by Coastal Caribbean from United States sources as dividends, interest, or other fixed or determinable annual or periodic gains, profits and income, will be subject to a 30% United States withholding tax. In addition, any dividends from its domestic subsidiary, Coastal Petroleum, will not be eligible for the 100% dividends received deduction, which is allowable in the case of a United States parent corporation. Shares of the Company held by persons who are citizens or residents of the United States are subject to federal estate and gift and local inheritance taxation. Any dividends received by such persons will also be subject to federal, State and local income taxation. The foregoing rules are of general application only, and reflect law in force as of the date of this report.

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A convention between Bermuda and the United States relating to mutual assistance on tax matters became operative in 1988.

### ***Passive Foreign Investment Company Rules***

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.

Passive income for this purpose generally includes dividends, interest, royalties, rents, and gains from commodities and securities transactions. Special rules apply in cases where a foreign corporation owns directly or indirectly at least a 25 percent interest in a subsidiary, measured by value. In this case, the foreign corporation is treated as holding its proportionate share of the assets of the subsidiary and receiving directly its proportionate share of the income of the subsidiary when determining whether it is a PFIC. Thus, Coastal Caribbean would be deemed to receive its pro rata share of the income and to hold its pro rata share of the assets, of Coastal Petroleum.

Based on certain estimates of its gross income and gross assets and the nature of its business, Coastal Caribbean would be classified as a PFIC for the years 1987 through 2006. Once an entity is considered a PFIC for a taxable year, it will be treated as such for all subsequent years with respect to owners holding the stock in a year that it was classified as a PFIC under the income or asset test described above. Whether the Company will be a PFIC under either of these tests in future years will be difficult to determine because the tests are applied annually. Based upon the estimated gross income of the Company during 2010, the major source of the income being the sale of securities and the relatively small amount of interest the Company received, the Company believes that it may be classified as a PFIC for the year 2010.

If Coastal Caribbean is classified as a PFIC with respect to a U.S. holder any gain from the sale of, and certain distributions with respect to, shares of our common stock, would cause a U.S. holder to become liable for U.S. federal income tax under Code section 1291 (the interest charge regime). The Company recommends that any such U.S. holder should consult his or her own tax advisor on this issue. 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. The interest charge would generally be calculated as if the distribution or gain had been recognized ratably over the U.S. holder's holding period (for PFIC purposes) for the shares. To the extent an amount is allocated to the year of the disposition or distribution, or to a year before the first year in which the corporation qualified as a PFIC, the amount so allocated is included as additional gross income for the year of the disposition or distribution. A U.S. holder also would be required to make an annual return on IRS Form 8621 that describes any distributions received with respect to our shares and any gain realized on the sale or other disposition of our shares.

As an alternative to taxation under the interest charge regime, a U.S. holder generally can elect, subject to certain limitations, to annually take into gross income the appreciation or depreciation in our common shares' value during the tax year (mark-to-market election). If a U.S. holder makes the mark-to-market election, the U.S. holder will not be subject to the above-described rule. Instead, if a U.S. holder makes the mark-to-market election, the U.S. holder recognizes each year an amount equal to the difference as of the close of the taxable year between the U.S. holder's fair market value of the common shares and the adjusted basis in the common shares. Losses would be allowed only to the extent of net gain previously included by the U.S. holder under the mark-to-market election for prior taxable years. Amounts included in or deducted from income under the mark-to-market election and actual gains and losses realized upon the sale or disposition of the common shares, subject to certain limitations, will be treated as ordinary gains or losses. If the mark-to-market election is made for a year other than the first

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year in the U.S. holder's holding period in which the corporation was a PFIC, the first year's mark-to-market inclusion, if any, is taxed as if it were a distribution subject to the interest charge regime discussed above.

Another alternative election which would allow a U.S. holder to elect to take its pro rata share of Coastal Caribbean's undistributed income into gross income as it is earned by Coastal Caribbean (QEF election) would only be available to a U.S. holder if Coastal Caribbean provided certain information to the shareholders of Coastal Caribbean. Coastal Caribbean has had no undistributed income for the years 1987 through 2010. If the QEF election is made in a year other than the first year of the U.S. holder's holding period in which the foreign corporation is a PFIC, both the QEF regime and interest charge regime can apply, unless a special election is made. Under this special election, the taxpayer is treated as if it disposed of its PFIC stock in a transaction subject to the interest charge rules to the extent gain is deemed to be recognized. Once this election is made, the holder will be subject only to the QEF regime.

**Recent Sales of Unregistered Securities**

During 2010 the Company entered into agreements to sell and sold restricted shares of its common stock for cash that allowed the Company to pay lease rentals and other administrative costs necessary to keep the Company viable as a public company. The Company entered two of these agreements with several individuals and entities for a total of \$20,000 and issued a total of 325,000 restricted and unregistered shares of common stock of the Company. In addition, as part of two agreements with Robert J. Angerer, Sr., which included a total of \$750,000 in cash plus satisfaction of \$217,850 due to him, the Company issued to Mr. Angerer 22,400,000 of restricted and unregistered shares of common stock of the Company.

During 2009 the Company entered into agreements to sell and sold restricted shares of its common stock for cash that allowed the Company to pay lease rentals and other administrative costs necessary to keep the Company viable as a public company. The Company entered three of these agreements with several individuals and entities for a total of \$67,500 and issued a total of 1,191,333 restricted and unregistered shares of common stock of the Company.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None

**Item 6. Selected Consolidated Financial Information**

The following selected consolidated financial information (in thousands except for per share amounts) for the Company insofar as it relates to each of the three years in the period ended December 31, 2010 has been taken from the Company's consolidated financial statements.

|  | Years ended December 31, |          |          |
|--|--------------------------|----------|----------|
|  | 2010                     | 2009     | 2008     |
| Net loss   | \$ (306)                 | \$ (642) | \$ (546) |
| Net loss per share (basic and diluted)                       | \$ (.01)                 | \$ (.01) | \$ (.01) |
| Cash and cash equivalents and marketable securities          | \$ 17                    | \$ 9     | \$ 1     |
| Unproved oil, gas and, mineral properties (full cost method) | \$ 2,775                 | \$ 2,258 | \$ 2,200 |
| Total assets   | \$ 2,880                 | \$ 2,356 | \$ 2,292 |
| Shareholders' (deficit) equity:                              |                          |          |          |
| Common stock   | \$ 8,479                 | \$ 5,752 | \$ 5,551 |

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|  |          |          |          |
|--|----------|----------|----------|
| Discount on Common Stock                           | (1,842)  | (104)    |          |
| Capital in excess of par value                     | 32,139   | 32,139   | 32,139   |
| Stock Subscription                                 |          | 10       |          |
| Deficit accumulated during the development stage   | (37,163) | (36,856) | (36,215) |
| <br>   |          |          |          |
| Total shareholders' equity                         | \$ 1,613 | \$ 941   | \$ 1,475 |
| <br>   |          |          |          |
| Common stock shares outstanding (weighted average) | 64,761   | 46,737   | 46,250   |

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### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

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.

#### **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 32,313 net acres in Valley County, located in northeastern Montana close to known production from a Lodgepole reef.

This area of Montana has a number of other producing formations in addition to the Lodgepole, including the Eagle sands. These leases cover our Starbuck East shallow natural gas prospect that includes the Eagle sands. We also hold leases in southwestern North Dakota covering a Red River oil prospect.

During 2009 and 2010, we were primarily focused on and engaged in raising capital to fund the Company so that we could recommence the exploration of our leases. Due to the recession and the fragile state of the country's financial market, capital was a scarce commodity to obtain. We contacted, met with and negotiated with various individuals and groups during the year. Ultimately, no outside parties were able to provide the capital necessary to begin exploration. While we were close to consummating an agreement with one entity and amended the articles of our subsidiary to be prepared to complete the transaction, the other party could not deliver the capital as promised. The combination of the broken deal and the state of the economy, left the Company with no other viable alternative other than to sell shares of its common stock to raise capital necessary to remain a viable public company and to retain its most valuable leases.

