

CKX Lands Inc  
Form 10KSB  
March 09, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 10-KSB**

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x **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2006

.. **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**  
Commission file number 0-9669

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**CKX LANDS, INC.**

(Name of small business issuer in its charter)

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Louisiana  
(State of other jurisdiction of  
incorporation or organization)

72-0144530  
(I.R.S. Employer  
Identification No.)

One Lakeside Plaza, Lake Charles, Louisiana  
(Address of principal executive offices)

70601  
(Zip Code)

Issuer's telephone number (337) 310-0547

Securities registered under Section 12(b) of the Exchange Act:

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**Title of each class**  
**Common Stock with no par value**

**Name of each exchange on which registered**  
**American Stock Exchange**

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Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB.

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

State issuer's revenues for its most recent fiscal year. \$2,691,117.

State the aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. ( See definition of affiliate in Rule 12b-2 of the Exchange Act.). \$20,545,774 (based on a \$12.91 closing price on the American Stock Exchange on January 31, 2007).

**(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)**

Check whether the issuer has filed all documents and reports required by Section 12, 13 or 15(d) of the Exchange Act after distribution of securities under a plan confirmed by a court. Yes  No

**(APPLICABLE ONLY TO CORPORATE REGISTRANTS)**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Common Stock, No Par Value, 1,942,495 shares outstanding at March 7, 2007.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive Proxy Statement prepared in connection with the 2007 Annual Meeting of Stockholders are incorporated by reference into Part III, Items 9, 10, 11, 12 and 14 of this Annual Report on Form 10-KSB.

Transitional Small Business Disclosure Format Yes  No

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**PART I**

**Item 1. BUSINESS**  
**General Description**

CKX Lands, Inc. is a Louisiana corporation organized in 1930 as Calcasieu Real Estate & Oil Co., Inc., to receive non-producing mineral royalties spun off by a Southwest Louisiana bank. Over the years as some of the royalties yielded oil and gas income the Company used the proceeds to purchase land. On May 17, 2005, the Company changed its name from Calcasieu Real Estate & Oil Co., Inc. to CKX Lands, Inc. The primary reason for the change was to help make clear that the Company is not directly involved in oil and gas exploration or operations. As used herein, The Company or CKX refers to CKX Lands, Inc.

The Company's shares are listed on the American Stock Exchange, under the symbol CKX. As of March 7, 2007, there were 1,942,495 shares outstanding. The Company has revenues less than \$25,000,000 and its public float in 2006 was less than \$25,000,000, consequently the Company is a small business issuer under the Securities Exchange Commission regulations.

As a reporting company, CKX is subject to the informational requirements of the Securities Exchange Act of 1934 (the Exchange Act) and accordingly files its annual report on Form 10-KSB, quarterly reports on 10-QSB, current reports on Form 8-K, proxy statements and other information with the Securities and Exchange Commission (the SEC). The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street NW, Washington, DC 20549. Please call the SEC at (800) SEC-0330 for further information on the Public Reference Room. As an electronic filer, CKX's public filings are maintained on the SEC's Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that website is <http://www.sec.gov>.

The Company owns land and mineral interests, all of which are located in Southwest Louisiana. The Company collects income from this land in the form of oil and gas royalties, agriculture rentals and timber sales. The Company is not involved in the exploration or production of oil and gas nor does it actively farm its lands. These activities are performed by others for royalties or rentals. Part of the Company's lands are owned in indivision with other owners. The Company's ownership share in most of this acreage is one-sixth. For convenience the owners jointly operate an entity known as Walker Louisiana Properties to manage this acreage. Neither the Company nor Walker Louisiana Properties consider themselves to be in oil and gas producing activities inasmuch as: (1) they do not search for crude oil or natural gas in their natural states; (2) they do not acquire property for the purpose of exploration or the removing of oil and gas; and (3) they are not involved in construction, drilling and production activities necessary to retrieve oil and gas.

Oil and gas royalties are paid by the operators who own the wells. Timber income is paid by the highest bidder of the timber. There are several mills in the immediate area that compete for timber. All of the agriculture income comes from tenants who pay annual cash rents. The prices paid for oil, gas and

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timber depend on national and international market conditions. Oil and gas operations produced 82.2% of the Company's revenues in 2006 and 91.0% in 2005.

The source of all raw materials for the Company is the land itself. Timber income and agriculture income are renewable resources. All oil and gas income will eventually deplete but we have no access to this data.

