

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

COASTAL CARIBBEAN OILS & MINERALS LTD

Form 10-Q

November 08, 2002

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

FORM 10-Q

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

For the quarterly period ended September 30, 2002

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

For the transition period from _____ to _____

Commission file number 1-4668

COASTAL CARIBBEAN OILS & MINERALS, LTD.

(Exact name of registrant as specified in its charter)

BERMUDA

NONE

(State or other jurisdiction of
incorporation or organization)

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

Clarendon House, Church Street, Hamilton, Bermuda

HM 11

(Address of principal executive offices)

(Zip Code)

441-295-1422

(Registrant's telephone number, including area code)

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

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

The number of shares outstanding of the issuer's single class of common
stock as of November 7, 2002 was 46,211,604.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

FORM 10-Q

SEPTEMBER 30, 2002

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

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM		Page
ITEM 1	Financial Statements	
	Consolidated balance sheets at September 30, 2002 and December 31, 2001	3
	Consolidated statements of operations for the three and nine month periods ended September 30, 2002 and 2001 and for the period from January 31, 1953 (inception) to September 30, 2002	4
	Consolidated statements of cash flows for the nine month periods ended September 30, 2002 and 2001 and for the period from January 31, 1953 (inception) to September 30, 2002	5
	Notes to consolidated financial statements	6
ITEM 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	9
ITEM 3	Quantitative and Qualitative Disclosure About Market Risk	12
ITEM 4	Controls and Procedures	12

PART II - OTHER INFORMATION

ITEM 5	Other Information	13
ITEM 6	Exhibits and Reports on Form 8-K	14
	Signatures	15
	Rule 13a-14 Certifications	16-17

COASTAL CARIBBEAN OILS & MINERALS, LTD.

FORM 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements

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

(A Bermuda Corporation)
A Development Stage Company

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

	September 30, ----- 2002 ----- (unaudited)
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 534,273
Interest and accounts receivable	4,081
Notes receivable	-
Prepaid expenses	476,534

Total current assets	1,014,888

Contingent litigation claim (Notes 2 & 4)	-
Deferred financing costs	-

Total assets	\$ 1,014,888 =====
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 1,415,314

Minority interests	-
Shareholders' equity (deficit): Common stock, par value \$.12 per share:	
Authorized - 250,000,000 shares	
Outstanding - 46,211,604 and 43,468,329 shares, respectively	5,545,392

Capital in excess of par value	32,067,811
	37,613,203
Deficit accumulated during the development stage	(38,013,629)

Total shareholders' equity	(400,426)

Total liabilities and shareholders' equity (deficit)	\$ 1,014,888 =====

Note: The balance sheet at December 31, 2001 has been derived from the audited consolidated financial statements at that date.

See accompanying notes.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

FORM 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements

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

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

(A Bermuda Corporation)
A Development Stage Company

(unaudited)

	Three months ended September 30,		Nine months September
	2002 -----	2001 -----	2002 -----
Interest and other income	\$ 2,034	\$ 12,407	\$ 6,173
Expenses:			
Legal fees and costs	640,029	327,643	1,319,785
Administrative expenses	174,228	121,254	506,687
Salaries	37,950	37,950	113,850
Shareholder communications	8,225	12,170	24,666
Write off of unproved properties	-	-	-
Exploration costs	-	-	59,247
Lawsuit judgments	-	-	-
Minority interests	-	-	-
Other	-	-	-
Contractual services	-	-	-
	-----	-----	-----
	860,432	499,017	2,024,235
	-----	-----	-----
Net loss	\$ (858,398)	\$ (486,610)	\$ (2,018,062)
	=====	=====	=====
Deficit accumulated during the development stage			
Average number of shares outstanding (basic & diluted)	45,525,329	43,468,329	44,291,312
	=====	=====	=====
Net loss per share (basic & diluted)	\$ (.02)	\$ (.01)	\$ (.05)
	=====	=====	=====

See accompanying notes.