We continue to be actively engaged in pursuing funding for our Drilling Program. The Drilling Program is an aggressive 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 two areas: a development Red River Formation prospect in Slope County, North Dakota, on approximately 400 acres we acquired; 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.

On January 14, 2010, Robert J. Angerer, Sr., the chairman of the board of directors and vice president of the Company at the time, entered into a letter agreement for the funding of immediate cash needs and granting Mr. Angerer an option to fund the Company's and Coastal's future obligations. The agreement was similar to the deal that was not consummated by a third party during 2009. Under the agreement Mr. Angerer provided compensation to the Company including \$300,000 cash and the forgiveness of \$150,000 of legal fees owed to his law firm, Angerer & Angerer, forgiveness of \$21,500 in director fees owed to him and credit of \$240,000 to him for the completion of the Company's purchase of leases on which there is a Red River oil and gas development prospect. In return, Mr. Angerer was issued 14,400,000 Rule 144 restricted shares of the Company's common stock and provided an option to



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further fund the Company. Mr. Angerer exercised the one extension granted him to extend the time to exercise the first option for three months in exchange for the payment of \$50,000. The remaining options expired unexercised.

Simultaneous with this transaction, Mr. Angerer resigned as the Vice President of both the Company and Coastal, but will remain as a Director and the Chairman of the Board of Directors for both the Company and Coastal. We continue to search for capital in order to secure capital to fund our Drilling Program.

On August 26, 2010, after the January agreement expired, the Company entered into a separate letter agreement with Mr. Angerer for the sale of 8,000,000 restricted shares of the Company's common stock for \$400,000, to be used for exploration, prospect acquisition and operating costs.

Using some of the funds from this sale of stock, we drilled a test well on Coastal's Starbuck East shallow gas prospect in Valley County, Montana for approximately \$365,000. We also acquired four additional high-graded Lodgepole Reef prospects in North Dakota for \$20,000 which subsequently expired in 2011 before funding could be secured to drill them. We continue to search for capital in order to secure money to fund our Drilling Program.

In 2009, we sold a total of 1,191,333 shares of common stock and raised \$67,500.

During the fourth quarter of 2010, the Company drilled an exploratory gas well on its Valley County, Montana Leases to test multiple zones potentially containing natural gas. The well has been logged and cased and the results and information gathered from the well continue to be evaluated in order to provide an assessment of the potential for natural gas production from the several target horizons drilled through at this location. To date, we do not have a definitive determination as to whether economic quantities of oil and gas exist within the target zones at this location.

Under a past agreement, the Federal 1-19 well, was drilled on our Valley County, Montana Leases to test a shallow gas prospect during October 2007. The well reached a total depth of 1,126 feet and confirmed the structural high that was targeted and had gas shows in two zones. Casing was run into the hole and the Company engaged in three stages of completion operations, including stimulation of the well, a common procedure in completing oil and gas wells.

The Company was unable to determine by this well whether the target formations contain economic quantities of gas because 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.

In North Dakota, we control the working interest on approximately 400 net acres in Slope County, under which lies our Red River prospect. Other leases that we previously held in North Dakota expired during the first quarter of 2011, because we were not able to raise the capital needed to fund drilling exploratory wells to test the Lodgepole Reef prospects on the leases.

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 2011 and their cost will be subject to various factors, including whether or not we can obtain sufficient funding to carry out the Drilling Program, 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 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.

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### **Liquidity and Capital Resources**

As more fully described in Note 1 to the consolidated financial statements, we have no recurring revenues, have experienced recurring losses and have 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. 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, and its active efforts to obtain funding 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 our ability to continue as a going concern. Our 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 these uncertainties.

At December 31, 2010, we have approximately \$17,000 in cash compared to approximately \$10,000 at December 31, 2009. Our current liabilities exceed our current assets by approximately \$1,249,000 at December 31, 2010. We suspended payments to our directors, general legal counsel, and employee since the second quarter of 2007 through December 31, 2010, and have accrued \$1,266,000 in expenses as of December 31, 2010. We expect to continue to suspend payments to most of these parties indefinitely until sufficient funding can be secured to resume exploration operations and cover normal operating expenses.

During 2010, the Company sold 22,725,000 shares of common stock for \$770,000 in cash and settlement of \$217,850 in liabilities. We drilled a test well on Coastal's Starbuck East shallow gas prospect in Valley County, Montana and hired a consultant to obtain additional drilling permits for approximately \$492,000. We acquired four additional high-graded Lodgepole Reef prospects in North Dakota for \$20,000.

During 2009, the Company sold 1,124,999 shares of common stock and raised \$67,500. The Company issued 483,667 in common shares for capital raising services and expensed \$30,025 and incurred \$45,000 in capital raising expenses.

We expect to continue to participate with others or to obtain sufficient funding to allow the Company to drill additional wells both in Montana and North Dakota.

### **Results of Operations and Critical Accounting Policies and Estimates**

#### **Development Stage Enterprise Presentation**

The Company is a development stage enterprise. It has never had substantial revenues and has operated at a loss each year (except 2005) since its inception in 1953.

#### **Oil and Gas Accounting**

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.

During 2010, we drilled a test well on Coastal's Starbuck East shallow gas prospect in Valley County, Montana at a cost of \$370,000.

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During 2009, we did not conduct drilling activities as most of our efforts were focused on raising additional capital to initiate our drilling program. Substantially all of the drilling activity on our leases during 2007 and 2008 was funded through farm-out agreements with other entities.

**2010 vs. 2009**

During 2010, we drilled a test well on a shallow gas prospect. Our net loss for 2010 was \$(305,000) compared to a net loss of \$(642,000) for 2009. We reduced our legal expense \$55,000 from 2010 to 2009 by discontinuing our legal services in June 2009, which included a \$12,000 per month retainer. In 2010, we further reduced our director fees and other administrative expenses by \$84,000 compared to 2009. In 2009, we expensed approximately \$195,000 of drilling cost overages from our 2008 farm-out agreements.

During 2009, we did not conduct any drilling operations.

For 2010 and 2009, we focused on seeking other entities to drill wells on our leases. Our expenses consist of administrative corporate and regulatory costs, and the administrative, travel, and lodging costs to maintain our leases in North Dakota and Montana.

**Item 7A. Quantitative and Qualitative Disclosure About Market Risk**

Not applicable.

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**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 sheets of Coastal Caribbean Oils & Minerals, Ltd. and subsidiary (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, cash flows and common stock and capital in excess of par value, for the years then ended, and for the period from January 31, 1953 (inception) to December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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. 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 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. and subsidiary as of December 31, 2010 and 2009, and the results of their operations and cash flows for the years then ended, and for the period from January 31, 1953 (inception) to December 31, 2010, 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 Note 1 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.

We were not engaged to examine management's assertion about the effectiveness of Coastal Caribbean Oils & Minerals, Ltd.'s internal control over financial reporting as of December 31, 2010 included in the accompanying *Management's annual report on internal control over financial reporting* and, accordingly, we do not express an opinion thereon.

Baumann, Raymondo & Company PA

Tampa, Florida

March 30, 2011

**Table of Contents****COASTAL CARIBBEAN OILS & MINERALS, LTD.**

(A Bermuda Corporation)

A Development Stage Company

**CONSOLIDATED BALANCE SHEETS**

(Expressed in U.S. dollars)

|  | December 31, |              |
|--|--------------|--------------|
|  | 2010         | 2009         |
| <b>Assets</b>  |              |              |
| Current assets:  |              |              |
| Cash and cash equivalents                                  | \$ 17,043    | \$ 9,207     |
| Total current assets                                       | 17,043       | 9,207        |
| Certificates of deposit - Restricted                       | 86,024       | 85,255       |
| Petroleum leases   | 2,775,066    | 2,257,741    |
| Equipment, net   | 1,374        | 3,895        |
| Total assets   | \$ 2,879,507 | \$ 2,356,098 |
| <b>Liabilities and Shareholders' Equity</b>                |              |              |
| Current liabilities:                                       |              |              |
| Accounts payable and accrued liabilities                   | \$ 273,813   | \$ 242,693   |
| Notes payable  | 25,000       | 73,198       |
| Amounts due to related parties                             | 967,292      | 1,098,949    |
| Total current liabilities                                  | 1,266,105    | 1,414,840    |
| Shareholders' equity:                                      |              |              |
| Common stock, par value \$.12 per share:                   |              |              |
| Authorized 250,000,000 shares                              |              |              |
| Outstanding 70,661,604 and 47,936,604 shares, respectively | 8,479,392    | 5,752,392    |
| Discount on common stock                                   | (1,842,625)  | (103,475)    |
| Capital in excess of par value                             | 32,139,311   | 32,139,311   |
| Stock subscription   |              | 10,000       |
|  | 38,776,078   | 37,798,228   |
| Deficit accumulated during the development stage           | (37,162,676) | (36,856,970) |
| Total shareholders' equity                                 | 1,613,402    | 941,258      |
| Total liabilities and shareholders' equity                 | \$ 2,879,507 | \$ 2,356,098 |

See accompanying notes.