The Company does not spend any money on Research and Development.

The Company does not need government approval of its principal products or services except that the State of Louisiana must approve all oil and gas producing units as to size and location.

**Employees**

The Company has four employees, all of whom are part-time. They are the three officers and one clerical person. The Company is subject to no union contracts nor does the Company have any hospitalization, pension, profit sharing, option or deferred compensation programs. Walker Louisiana Properties has five full-time employees and the Company pays one-sixth of their payroll costs. One employee of Walker is devoted full-time to agriculture and one employee of Walker is devoted full-time to timber.

**Customers**

The Company's customers are those who have mineral leases on the Company's property or purchase the timber in competitive bids or execute farming leases. The largest customers are the oil and gas operators under the mineral leases. The Company received 19.1% of revenues from Unit Petroleum Co. for royalties from the Castor Creek Field and 16.1% of revenues from Cox & Perkins for royalties from the South Gordon Field. Termination of production from either field would have a material adverse effect on the Company.

**Environmental and Other Governmental Regulations**

The operators of the wells are responsible for complying with environmental and other governmental regulations. However, should an operator abandon a well located on Company land, without following prescribed procedure, the land owners could possibly be held responsible. The Company does not believe this would have a material effect on its financial condition.

**Item 2. PROPERTIES**

The Company owns a total of 13,889 net acres in the Parishes of Allen, Beauregard, Calcasieu, Cameron, Jefferson Davis, LaFourche, Sabine, St. Landry and Vermilion in Louisiana. Most of the acreage is in Southwest Louisiana within 65 miles of the City of Lake Charles. Much of this land is owned in indivision. Ownership is as follows:

100% Ownership	7,084 acres
40% Ownership of 1,748 acres with Walker Louisiana Properties	648 acres
50% Ownership of 440 acres with Prairie Land Company	220 acres
16.667% Ownership of 35,621 acres comprising Walker Louisiana Properties	5,937 acres

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In addition the Company owns mineral and royalty interests in net 471 acres of 5,955 gross acres of land owned by others. Under Louisiana law these minerals will prescribe if ten years pass without mineral activity. Of these acres there are 122 net acres currently producing.

Of the total net 13,889 acres owned by CKX, timberland comprises 6,371 acres, 6,528 acres are agricultural land, 741 acres are marsh land and 249 acres represents the Company's one-sixth interest in property contiguous to the city limits of Lake Charles which is future subdivision land.

The table below shows, for the years ended December 31, 2006, and December 31, 2005, the Company's net gas produced in thousands of cubic feet (MCF) and net oil produced in barrels (Bbl) and average sales prices relating to oil and gas attributable to the royalty interests of the Company.

	Year Ended	Year Ended
	12/31/06	12/31/05
Net gas produced (MCF)	111,839	151,764
Average gas sales price (per MCF) 1	\$ 8.56	\$ 7.93
Net oil produced (Bbl) 2	15,291	15,337
Average oil sales price (per Bbl) 1	\$ 64.51	\$ 52.67

1. Before deduction of production and severance taxes.
2. Excludes plant products.

**Item 3. LEGAL PROCEEDINGS**

The Company owns a 5.56% undivided interest in 104 acres in Calcasieu Parish and a co-owner has sued for partition. This action is beneficial to the Company. With this exception the Company was not involved in any legal proceedings as of December 31, 2006.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of security holders during the three months ended December 31, 2006.

**PART II**

**Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES**

The Company's Common Stock is traded on the American Stock Exchange under the trading symbol CKX since its listing on December 8, 2003. Prior to the listing there was no established public trading market for the Common Stock and there had been only limited and sporadic trading in the Common Stock, principally among its shareholders. On February 23, 2007, there were approximately 620 stockholders of record. The Company believes that there are approximately 770 beneficial owners of its Common Stock. There were no sales of unregistered securities of the Company and no purchases of equity securities of the Company during 2006 by the Company. The following table sets forth the high and low sales prices reported on the American Stock Exchange for the Common Stock by quarter during 2006 and 2005.