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

ITEM 1 - Financial Statements

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

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

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

	Nine months ended September 30,	
	2002	2001
	-----	-----
Operating activities:		
Net loss	\$ (2,018,062)	\$ (1,778,3
Adjustments to reconcile net loss to net cash used in operating activities:		
Minority interest	-	
Write off of unproved properties	-	
Common stock issued for services	-	
Compensation recognized for stock option grant	-	
Recoveries from previously written off properties		
Net change in:		
Interest and accounts receivable	4,523	28,8
Prepaid expenses	(122,938)	(62,7
Accounts payable and accrued liabilities	1,056,693	86,5
Deferred financing costs	90,391	27,8
	-----	-----
Net cash used in operating activities	(989,393)	(1,697,7
	-----	-----
Investing activities:		
Additions to oil, gas, and mineral properties net of assets acquired for common stock and reimbursements	-	(57,0
Proceeds from relinquishment of surface rights	-	
Notes receivable	15,000	
Purchase of fixed assets	-	
	-----	-----
Net cash provided by (used in) investing activities	15,000	(57,0
	-----	-----
Financing activities:		
Sale of common stock net of expenses	899,642	
Shares issued upon exercise of options	-	
Sale of shares by subsidiary	-	
Sale of subsidiary shares	-	
	-----	-----
Net cash provided by financing activities	899,642	
	-----	-----
Net increase (decrease) in cash and cash equivalents	(74,751)	(1,754,8
Cash and cash equivalents at beginning of period	609,024	2,958,6

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

Cash and cash equivalents at end of period	\$ 534,273	\$ 1,203,8
	=====	=====

See accompanying notes.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

FORM 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1 Financial Statements

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include the Company's 59.25% owned subsidiary, Coastal Petroleum Company (Coastal Petroleum) and have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three and nine month periods ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001.

Note 2. Litigation

Florida Litigation

Coastal Petroleum has been involved in various lawsuits for many years. Coastal Petroleum's current litigation (Florida Litigation) now involves one basic claim: whether the State's policy and denial of a permit constitute a taking of Coastal Petroleum's property. In addition, Coastal Caribbean is a party to another action in which Coastal Caribbean claims that certain of its royalty interests have been confiscated by the State.

In 1990, the State of Florida enacted legislation that prohibits drilling or exploration for oil or gas on Florida's offshore acreage. Although the law does not apply to areas where Coastal Petroleum is entitled to conduct exploration, the State of Florida has effectively prevented any exploratory drilling by denying the Company's application for drilling permits. In addition, in those areas where Coastal Petroleum has only a royalty interest, the law also effectively prohibits production of oil and gas, rendering it impossible for Coastal Petroleum to collect royalties from those areas. During 1998, Coastal Petroleum exhausted its legal remedies in its efforts to obtain compensation for the drilling prohibition on its royalty interest acreage.

Lease Taking Case (Lease 224-A)

On June 26, 2000, the First District Court of Appeal affirmed an earlier ruling that the Florida Department of Environmental Protection (DEP) could deny Coastal Petroleum a permit to drill an exploratory well about nine

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

miles south of St. George Island in the Florida Panhandle. While the appeals court held that the DEP could take such action on the basis of a compelling public purpose in not allowing offshore oil and gas drilling in Florida, the court also found that the DEP's action would be unconstitutional "if just compensation is not paid for what is taken."

ITEM 1 Financial Statements

The appeals court stated that whether the denial of the permit constituted a taking of Coastal Petroleum's property should be determined by the Circuit Court.

On January 16, 2001, Coastal Petroleum Company filed a complaint in the Leon County Circuit Court in Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its Lease 224-A.

On February 13, 2001, certain holders of royalties pertaining to Lease 224-A filed a Motion to Intervene as Additional Plaintiffs. On April 24, 2001, the Leon County Circuit trial judge granted certain royalty holders with overriding royalties, which aggregate approximately 4% on State Lease 224-A, the right to intervene on a limited basis in the takings lawsuit.

Counsel for the royalty holders has advised Coastal Petroleum that the royalty holders' position is that their interest is worth substantially more than 4% of whatever judgment may be awarded to Coastal Petroleum in the litigation and that they intend to make a claim against any recovery Coastal Petroleum may obtain in the litigation. Coastal Petroleum has informed the Circuit Court and counsel for the royalty holders that Coastal Petroleum is not making any claim in the litigation on behalf of any interest the royalty holders may have.

On October 8, 2002, the trial court in the takings litigation orally ruled from the bench that the State's denial of a permit to drill on Coastal Petroleum's Lease 224-A did not constitute an unlawful taking of Coastal Petroleum's property. Coastal Petroleum has the right to appeal the court's written order to the Florida First District Court of Appeal. As of the date of the filing of this report, the trial court has not yet issued a written order. Coastal Petroleum intends to appeal the trial court's decision after the written order is issued.

Royalty Taking Case

The offshore areas covered by Coastal Petroleum's original leases (prior to the 1976 Settlement Agreement) are subject to certain other royalty interests held by third parties, including Coastal Caribbean. In 1994, several of those third parties, including Coastal Caribbean which has approximately a 12% interest in any recovery, instituted a separate lawsuit against the State. That lawsuit claims that the royalty holders' interests have been confiscated as a result of the State's actions discussed above and that they are entitled to compensation for that taking.