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(A Bermuda Corporation)

A Development Stage Company

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Expressed in U.S. Dollars)

|  | Years Ended December 31, |              | For the period<br>from Jan. 31,<br>1953<br>(inception) to<br>Dec. 31, 2010 |
|--|--------------------------|--------------|--|
|  | 2010                     | 2009         |  |
| <b>Gain on settlement</b>  | \$                       | \$           | \$ 8,124,016   |
| <b>Interest and other income</b>   | 768                      | 490          | 3,985,229  |
|  | 768                      | 490          | 12,109,245   |
| <b>Expenses:</b>   |                          |              |  |
| Legal fees and costs   | 28,196                   | 82,869       | 17,682,753   |
| Administrative expenses  | 130,323                  | 214,646      | 11,189,690   |
| Salaries   | 125,000                  | 125,000      | 4,521,431  |
| Shareholder communications   | 22,955                   | 24,595       | 4,172,571  |
| 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  |                          |              | 364,865  |
| Contractual services   |                          | 195,148      | 2,350,876  |
|  | 306,474                  | 642,258      | 49,271,921   |
| <b>Net loss before income</b>  | (305,706)                | (641,768)    | (37,162,676)   |
| <b>Taxes</b>   |                          |              |  |
| <b>Income tax benefit</b>  |                          |              |  |
| <b>Net loss</b>  | \$ (305,706)             | \$ (641,768) |  |
| <b>Deficit accumulated during the development stage</b>                                      |                          |              | \$ (37,162,676)  |
| Net loss per share based on weighted average number of shares outstanding during the period: |                          |              |  |
| Basic and diluted EPS  | \$ (.01)                 | \$ (.01)     |  |
| Weighted average number of shares outstanding (basic and diluted)                            | 64,761,056               | 46,737,289   |  |

See accompanying notes.



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(A Bermuda Corporation)

A Development Stage Company

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in U.S. Dollars)

|  | Years Ended December 31, |              | For the period<br>from Jan. 31,<br>1953 (inception)<br>to<br>Dec. 31, 2010 |
|--|--------------------------|--------------|--|
|  | 2010                     | 2009         |  |
| <b>Operating activities:</b>   |                          |              |  |
| Net loss   | \$ (305,706)             | \$ (641,768) | \$ (37,162,676)  |
| Adjustments to reconcile net loss to net cash used in operating activities:                              |                          |              |  |
| Gain on settlement   |                          |              | (8,124,016)  |
| Goodwill impairment  |                          |              | 801,823  |
| Stock issued for services  |                          |              | (602,949)  |
| Depreciation   | 2,521                    | 2,520        | 11,599   |
| Write off of unproved properties   |                          |              | 6,690,752  |
| Common stock issued for services   |                          | 30,025       | 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   |                          |              |  |
| Accounts payable and accrued liabilities   | (37,236)                 | 524,736      | 1,247,141  |
| Income taxes payable   |                          |              |  |
| Net cash used in operating activities  | (340,421)                | (84,487)     | (36,691,653)   |
| <b>Investing activities:</b>   |                          |              |  |
| Additions to oil, gas, and mineral properties net of assets acquired for common stock and reimbursements | (147,795)                | (57,266)     | (6,601,047)  |
| Well drilling costs  | (214,981)                |              | (1,285,992)  |
| Sale of unproved nonoperating interests  |                          |              | 512,595  |
| Net proceeds from settlement   |                          |              | 8,124,016  |
| Proceeds from relinquishment of surface rights   |                          |              | 246,733  |
| Purchase of certificates of deposit  | (769)                    | (490)        | (140,679)  |
| Redemption of certificate of deposit   |                          |              | 54,655   |
| Purchase of Minority interest in subsidiary  |                          |              | (801,823)  |
| Purchase of equipment  |                          |              | (74,623)   |
| Net cash provided by (used in) investing activities  | (363,545)                | (57,756)     | (33,835)   |
| <b>Financing activities:</b>   |                          |              |  |
| Notes payable proceeds   |                          | 73,198       | 184,988  |
| Repayment of loans   | (48,198)                 |              | (159,988)  |
| Sale of common stock, net of expenses  | 770,000                  | 67,500       | 31,218,112   |
| Stock subscription   | (10,000)                 | 10,000       |  |

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|  |           |          |            |
|--|-----------|----------|------------|
| Shares issued upon exercise of options               |           |          | 891,749    |
| Sale of shares by subsidiary                         |           |          | 820,000    |
| Sale of subsidiary shares                            |           |          | 3,720,000  |
| Net cash provided by financing activities            | 711,802   | 150,698  | 36,674,861 |
| Net (decrease) increase in cash and cash equivalents | 7,836     | 8,455    | 17,043     |
| Cash and cash equivalents at beginning of period     | 9,207     | 752      |            |
| Cash and cash equivalents at end of period           | \$ 17,043 | \$ 9,207 | \$ 17,043  |

See accompanying notes.

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(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, 2010

|   | Number of<br>Shares | Common<br>Stock | Discount on<br>Common<br>Stock | Capital in<br>Excess<br>of Par<br>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                                  |

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|  |            |              |                |               |
|--|------------|--------------|----------------|---------------|
| 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       |
| 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 through 2007   | 46,211,604 | 5,545,392    |                | 32,137,811    |
| Exercise of stock options                      | 50,000     | 6,000        |                | 1,500         |
| Balance as of December 31, 2008                | 46,261,604 | 5,551,392    |                | 32,139,311    |
| Sale of common stock                           | 1,191,333  | 142,960      | (75,460)       |               |
| Shares issued for services                     | 483,667    | 58,040       | (28,015)       |               |
| Balance as of December 31, 2009                | 47,936,604 | 5,752,392    | (103,475)      | 32,139,311    |
| Sale of common stock                           | 22,725,000 | 2,727,000    | (1,739,150)    |               |
| Balance as of December 31, 2010                | 70,661,604 | \$ 8,479,392 | \$ (1,842,625) | \$ 32,139,311 |

See accompanying notes.

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### **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.

#### **Equipment**

Equipment is recorded at cost. Depreciation is provided using straight-line over five years, the estimated useful lives of the assets.

#### **Certificates of Deposit Restricted**

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

#### **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 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. As our properties are unproven, these costs are temporarily exempt from amortization. Once the Company has proved reserves the capitalized costs will be amortized using the unit-of-production basis.

The Company assesses whether its unproved properties are impaired at least on a quarterly 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. Our 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 cost of properties not being amortized. As of December 31, 2010 and 2009, no impairment was identified.

Sales of unproved nonoperating interests in oil and gas leases are accounted for as a reduction in the capitalized amount of the leases.

#### **Sale of Subsidiary Shares**

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

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

#### **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, certificates of deposit, 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, which requires companies to expense stock options and other share-based payments.

#### **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 since 2006 and prior to 2005, and has a deficit accumulated 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 to allow the Company to undertake exploration efforts on its own. The Company has an agreement in place with a director which provides the director with options to further fund the Company to continue operations and exploration of its leases. The Company continues to be in 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 the director will exercise the options under the current agreement, 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. 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. Unproved Oil, Gas and Mineral Properties** **Farm-out Agreements and Drilling Activity**

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 had 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 took place yet under this agreement which is now expired.