The royalty holders were not parties to the 1976 Settlement Agreement, and the royalty holders contend that the terms of the Settlement Agreement do not protect the State from taking claims by those royalty holders. The case is currently pending before the Circuit Court in Tallahassee. On December 2, 1999, the Circuit Court denied the State's motion to dismiss the plaintiffs' claim of inverse condemnation but dismissed several other claims.

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

On May 10, 2000, the State filed a motion for summary judgment but no hearing date has been set for the motion.

ITEM 1 Financial Statements

Any recovery made in the royalty holders' lawsuit would be shared among the various plaintiffs in that lawsuit, including Coastal Caribbean, but not Coastal Petroleum.

Lease Taking Case (Lease 224-B)

On May 21, 2002, Coastal Petroleum filed a complaint in the Leon County Circuit Court, Florida against the State of Florida seeking compensation for the State's alleged taking of its property rights to explore for oil and gas within its State Lease 224-B. The lease encompasses more than 400,000 acres off the West Coast of Florida in the Gulf of Mexico. On July 22, 2002, a motion by the State of Florida to dismiss the case was heard. The court denied the State's motion to dismiss the case on August 30, 2002. The case is currently pending and is in the discovery stage.

Note 3. Loss per share

Loss per share is based upon the weighted average number of common and common equivalent shares outstanding during the period. The Company's basic and diluted calculations of EPS are the same because the exercise of options is not assumed in calculating diluted EPS, as the result would be anti-dilutive (the Company has continuing losses).

Note 4. Going Concern

The Company's current liabilities exceed its current assets, the Company has a limited amount of cash and cash equivalents, has incurred recurring losses and has a deficit accumulated during the development stage. On January 16, 2001, Coastal Petroleum Company filed a complaint in the Leon County Circuit Court in Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its Lease 224-A. On October 8, 2002, the trial court orally ruled from the bench that the State's denial of a permit to drill on Coastal Petroleum's Lease 224-A did not constitute an unlawful taking of Coastal Petroleum's property. The cost of that litigation has been substantial and has required the Company to obtain additional capital. On June 17, 2002, the Company commenced a rights offering for the sale of its common stock to its shareholders. The offering was concluded on July 31, 2002 and Company realized gross proceeds of approximately \$1,372,000 (\$900,000 after expenses of the offering of approximately \$472,000) on the sale of 2,743,000 shares at \$.50 per share.

With the amount of cash and cash equivalents at September 30, 2002, the Company should be able to fund its operations through March 31, 2003, provided that the Company continues to defer the payment of amounts due to the directors, certain of its officers, legal counsel and consultants for the past and current salaries and fees. As of September 30, 2002, the amount of salaries and fees deferred totaled approximately \$1,184,000. Because the proceeds of the offering of the Company's common stock are inadequate to fund the Company's capital needs, the Company is exploring other possible funding sources, particularly

ITEM 1 Financial Statements

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

the other shareholders of Coastal Petroleum. 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 that may result from the outcome of these uncertainties.

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

Forward Looking Statements

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be forward looking statements. The Company cautions readers that forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements. Among the risks and uncertainties are: the uncertainty of any decision favorable to Coastal Petroleum in its litigation against the State of Florida; and the substantial cost of continuing the litigation.

Critical Accounting Policies

The Company follows the full cost method of accounting for its oil and gas properties. All costs associated with property acquisition, exploration and development activities whether successful or unsuccessful are capitalized. Since the Company's properties were undeveloped and nonproducing and the subject of litigation, capitalized costs were not being amortized.

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. These properties are subject to extensive litigation with the State of Florida.

Liquidity and Capital Resources

Short Term Liquidity

At September 30, 2002, Coastal Caribbean had approximately \$534,000 of cash and cash equivalents available. On June 17, 2002, the Company commenced a rights offering for the sale of its common stock to its shareholders. The offering was concluded on July 31, 2002 and the Company realized gross proceeds of approximately \$1,372,000 (\$900,000 after expenses of the offering of approximately \$472,000) on the sale of 2,743,000 shares at \$.50 per share.

With the amount of cash and cash equivalents at September 30, 2002, the Company should be able to fund its operations through March 31, 2003, provided that the Company continues to defer the payment of amounts due to the directors, certain of its officers, legal counsel and consultants for the past and current salaries and fees. As of September 30, 2002, the amount of salaries and fees being deferred totaled approximately \$1,184,000. Because the proceeds of the offering of the Company's common stock are inadequate to fund the Company's capital needs, the Company is exploring other possible funding sources, particularly the other shareholders of Coastal Petroleum. 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

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

or amounts and classification of liabilities that may result from the outcome of these uncertainties.