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**2. Unproved Oil, Gas and Mineral Properties (Cont'd)**

**Montana Leases**

The Company's primary presence in Montana is in Valley County, where it holds leases covering approximately 32,313 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 by 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.

**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. All of the Company's leases in North Dakota have since expired except for the approximately 400 acres the Company holds in Slope County covering a Red River oil prospect.

(Intentionally left blank.)



**Table of Contents****3. 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.

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                        |
| 2009 | 1,191,333        | 142,960      |                                |
| 2010 | 22,725,000       | 2,727,000    |                                |
|      | 63,573,791       | \$ 7,633,330 | \$ 25,674,221                  |

The following represents shares issued upon exercise of stock options:

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| Year | Number<br>of Shares | Common<br>Stock | Capital in Excess<br>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                            |
| 2008 | 50,000              | 6,000           | 1,500                             |
|      | 580,000             | \$ 68,139       | \$ 823,610                        |

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### **3. Common Stock (Cont'd)**

On January 14, 2010, the Company and Coastal Petroleum entered into a letter agreement with Robert J. Angerer, Sr. for the funding of immediate cash needs and granted Mr. Angerer an option to fund the Company's and Coastal Petroleum's future obligations. Under the agreement Mr. Angerer provided compensation to the Company including \$300,000 cash and the forgiveness of \$150,000 of legal fees owed to his law firm, Angerer & Angerer, forgiveness of \$21,500 in director fees owed to him and credit of \$240,000 for the completion of the Company's purchase of leases on which there is a Red River oil and gas development prospect. In return, Mr. Angerer was issued 14,400,000 Rule 144 restricted shares of the Company's common stock and was provided an option to further fund the Company. Under the agreement, Mr. Angerer could exercise up to four options by paying \$3 million for each option beginning three months after the date of the agreement and thereafter in three month intervals. In return for the funding, Mr. Angerer would earn up to a total of 36% of the Company's operations in North Dakota and Montana in increments per exercised option and a 20% interest in Coastal Petroleum. There was also one extension available to extend the time to exercise the first option for three months in exchange for the payment of \$50,000. Simultaneous with this transaction, Mr. Angerer resigned as the Vice President of both the Company and Coastal, but will remain as a Director and the Chairman of the Board of Directors for both the Company and Coastal Petroleum.

On April 29, 2010, Mr. Angerer paid \$50,000 and elected to extend the option to fund the Company's operations. However, Mr. Angerer did not exercise his option within the required time and in July 2010, the agreement expired by its terms.

On May 28, 2010, the Company entered agreements with two individuals who paid \$10,000 each in return for each individual receiving 162,500 shares of the Company's common stock and a 1/4% overriding royalty in Coastal Petroleum's Starbuck East Montana shallow gas leases. An entity that brought the investors to the Company also received a similar overriding royalty and 67,000 shares of the Company's common stock. The Company used this money to pay the lease rentals that were due on September 1, 2010.

On August 26, 2010, the Company entered into a letter agreement with Robert J. Angerer, Sr. a Director and the Chairman of the Board of Directors for both the Company and Coastal, for the sale of 8,000,000 restricted shares of the Company's common stock for \$400,000, to be used for exploration, prospect acquisition and operating costs. Approximately \$250,000 of the proceeds from the sale of the stock is to be used to drill a test well on Coastal's Starbuck East shallow gas prospect in Valley County, Montana and another \$40,000 will be used to acquire additional Lodgepole prospects in North Dakota.

During 2009, the Company accrued a \$45,000 fee and issued 250,000 shares of common stock to its President in connection with a loan provided by the President for the Company to use for capital raising expenses. The Company expensed \$12,500 as the fair value of these shares. Also during 2009, the Company issued 233,667 shares of Common stock to a consultant for capital raising services. The Company expensed \$17,525 as the fair value of these shares.

### **4. Stock Option Plans**

At December 31, 2010, 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 and was fully vested when issued. 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 that 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 and was fully vested when issued. The Company determined the fair value of the stock did not exceed the exercise price on the date of issue.

**Table of Contents****4. Stock Option Plans (Cont'd)**

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 \$.20 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 and was fully vested when issued. The Company determined the fair value of the stock did not exceed the exercise price on the date of issue.

The Company did not issue any stock options or share-based payments in 2009 or in 2010.

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, 2008       | 450,000                 | .15 - .20                                   | .17   | 87,500                             |
| Issued or cancelled during 2009                        |                         |   |   |                                    |
| Outstanding and exercisable at December 31, 2009       | 450,000                 | .15 - .20                                   | .17   | 80,000                             |
| Issued or cancelled during 2010                        |                         |   |   |                                    |
| Outstanding and exercisable at December 31, 2010       | 450,000                 | .15 - .20                                   | .17   | 80,000                             |
| <b><u>Available for grant at December 31, 2010</u></b> | 2,775,000               |   |   |                                    |

**Summary of Employee Options Outstanding at December 31, 2010**

| <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                 | September 27, 2015     | .20                         |
| Granted 2005        | 150,000                 | December 20, 2015      | .15                         |

The weighted-average remaining contractual life of the outstanding stock options at December 31, 2010, and 2009 was 5 years and 6 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 and was fully vested when issued. The market value of the stock equaled the exercise price on the date of issue.

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**4. Stock Option Plans (Cont d)**

A summary of non-employee option activity follows:

|  | Number of Shares | Range of Per Share Option Price (\$) | Weighted Average Exercise Price (\$) | Aggregate Option Price (\$) |
|--|------------------|--------------------------------------|--------------------------------------|-----------------------------|
| <b>Non-Employee Options outstanding</b>          |                  |                                      |                                      |                             |
| Outstanding and exercisable at December 31, 2008 | 25,000           | .15                                  | .15                                  | 3,750                       |
| Issued or cancelled during 2009                  |                  |                                      |                                      |                             |
| Outstanding and exercisable at December 31, 2009 | 25,000           | .15                                  | .15                                  | 3,750                       |
| Issued or cancelled during 2010                  |                  |                                      |                                      |                             |
| Outstanding and exercisable at December 31, 2010 | 25,000           | .15                                  | .15                                  | 3,750                       |

The Company did not issue any stock options or share-based payments to non-employees in 2009 or in 2010.

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

**Summary of Non Employee Options Outstanding at December 31, 2010**

| Year Granted | Number of Shares | Expiration Date | Exercise Prices (\$) |
|--------------|------------------|-----------------|----------------------|
| Granted 2005 | 25,000           | July 25, 2015   | .15                  |

**5. Income taxes**

The Company is organized under the laws of Bermuda. Bermuda currently imposes no taxes on corporate income or capital gains outside of Bermuda. The Company's subsidiary is a U.S. corporation and is subject to U.S. income tax and files income tax returns in the U.S. and the State of Florida. For 2010 and 2009, the subsidiary has net taxable losses. The subsidiary will have approximately \$10,000,000 in net operating losses to carry forward to 2011. The remaining net operating loss carry forwards expire in periods from 2011 through 2028 as follows: \$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, \$57,000 in 2024, \$1,434,000 in 2026, \$195,000 in 2027, \$112,000 in 2028, \$480,000 in 2029 and \$10,000 in 2030. 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:

|                                  | December 31,     |                  |
|----------------------------------|------------------|------------------|
|                                  | 2010             | 2009             |
| Net operating losses             | \$ 3,605,000     | \$ 3,619,000     |
| Accruals to related parties      | 265,000          | 265,000          |
| <b>Total deferred tax assets</b> | <b>3,870,000</b> | <b>3,884,000</b> |

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|                         |             |             |
|-------------------------|-------------|-------------|
| Valuation allowance     | (3,870,000) | (3,884,000) |
| Net deferred tax assets | \$          | \$          |

**Table of Contents****5. Income taxes (Cont d)**

Components of the income tax provision for the years ended December 31, are as follows:

|   | 2010       | 2009        |
|---|------------|-------------|
| <b>Provision for income taxes</b>             |            |             |
| Current provision (benefit) for income taxes  | \$ (3,000) | \$ (73,000) |
| Benefit of net operating loss                 |            |             |
| Deferred asset valuation allowance (reversal) | 3,000      | 73,000      |
| <b>Net income tax provision (benefit)</b>     | <b>\$</b>  | <b>\$</b>   |

The Company files income tax returns in the U.S. federal jurisdiction, and in various state jurisdictions. The Company is no longer subject to U.S. Federal or state income tax examinations by tax authorities for years before 2007, except possibly in future years should it utilize any net operating loss originating prior to 2007.

The Company has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Company.

**6. Related party transactions****Oil and Gas Exploration Activities**

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 made no payments for the years ending December 31, 2010 or 2009.

**Services**

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 accrued and expensed \$60,000 in legal fees to Angerer & Angerer in 2009. No amounts were paid or accrued in 2010. The Company owes \$150,000 to Angerer & Angerer at December 31, 2010.

From June 2009 until his resignation on January 14, 2010, the Company retained Robert J. Angerer, Sr. as legal counsel. Mr. Angerer had been litigation counsel to the Company for more than twenty-five years before his resignation. As counsel for the Company he served the Company as litigation counsel, but also provided the Company with general counsel services and management services and represented the Company before state and federal agencies for permitting. Mr. Angerer, Sr. is also a shareholder and a director of the Company. The Company accrued and expensed \$11,600 in legal fees to Mr. Angerer, Sr. for 2009. No amounts were paid or accrued in 2010.

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. No amounts were paid or accrued in 2010 or 2009.

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### **6. Related party transactions (Cont.d)**

The Company expensed \$31,719 and \$10,908 for legal fees by the law firm of Iglar & Dougherty, PA, during 2010 and 2009, respectively. The Company owed Iglar & Dougherty, P.A. \$7,559 and \$12,534 at December 31, 2010 and 2009, respectively. Mr. Herbert D. Haughton, a shareholder of the firm, was elected a director of Coastal Caribbean and of Coastal Petroleum in December 2005.

### **7. Concentrations of credit risk**

All demand and certificate of deposits are held by commercial banks. The Company has no policy requiring collateral or other security to support its deposits, although all demand and certificate of deposits with banks are federally insured under FDIC protection. Demand deposit bank balances totaled \$21,131 and \$9,207 at December 31, 2010 and 2009, respectively. Certificate of deposit balances were \$86,024 and \$85,255 at December 31, 2010 and 2009, respectively.

### **8. Notes Payable**

During the first six months of 2009, the Company borrowed \$48,198 from two individuals, which was used to make annual rental payments on specific leases. The loan is non interest bearing and has no set repayment terms. The individuals were 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. These loans were repaid in January 2010.

During August 2009, the Company borrowed \$25,000 from a consultant and also agreed to pay the consultant a fee of \$25,000 to identify investors to consummate an agreement and fund the 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. No investor agreements have been consummated by the consultant at December 31, 2009, therefore the \$25,000 loan is not currently due and the \$25,000 fee has not been earned.

### **9. Subsequent events**

Subsequent to December 31, 2010, approximately 880 acres of the Company's North Dakota leases expired leaving the Company with approximately 400 acres of leases covering its Red River prospect.

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None

### **Item 9A. Controls and Procedures**

#### **a. Management's evaluation of disclosure controls and procedures**

As required by Rule 13a-15(b) under the Exchange Act, management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, management believes that, as of December 31, 2010, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, accumulated, processed, summarized, reported, and communicated on a timely basis within the time periods specified in the Securities and Exchange Commission's rules and forms.





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**Item 9A. Controls and Procedures (Cont.d)**

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

1. Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, transactions are executed in accordance with appropriate management authorization and accounting records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

2. Internal control over financial reporting is a process tailored to the Company's unique circumstances, designed under the supervision of the Company's Chief Executive and Chief Financial Officer, and effected by the Company's Board of Directors, its consultants and other personnel, taking into account the small size of the Company, small number of employees and others involved in the Company's finances. The process uses a system of checks and balances to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets and the review of those transactions and dispositions by the Company's compliance officer;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of management or the Company's Board of Directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material adverse effect on the Company's financial statements.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting and based upon that assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in *Internal Control - Integrated Framework*.

3. This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

**c. 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.

**Table of Contents****PART III****Item 10. Directors and Executive Officers of the Company**  
**Directors**

As of December 31, 2010, the board of directors included three members, two of whom, Mr. Ware and Mr. Angerer, also serve as executive officers. One class currently has no directors.

| Name   | Director<br>Since | Other Offices Held<br>With the Company                              | Age and Business Experience For the<br>Past Five Years   |
|--|-------------------|---|--|
| Director With a One Year Term Expiring at the 2011 Annual Meeting  |                   |   |  |
| Herbert D. Haughton*   | 2005              | None  | Mr. Haughton, age 69, is a banking, corporate and securities lawyer. He is a shareholder in the Tallahassee, Florida law firm of Iglar & Dougherty, PA, where he has practiced law since 1994, following his admission to the Florida Bar. Prior to entering the practice of law, Mr. Haughton spent over 30 years in the banking industry serving as president and chief executive officer of three different community banks in Florida from 1977 to 1991. He is a graduate of Cleary University and Florida State University College of Law. Mr. Haughton's financial and business background as well as his legal education and background and his past leadership to the Company have led the directors to conclude that he is valuable to the Company and should serve as a director of the Company. |
| Director With a Two Year Term Expiring at the 2012 Annual Meeting: |                   |   |  |
| Phillip W. Ware  | 1985              | President, Chief Executive Officer and Principal Accounting Officer | Mr. Ware, age 61, has been employed by Coastal Petroleum Company since 1976. He has served as President of Coastal Petroleum since April 1985. Mr. Ware is a 1975 graduate of the University of Florida and is a professional geologist registered with the State of Florida. Mr. Ware's education and experience in geology and petroleum geology in particular as well as his many years with the Company has led the Board to conclude that he is valuable to the Company and should serve as a director of the Company.  |

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| Name   | Director Since | Other Offices Held With the Company | Age and Business Experience For the Past Five Years   |
|--|----------------|-------------------------------------|---|
| Director With a Three Year Term Expiring at the 2013 Annual Meeting: |                |                                     |   |
| Robert J. Angerer, Sr.*  | 2003           | Chairman of the Board               | Mr. Angerer, age 64, is a partner in Oil For America, an oil exploration business formed in 2002, with operations primarily in North Dakota and Montana. He is a lawyer and an engineer and has been a member of the Florida Bar since 1974. He was a partner in the Tallahassee law firm of Angerer & Angerer from 1994 until 2009. He is a graduate of the University of Michigan and of Florida State University College of Law. He has served as a director of Coastal Petroleum since 2003. Mr. Angerer's legal and engineering education and background as well as his experience in the oil industry and service to the Company in multiple roles, has led the Board to conclude that he is valuable to the Company and should serve as a director of the Company. |

\* Members of the Board of Directors Compensation Committee.

**Executive Officers**

Phillip W. Ware has been President of Coastal Petroleum and Vice President of Coastal Caribbean for many years and became President of Coastal Caribbean effective March 1, 2003, and Robert J. Angerer, Sr., became a director of Coastal Caribbean on January 30, 2003 and Vice President of Coastal Caribbean on February 27, 2003 and served in that position until resigning on January 14, 2010. Effective August 18, 2005, Mr. Ware was appointed Principle Accounting Officer.

Officers of Coastal Caribbean are elected annually by the board and report directly to it.

Only Mr. Ware received direct compensation for his services as an officer of Coastal Caribbean or Coastal Petroleum. During 2010, \$114,583 of Mr. Ware's compensation for his services was accrued. Mr. Ware devotes 100% of his professional time to the business and affairs of Coastal Caribbean and Coastal Petroleum.

The business experience described for each director or executive officer above covers the past five years.

We are not aware of any arrangements or understandings between any of the individuals named above and any other person by which any of the individuals named above was selected as a director and/or executive officer. We are not aware of any family relationship among the officers and directors of Coastal Caribbean or its subsidiary except for the father and son relationship between Mr. Angerer, Sr. and Robert J. Angerer, Jr., who serves as the Company's Secretary. Robert J. Angerer, Sr. is not paid a salary or other compensation by the Company for this service as a Company officer. Robert J. Angerer, Jr. is not paid a salary, but is to be paid an hourly compensation by the Company for his service as a Company officer.