Long Term Liquidity

On January 16, 2001, Coastal Petroleum Company filed a complaint in the Leon County Circuit Court, Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its state Lease 224-A. On October 8, 2002, the trial court orally ruled from the bench that the State's denial of a permit to drill on Coastal Petroleum's Lease 224-A did not constitute an unlawful taking of Coastal Petroleum's property. Coastal Petroleum intends to appeal the trial court's decision after the written order is issued.

On May 21, 2002, Coastal Petroleum filed a complaint in the Leon County Circuit Court, Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its State Lease 224-B. The lease encompasses more than 400,000 acres off the West Coast of Florida in the Gulf of Mexico.

The Company expects that the cost of the litigation will continue to be substantial. Because the proceeds of the offering of the Company's common stock are inadequate to fund the Company's long term capital needs, the Company is exploring other possible funding sources, particularly the other shareholders of Coastal Petroleum.

Results of Operations

Three months ended September 30, 2002 vs. September 30, 2001

The Company incurred a loss of \$858,000 for the 2002 quarter, compared to a loss of \$487,000 for the comparable 2001 quarter.

Interest income and other income decreased 83% from \$12,000 in the 2001 quarter to \$2,000 in the 2002 quarter because of the decrease in funds to invest.

Legal fees and costs increased 95% to \$640,000 for the 2002 quarter, compared to \$328,000 in the prior period. Legal fees and costs were higher in the 2002 period as a result of Coastal Petroleum Company's lawsuit against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its state Lease 224-A, particularly the preparation for the trial in the litigation which commenced on September 30, 2002. The Company expects that the cost of the litigation will continue to be substantial for the remainder of 2002 and throughout the appeal process in 2003.

Administrative expenses increased 44% during the 2002 period to \$174,000 compared to \$121,000 in the 2001 period. Accounting and administrative expenses increased during the 2002 period to \$42,000 from \$24,000 in the 2001 period because of the costs associated with various filings with the Securities and Exchange Commission. In addition, the cost of Directors' and Officers' liability insurance increased to \$76,000 in 2002 from \$55,000 in the 2001 quarter. The monthly cost of Directors' and Officers' liability insurance through July 31, 2003 is estimated to be approximately \$26,000 compared to \$17,000 per month for the prior period.

Salaries did not change during the periods and remained at \$38,000 in the 2002 quarter.

Shareholder communications decreased 33% during the 2002 period to

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

\$8,000 from \$12,000 in the 2001 period because the Company reduced its shareholder communications expenses to conserve its cash resources.

Nine months ended September 30, 2002 vs. September 30, 2001

The Company incurred a loss of \$2,018,000 for the 2002 period, compared to a loss of \$1,778,000 for the comparable 2001 period.

Interest income and other income decreased 92% from \$73,000 in 2001 to \$6,000 in 2002 because of the decrease in funds to invest.

Legal fees and costs increased 7% to 1,320,000 for 2002 from \$1,237,000 in the prior period. Legal fees and costs were higher in the 2002 period as a result of Coastal Petroleum Company's lawsuit against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its state Lease 224-A, particularly the preparation for the trial in the litigation which commenced on September 30, 2002. The Company expects that the cost of the litigation will continue to be substantial for the remainder of 2002 and throughout the appeal process in 2003.

Administrative expenses increased 26% in 2002 to \$507,000 from \$403,000 in the 2001 period. Accounting and administrative expenses increased during the 2002 period to \$149,000 from \$103,000 in the 2001 period because of the costs associated with various filings with the Securities and Exchange Commission. In addition, the cost of Directors' and Officers' liability insurance increased to \$194,000 in 2002 from \$150,000 in the 2001 period. The monthly cost of Directors' and Officers' liability insurance through July 31, 2003 is estimated to be approximately \$26,000 compared to \$17,000 per month for the prior period.

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd)

Salaries did not change during the periods and remained at \$114,000 in 2002.

Shareholder communications decreased 74% during the 2002 period to \$25,000 compared to \$98,000 in the 2001 period because the Company has not yet held its 2002 Annual General Meeting of Shareholders.

Exploration costs increased from \$500 in the 2001 period to \$59,000 in 2002. The \$59,000 in exploration costs in 2002 represents the lease rentals paid to the State of Florida to maintain Coastal Petroleum Company's offshore leases. During the 2001 period, the \$59,000 of lease rentals were capitalized and included in unproved oil gas and mineral properties. During the year 2001, the Company concluded that the value of its leases has been taken and its property interests were impaired by the actions taken by the State of Florida and therefore, recorded an impairment charge to reflect the write off of the costs of unproved oil, gas and minerals properties to reflect the write off of these costs. All future costs incurred in connection with the Company's Florida leases are being expensed as incurred.

ITEM 3 Quantitative and Qualitative Disclosure About Market Risk

The Company does not have any significant exposure to market risk as the only market risk sensitive instruments are its investments in marketable securities classified as cash and cash equivalents. At September 30, 2002, the carrying value of such investments was approximately \$398,600, the fair value was \$399,500 and the face value was \$400,000. Since the Company expects to hold the investments to maturity, the maturity value should be realized.

ITEM 4 Controls and Procedures

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

We, Benjamin W. Heath, the principal executive officer and James R. Joyce, the principal financial officer have evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) adopted under the Securities Act of 1934) within the ninety (90) day period prior to the date of this report and have concluded:

1. That the Company's disclosure controls and procedures are adequately designed to ensure that material information relating to the Company, including its consolidated subsidiary, is timely made known to such officers by others within the Company and its subsidiary, particularly during the period in which this quarterly report is being prepared; and
2. That there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

FORM 10-Q

PART II - OTHER INFORMATION

September 30, 2002

ITEM 5 Other Information

On October 8, 2002, the trial court in the takings litigation of the Company's majority owned subsidiary, Coastal Petroleum Company, against the State of Florida orally ruled from the bench that the State's denial of a permit to drill on Coastal Petroleum's Lease 224-A did not constitute an unlawful taking of Coastal Petroleum's property. Coastal Petroleum has the right to appeal the court's written order to the Florida First District Court of Appeal. As of the filing of this report, the trial court has not yet issued a written order.

Coastal Caribbean is currently a passive foreign investment company, or PFIC, for United States federal income tax purposes, which could result in negative tax consequences to a shareholder. If, for any taxable year, the Company's passive income or assets that produce passive income exceed levels provided by U.S. law, the Company would be a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes. For the years 1987 through 2001, Coastal Caribbean's passive income and assets that produce passive income exceeded those levels and for those years Coastal Caribbean constituted a PFIC. If Coastal Caribbean is a PFIC for any taxable year, then the Company's U.S. shareholders potentially would be subject to adverse U.S. tax consequences of holding and disposing of shares of our common stock for that year and for future tax years. Any gain from the sale of, and certain distributions with respect to, shares of the Company's common stock, would cause a U.S. holder to become liable for U.S. federal income tax under section 1291 of the Internal Revenue Code (the interest charge regime). The tax is computed by allocating the amount of the gain on the sale or the amount of the distribution, as the case may be, to each day in the U.S. shareholder's holding period. To the extent that the amount is allocated to a year, other than the year of the disposition or distribution, in which the corporation was treated as a PFIC with respect to the U.S. holder, the income will be taxed as ordinary income at the highest rate in effect for that year, plus an interest charge.

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

September 30, 2002

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001.

ITEM 6 Exhibits and Reports on Form 8-K

(a) Exhibits

99 (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 Benjamin W. Heath.

99 (2) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 executed by James R. Joyce.

(b) Reports on Form 8-K

On September 9, 2002, the Company filed a Current Report on Form 8-K to report that on August 30, 2002, the Leon County Circuit Court trial judge denied the State of Florida's motion to dismiss the lawsuit filed on May 21, 2002 by the Registrant's 59% owned subsidiary, Coastal Petroleum Company. On May 21, 2002, Coastal Petroleum filed a lawsuit against the State of Florida seeking compensation for the State's alleged taking of its property rights to explore for oil and gas within its state lease 224-B in the Gulf of Mexico.

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

September 30, 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COASTAL CARIBBEAN OILS & MINERALS, LTD.
Registrant

Date: November 7 , 2002

By /s/ James R. Joyce
James R. Joyce
Treasurer and Chief Accounting and
Financial Officer

Form 10-Q

Coastal Caribbean Oils & Minerals, Ltd.

Rule 13a-14 Certification

I, Benjamin W. Heath, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Coastal Caribbean Oils & Minerals, Ltd.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 7, 2002

/s/ Benjamin W. Heath
Benjamin W. Heath
President

Form 10-Q

Coastal Caribbean Oils & Minerals, Ltd.

Rule 13a-14 Certification

I, James R. Joyce, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Coastal Caribbean Oils & Minerals, Ltd.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 7, 2002

/s/ James R. Joyce
James R. Joyce
Treasurer and Chief Accounting and
Financial Officer