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### **Compliance with Section 16(a) of the Securities Exchange Act of 1934**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and persons who beneficially own more than 10% of the Company's Common Stock to file initial reports of beneficial ownership and reports of changes in beneficial ownership with the Securities and Exchange Commission (the "SEC"). Such persons are required by the SEC regulations to furnish the Company with copies of all Section 16(a) forms filed by such persons. Based solely on its copies of forms received by it, or written representations from certain reporting persons that no Form 5's were required for those persons, the Company believes that during the just completed fiscal year, its executive officers, directors, and greater than 10% beneficial owners complied with all applicable filing requirements.

### **Code of Ethics**

The Company has adopted a Code of Ethics applicable to principle executive and financial officers. The Code of Ethics is posted on the Company's website at [www.coastalcarib.com](http://www.coastalcarib.com) and may be reviewed by following the link entitled "Corporate Governance Materials."

### **Item 11. Executive Compensation Compensation Discussion and Analysis**

#### **Compensation Philosophy**

The Company's executive compensation program reflects the Company's philosophy that executive's compensation should be structured so as to closely align executives' interests with the interests of our shareholders. The primary objectives of the Company in determining compensation are to emphasize operating performance criteria that enhance shareholder value and to establish and maintain a competitive executive compensation program that enables the Company to retain and motivate a highly qualified executive who will contribute to the long-term success of the Company. When used in this Compensation Discussion and Analysis section, the term "named executive officer" means the person listed in the Summary Compensation Table.

Consistent with this philosophy, we seek to provide compensation for the named executive officer that is similar to comparable companies in the oil and gas industry. In making these determinations, we annually review each compensation component and compare it to market reference points. The application of our compensation philosophy to our named executive officer is described below in this Compensation Discussion and Analysis section.

#### **Executive Compensation Program Design**

The objective of the Company and the Compensation Committee is to attract, retain and motivate the most highly qualified executive officer who will contribute to the Company's goals by consistently delivering exceptional performance while working within the annual budget of a development stage Company. In order to accomplish the Company's goals, we believe compensation paid to the executive officer should be designed around a combination of a competitive based salary combined with performance-based pay including equity-based or other incentives which thereby align the interest of our executive officer with those of the Company's shareholders.

The compensation package of the indicated named executive officer during the year ended December 31, 2010, consisted almost entirely of base salary.

At the request of the Compensation Committee, our compensation program is reviewed on an annual basis to ensure it meets the objectives of our compensation program and is benchmarked with the market. Prior compensation from the Company, such as gains from previously awarded stock options, is

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not generally taken into account in setting other elements of compensation, such as base pay and long-term incentive awards. We believe that our executive officer should be fairly compensated each year relative to market pay levels of our peer groups and internal equity within the Company.

### **Compensation Program Benchmarking**

The Compensation Committee endeavors to conduct its review on an annual basis for the named executive officer to ensure that our compensation program works as designed and intended. This review by the Compensation Committee also facilitates discussion among the members of the Compensation Committee regarding our compensation program. The Compensation Committee has not retained the services of a compensation consultant during 2009 or 2010.

### **Compensation Program Overview**

Following is an overview of the principal components of our compensation program:

#### **How Amounts for Compensation Components are Determined**

In addition to the information provided above, following are other details on specific compensation components for 2010:

*2010 Base Salary.* Base salary level of the named executive officer is determined based on a combination of factors, including our compensation philosophy, market compensation data, competition for key executive talent, the named executive officer's experience, leadership, achievement of specified business objectives and contribution to the Company's success, the Company's overall annual budget for merit increases and the named executive officer's individual performance. In the Compensation Committee's first meeting of each year, the Compensation Committee conducts an annual review of the base salary of our named executive officer by taking into account these factors.

The base salary of the named executive officer did not increase during 2009 based upon the factors set out above. The Compensation Committee focused on the Company's annual budget and the beginning of new operations in an effort to establish production and revenue for the Company.

*2010 Long-Term Incentives.* The Company has in the past provided long-term incentives. Primarily this has been done through the issuance of stock options, however there is no set program or requirements for issuance of the stock options. Instead, stock options may be issued at the discretion of the Compensation Committee in conjunction with the Board of Directors.

In addition to our philosophy, internal equity, current share price, and individual performance during the prior year are considered. We do not target long-term incentive opportunities to be a particular percentage of total compensation. The Compensation Committee did not grant any stock options in 2009 to any individuals (including our Chief Executive Officer).

Another long-term incentive used in the oil and gas industry is the granting of overriding interest in wells to be drilled. On June 22, 2005, the Company approved of its subsidiary granting such an incentive to Mr. Ware and that incentive was granted as a 1% overriding interest in any well that he recommends that is drilled by the Company or its subsidiary Coastal Petroleum. No payments under this incentive plan were earned or paid during 2010.

#### **Retirement and Other Benefits**

We currently do not offer retirement programs within the Company that are intended to supplement the employee's personal savings and social security. However, the Company contributes to the SEP-IRA of the named executive employee. The Company believes that this contribution assists the Company in maintaining a competitive position in terms of retaining our named executive employee.

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### **Other Benefits**

The Company does not provide the named executive officer with perquisites or other personal benefits. The Company does provide healthcare insurance for its named executive officer, which the Company believes assists in maintaining a competitive position in terms of retaining him.

### **Board Process and Independent Review of Compensation Program**

The Compensation Committee is responsible for determining the compensation of our directors and our Chief Executive Officer. In addition, the Compensation Committee is authorized to exercise all the powers granted to it in its charter. The Compensation Committee charter provides that the Compensation Committee will have access to the necessary corporate resources to carry out its charter authority.

For our Chief Executive Officer, the Compensation Committee evaluates and assesses our Chief Executive Officer's performance related to leadership, financial and operating results, board relations, and other material considerations. These considerations as well as market information concerning compensation for similar positions are then incorporated into the Compensation Committee's compensation adjustment decisions. Market information is obtained through various sources including reference to materials published by the American Association of Petroleum Geologists (AAPG) annually in their *AAPG Explorer*. These materials review compensation being paid to geologists holding various degrees and of varying years of experience in oil and gas companies across the country.

The following table sets forth the compensation of the President of the Company, Mr. Ware, who served as our Chief Executive Officer and Principal Financial Officer for the three years ending with 2010. We have determined that Mr. Ware is our only named executive officer pursuant to the applicable rules of the SEC (the "named executive officer"). No other company employee received \$100,000 or more in total compensation. Mr. Ware's current base salary is \$125,000.

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## SUMMARY COMPENSATION TABLE

| Name and Principal Position               | Year | Salary<br>(\$)         | Bonus <sup>(1)</sup><br>(\$) | Stock<br>Awards<br>(\$) | Option<br>Award<br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | Change<br>in<br>Pension<br>Value and<br>Non-qualified<br>Deferred<br>Compensation<br>Earnings<br>(\$) | All Other<br>Compensation <sup>(2)(3)</sup><br>(\$) | Total<br>(\$) |
|---|------|------------------------|------------------------------|-------------------------|-------------------------|---|---|---|---------------|
|   |      |                        |                              |                         |                         |   |   |   |               |
| Phillip W. Ware,                          | 2010 | 125,000 <sup>(4)</sup> |                              |                         |                         |   |   | 18,750  | 143,750       |
| Chief Executive Officer, President, Chief | 2009 | 125,000 <sup>(5)</sup> |                              |                         |                         |   |   | 18,750  | 143,750       |
| Financial Officer, Director               | 2008 | 125,000 <sup>(6)</sup> |                              |                         |                         |   |   | 18,750  | 143,750       |

- (1) Annual Cash Bonus Award - Annual incentive awards, which were paid during the year or immediately following the year indicated.
- (2) Other Annual Compensation - All additional forms of cash and non-cash compensation paid, awarded or earned, including automobile allowances, 401(k) Plan matching contributions, and club membership costs.
- (3) Payment to SEP-IRA pension plan (2007, 2008 and 2009 amounts have been deferred).
- (4) Payment of 114,583 was accrued and not paid in 2010.
- (5) Payment of 125,000 was accrued and not paid in 2009.
- (6) Payment of \$89,700 was accrued and not paid in 2008.

The Company does not have a contract with its named executive officer nor does it have a change of control employment agreement which would be effective upon change of control of the Company or in the event of termination of employment.



**Table of Contents****Stock Options**

The Company has not adjusted or amended the exercise price of any stock options during the year end December 31, 2010.

The following table sets forth certain information with respect to outstanding equity awards at December 31, 2010, held by the named executive officer.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

| Name            | Number of Securities Underlying Unexercised Options (#) |               | Option Awards   |                            |                        | Stock Awards  |  |  |   |
|-----------------|---|---------------|---|----------------------------|------------------------|---|--|--|---|
|                 | Exercisable   | Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Market Value of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Shares, Units or Rights That Have Not Vested (\$) |
| Phillip W. Ware | 50,000  |               |   | 0.15                       | July 25, 2015          |   |  |  |   |
|                 | 250,000   |               |   | 0.20                       | September 27, 2015     |   |  |  |   |
|                 | 150,000   |               |   | 0.15                       | December 20, 2015      |   |  |  |   |

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**OPTION EXERCISES**

None.

**Compensation of Directors**

The Compensation Committee of our Board sets the compensation of our directors. In determining the appropriate level of compensation for our directors, the Compensation Committee considers the commitment required from our directors in performing their duties on behalf of the Company, as well as comparative information the committee obtains from various sources. Set forth below is a description of the compensation of our directors.

**Annual Retainers and Other Fees and Expenses.**

We pay our directors an annual retainer of \$25,000. There is currently no provision for paying directors additional fees based upon attending meetings, service on a committee, or serving as chair of a committee. We do not regularly compensate directors for their service through stock options, although in the past the Company has issued stock options to Directors. We do reimburse directors for travel, lodging and related expenses they may incur in attending shareholder, Board and committee meetings.

We did not pay our directors in 2010 and accrued \$25,000 owed to them at December 31, 2010. Directors fees of \$37,500 were also accrued and not paid in 2009. Mr. Angerer and Mr. Ware discontinued receiving fees after the first quarter of 2009. The following table shows the compensation of the Company's directors for the year ended December 31, 2010

(Intentionally left blank)

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**DIRECTOR COMPENSATION**

| <b>Name</b>            | <b>Fees Earned or<br/>Paid in Cash<sup>(1)</sup><br/>(\$)</b> | <b>Stock Awards<br/>(\$)</b> | <b>Option Awards<br/>(\$)</b> | <b>Non-Equity<br/>Incentive<br/>Plan<br/>Compensation<br/>(\$)</b> | <b>Change<br/>in Pension<br/>Value<br/>and<br/>Nonqualified<br/>Deferred<br/>Compensation<br/>Earnings<br/>(\$)</b> | <b>All Other<br/>Compensation<br/>(\$)</b> | <b>Total<br/>(\$)</b> |
|------------------------|---|------------------------------|-------------------------------|--|---|--|-----------------------|
| Phillip W. Ware        |   |                              |                               |  |   |  |                       |
| Robert J. Angerer, Sr. |   |                              |                               |  |   |  |                       |
| Herbert D. Haughton    | 25,000  |                              |                               |  |   |  | 25,000                |

(1) All fees were accrued but not paid. Mr. Ware and Mr. Angerer discontinued receiving fees after the first quarter of 2009.

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**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee serves with regard to compensation and personnel policies, programs and plans, including management development and succession, and to approve employee compensation and benefit programs. The Compensation Committee's charter was adopted on December 20, 2005. A copy of the Compensation Committee Charter may be obtained by a written request addressed to Mr. Robert J. Angerer, Jr., Secretary, P.O. Box 10468, Tallahassee, Florida 32302. Members of the Compensation Committee are: Herbert D. Haughton and Robert J. Angerer, Sr.

**COMPENSATION COMMITTEE REPORT**

To the Shareholders of

Coastal Caribbean Oils & Minerals, Ltd.:

The Compensation Committee has reviewed and discussed with management of the Company the Compensation Discussion and Analysis included in this annual report on Form 10-K. Based on such review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this annual report on Form 10-K.

March 29, 2011

COMPENSATION COMMITTEE

Herbert D. Haughton, Chair

Robert J. Angerer, Sr.

**Item 12. Security Ownership of Certain Beneficial Owners and Management**  
**Security Ownership of Certain Beneficial Owners**

As of December 31, 2010, Mr. Robert J. Angerer, Sr. owned 23,862,087 shares, or 33.75% of our common stock and his son, Mr. Robert J. Angerer, Jr., owned 816,914 shares, or 1.15% of our common stock. Mr. Angerer, Sr. disclaims beneficial ownership of any shares owned by his son.

As of March 30, 2011, the only person or apparent groups of persons known by management to own beneficially five percent or more of the Company's outstanding shares is as follows:

| Person  | Shares Owned | Percentage of Shares Outstanding |
|---|--------------|----------------------------------|
| Robert J. Angerer, Sr.<br>P.O. Box 10468<br>Tallahassee, FL 32312 | 23,862,087*  | 33.75%*                          |

\* As reported in a Schedule 13-D filed by Mr. Angerer, dated September 9, 2010.

**Table of Contents****Security Ownership of Management**

The following table sets forth information as to the number of shares of the Company's common stock owned beneficially at March 30, 2011, by each director of the Company and by all directors and executive officers as a group:

| Name of Individual or Group | Amount and Nature of Beneficial Ownership |         | Percent of Class |
|-----------------------------|---|---------|------------------|
|                             | Shares Held Directly or Indirectly        | Options |                  |
| Phillip W. Ware             | 454,121                                   | 450,000 | 1.27%            |
| Robert J. Angerer, Sr.      | 23,862,087 <sup>(4)</sup>                 | 0       | 33.75%           |
| Herbert D. Haughton         | 50,000                                    | 50,000  | 0.14%            |
| All directors as a group    | 24,366,208                                | 500,000 | 35.16%           |

**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information about the Company's common stock that may be issued upon the exercise of options and rights under the Company's 1995 Stock Option Plan and the Company's 2005 Employee's Incentive Stock Option Plan as of December 31, 2010

| Plan Category   | Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a) (#) | Weighted average exercise price of outstanding options, warrants and rights (b) (\$) | Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c) (#) <sup>(3)</sup> |
|---|---|--|---|
| Equity compensation plans not approved by security holders <sup>(1)</sup> | 100,000   | \$ 0.15  | 850,000   |
| Equity compensation plans approved by security holders <sup>(2)</sup>     | 250,000   | \$ 0.20  | 2,050,000   |
| <b>Total:</b>   | <b>350,000</b>  | <b>\$ 0.15 0.20</b>  | <b>2,900,000</b>  |

<sup>(1)</sup> 1995 Stock Option Plan

<sup>(2)</sup> 2005 Employee's Incentive Stock Option Plan

<sup>(3)</sup> Options to acquire 100,000 shares of the Company's common stock under the 1995 Stock Option Plan granted to former directors Cannon and Randazzo expired one month after their resignation and were returned to the options available to be issued.

The Company's 1995 Stock Option Plan was adopted by the Board of Directors of the Company in March 1995. 1,000,000 shares of the Company's common stock were authorized for issuance under the terms of the plan. Options under the plan may be granted only to directors, officers, key employees of, and consultants and consulting firms to, (i) the Company, (ii) subsidiary corporations of the Company from time to time and any business entity in which the Company from time to time has a substantial interest, who, in the sole opinion of the Committee of the Board administering the Plan, are responsible for the management and/or growth of all or part of the business of the Company. The exercise price of each option to be granted under the plan shall not be less than the fair market value of the stock subject to the option on the date of grant

of the option.

The Company's 2005 Employees' Stock Option and Limited Rights Plan ( Employees' Plan ) was adopted by the Board on September 27, 2005, for the benefit of officers and other key employees of Coastal and Coastal Caribbean. The Plan was approved by the shareholders at the Annual General

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Meeting held on December 9, 2005. The Employees Plan provides for 2,300,000 shares of Coastal common stock to be reserved for future issuance pursuant to the exercise of stock options. This represents 5% of the total number of shares of the Company's outstanding common stock. Employees of Coastal or Coastal Petroleum may be granted options to purchase shares of common stock, as determined by the Board in its sole discretion.

Options granted under the Program will be incentive stock options within the meaning of section 422A of the Internal Revenue Code of 1986, as amended, which are designed to result in beneficial tax treatment to the employee but no tax deduction to Coastal. The per share exercise price at which the shares of common stock may be purchased upon exercise of a granted option will be equal to or greater than the Fair Market Value of a share of common stock as of the date of grant. Fair Market Value of a share of common stock is defined in the Employees Plan. At no time will Coastal have total cumulative stock options outstanding to acquire more than 15% of the outstanding common stock of Coastal under all of its plans.

### **Item 13. Certain Relationships and Related Transactions**

#### ***Angerer & Angerer***

The law firm of Angerer & Angerer, Tallahassee, Florida, has been litigation counsel to the Company for more than twenty-five years and 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, until May 2009. Mr. Robert J. Angerer, Sr., a partner of the firm, was elected a director of Coastal Caribbean and of Coastal Petroleum on January 30, 2003, and a Vice President of Coastal Caribbean and Coastal Petroleum on February 28, 2003. During 2009, Angerer & Angerer billed Coastal Petroleum \$60,000 for legal fees. No amounts were billed or paid in 2010.

#### ***Robert J. Angerer, Sr.***

On July 15, 2005 Coastal Petroleum acquired a lease and the rights to drill two 5,100 foot wells to test a Mississippian Lodgepole reef in Valley County, in northeast Montana. Coastal Petroleum acquired these rights for \$50,000 from Oil For America, a partnership in which Robert J. Angerer, Sr. is a partner. Included in the agreement is the right to drill additional prospects in the Valley County area.

Coastal Petroleum also acquired leases from Oil For America to the deeper rights in approximately 21,688 net acres in and near Slope County, North Dakota for an additional \$50,000. The Company has the option to drill the remaining Lodgepole reef prospects on these leases.

The leases were acquired on terms and under circumstances that are substantially the same or at least as favorable as those prevailing at the time for comparable transactions with or involving other non-affiliated companies.

#### ***Igler & Dougherty, PA***

The law firm of Igler & Dougherty, PA, Tallahassee, Florida, has been SEC counsel to the Company for almost five years. Mr. Herbert D. Haughton, a shareholder of the firm, was elected a director of Coastal Caribbean and of Coastal Petroleum in December 2005. During 2010 and 2009, Igler & Dougherty billed the Company \$31,719 and \$10,908, respectively for legal fees.

**Table of Contents****Item 14. Principal Accountant Fees and Services**

Baumann, Raymondo and Company, P.A. audited the Company's financial statements for 2010 and 2009 and performed the reviews for 2010 and 2009. Fees related to services performed by Baumann, Raymondo and Company, P.A. in 2010 and 2009 were as follows:

|                    | 2010      | 2009      |
|--------------------|-----------|-----------|
| Audit Fees (1)     | \$ 38,360 | \$ 33,000 |
| Audit-Related Fees | -0-       | -0-       |
| Tax Fees (2)       | -0-       | -0-       |
| Total              | \$ 38,360 | \$ 33,000 |

- (1) Audit fees represent fees for professional services provided in connection with the audit of our financial statements and review of our quarterly financial statements. The Audit Committee must pre-approve audit related and non-audit services not prohibited by law to be performed by the Companies independent auditors. Since their appointment on December 9, 2005, directors Matthew D. Cannon and Anthony F. Randazzo served as the members of the Audit Committee until their resignation in October of 2008. With those resignations, there are currently not enough independent directors to comprise an Audit Committee, so since that time the entire Board of Directors has carried out the duties that would otherwise be carried out by an Audit Committee. The Audit Committee, or the Board of Directors after October 2008, pre-approved all audit related and non-audit services in 2010 and 2009. The Board of Directors has reviewed Coastal Caribbean's audited financial statements as of, and for, the fiscal year ended December 31, 2010, and met with both management and Coastal Caribbean's independent auditors to discuss those financial statements. Management has represented to the Audit Committee that the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The Audit Committee has received from, and discussed with Baumann, Raymondo & Company, PA, the written disclosure and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence. These items relate to that firm's independence from Coastal Caribbean. The Board of Directors has also discussed with Baumann, Raymondo & Company any matters required to be discussed by Statement on Auditing Standards No. 61 (*Communication with Audit Committees*).

Based on the reviews and discussions referred to above, the Board approved the inclusion of Coastal Caribbean's audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and filed with the Securities and Exchange Commission.

- (2) Tax fees principally included tax advice, tax planning and tax return preparation.



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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**  
**Financial Statements**

The financial statements listed below and included under Item 8 above are filed as part of this report.

|   | Page  |
|---|-------|
| <u>Reports of Independent Registered Public Accounting Firms</u>  | 16    |
| <u>Consolidated balance sheets at December 31, 2010 and 2009</u>  | 17    |
| <u>Consolidated statements of operations for each of the three years in the period ended December 31, 2009 and for the period from January 31, 1953 (inception) to December 31, 2010.</u> | 18    |
| <u>Consolidated statements of cash flows for each of the three years in the period ended December 31, 2009 and for the period from January 31, 1953 (inception) to December 31, 2010.</u> | 19    |
| <u>Consolidated statement of common stock and capital in excess of par value for the period from January 31, 1953 (inception) to December 31, 2010</u>                                    | 20    |
| <u>Notes to consolidated financial statements.</u>  | 21-29 |
| <b><u>Financial Statement Schedules</u></b>   |       |

All schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and the notes thereto.

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### Exhibits

The following exhibits are filed as part of this report:

10. Material contracts.

- (g) Stock Option Plan adopted March 7, 1995 filed as Exhibit 4A to form S-8 dated July 28, 1995 (File Number 001-04668) is incorporated herein by reference.
- (h) Memorandum of Settlement dated June 1, 2005 between Coastal Petroleum Company, et al. and the State of Florida filed as Exhibit 10(h) to form 10K-A dated July 27, 2005 (File Number 001-04668) is incorporated herein by reference.
- (i) Incentive Stock Option Plan adopted September 30, 2005 and approved by the shareholders on December 9, 2005 filed as Appendix A to form DEF 14A dated November 3, 2005 (File Number 001-04668) is incorporated herein by reference.
- (j) Code of Ethics applicable to principle executive and financial officers adopted December 20, 2005 filed as Exhibit 10(j) to form 10K dated March 8, 2006 (File Number 001-04668) is incorporated herein by reference.
- (k) Exploration Agreement between Coastal Petroleum Company and Victory Energy Corporation filed as Exhibit 10(k) to Form 8-K dated April 12, 2007 (File Number 001-04668) is incorporated by reference.
- (l) Agreement with Robert J. Angerer, Sr. filed as Exhibit 10(l) to Form 8-K dated January 20, 2010 (File Number 001-04668) is incorporated by reference.

21. Subsidiaries of the registrant.

The Company has one subsidiary, Coastal Petroleum Company, a Florida corporation which is 100% owned.

23. Consent of experts and counsel.

23.1 Consent of Baumann, Raymondo & Company PA

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.



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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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)

By */s/ Phillip W. Ware*  
**Phillip W. Ware**, Chief Executive Officer  
President and Principal Financial Officer

Dated: March 30, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

By */s/ Phillip W. Ware*  
**Phillip W. Ware**  
Director, Chief Executive Officer,  
President and Principal Financial Officer

By */s/ Robert J. Angerer*  
**Robert J. Angerer**  
Director

Dated: March 30, 2011

Dated: March 30, 2011

By */s/ Herbert D. Haughton*  
**Herbert D. Haughton**  
Director

Dated: March 29, 2011

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**INDEX TO EXHIBITS**

| Exhibit<br>No. |  |
|----------------|--|
| 23.1           | Consent of Baumann, Raymondo & Company, PA               |
| 31.1           | Certification pursuant to Rule 13a-14 by Phillip W. Ware |
| 32.1           | Certification pursuant to Section 906 by Phillip W. Ware |