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	First	Second	Third	Fourth
	Quarter	Quarter	Quarter	Quarter
Common stock price per share 2006				
high	\$ 13.23	\$ 15.50	\$ 13.00	\$ 14.75
low	\$ 9.55	\$ 11.50	\$ 11.65	\$ 10.75
Common stock price per share 2005				
high	\$ 20.30	\$ 16.50	\$ 16.90	\$ 12.50
low	\$ 9.30	\$ 11.11	\$ 11.75	\$ 8.90

The Company has paid cash dividends since 1990. The Company is currently paying a quarterly dividend of 7¢ per share and intends to maintain quarterly dividends. In addition the Company paid an extra dividend of 10¢ per share to shareholders of record March 27, 2006, and declared another extra dividend of \$1.00 per share payable to shareholders of record December 28, 2006. A summary of cash dividends is set forth in the table on page 33 of this Annual Report on Form 10-KSB

**Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS****Overview**

CKX Lands, Inc. began operations in 1930 under the name Calcasieu Real Estate & Oil Co., Inc. It was originally organized as a spin-off by a bank operating in Southwest Louisiana. The purpose of the spin-off was to form an entity to hold non-producing minerals which regulatory authorities required the bank to charge off. Over the years as some of the mineral interests began producing the Company used part of the proceeds to acquire land. In 1990 the Company made its largest acquisition when it was one of four purchasers who bought American Airline's fifty percent undivided interest in approximately 35,000 acres in Southwest Louisiana.

Today most of the Company's income is derived from mineral production on the land acquired over the years. CKX receives income from seismic permits, mineral leases and the landowner's portion of any oil and gas production. CKX also receives income from agriculture rents and timber sales. The Company's activities are passive in that it doesn't explore for oil and gas, operate wells or farm land. All timber activities are contracted. The Company doesn't plant or harvest trees, except through contractors.

The Company's income fluctuates as new oil and gas production is discovered on Company land and as the wells deplete. Oil and gas activity has increased considerably over prior years due to higher prices but also due to technology developments, particularly 3-D seismic. With new technology, companies are able to find much smaller pockets of oil and gas as well as drill with a much higher success rate. Most of these discoveries are small, however, and have a limited life.

CKX has small interests in 41 different oil and gas fields. The size of the interest is determined by the Company's net ownership in the acreage unit for the well. CKX's interests range from .0033% for the smallest to 4.166% for the largest. As the Company doesn't own or operate the wells it doesn't have access to any reserve information.

Eventually, the oil and gas under the Company's current land holdings will be depleted. The Company is constantly looking for additional land to be purchased in our immediate area. We are primarily looking for timberland that has mineral potential.

**Table of Contents****Results of Operations****Fiscal Year 2006 Compared to Fiscal Year 2005**

Revenues for 2006 were \$2,691,117, an increase of 1.02% compared with revenues of \$2,650,040 reported for 2005.

Oil and gas revenues decreased \$198,907 or 8.2% to \$2,212,387 in 2006. Oil and gas revenues consist of royalty, lease rental and geophysical revenue. Royalty revenue decreased by \$136,313 or 6.3% and lease rentals decreased by \$62,947 or 25.4% from 2005. Geophysical revenues remained flat at approximately \$16,000 for both 2006 and 2005.

Gas production decreased 39,925 MCF and the average gas sales price per MCF increased by 6.3% resulting in a decrease \$277,714. While revenue from oil production increased by \$141,401 due to an increase of 11.8% in average oil sales price and an offsetting reduction in production of approximately 46 barrels.

The following six fields produced 83% and 72% of the Company's oil and gas revenues in 2006 and 2005, respectively. This following schedule shows the number of barrels of oil (Bbl Oil) and MCF of gas (MCF Gas) produced in 2006 and 2005.

Field	Bbl Oil		MCF Gas	
	2006	2005	2006	2005
Castor Creek	808	1,456	43,511	60,171
South Gordon	5,659	7,469	8,755	12,646
Vinton	3,967	3,361	None	None
South Jennings	1,405	431	17,364	34,203
South Lake Charles	565	N/A	5,714	N/A
Northwest Vinton	297	467	4,745	5,737

All of the decreases were due to depletion. The increase at South Jennings was due to new wells. The South Lake Charles field came on line in 2006 with one producing well at year end.

As of December 31, 2006, the Company was a lessor in forty-three active mineral leases on forty-two separate tracts. The total acreage leased is 3,283. The Company's net acres leased are 856 acres. The acreage is located in five different parishes.

During 2005, the Company saw greater oil and gas leasing activity than in prior years. During 2006, drilling activity began on a number of leases thus eliminating lease payments.

Agriculture income increased by \$59,347 or 39.6% to \$209,082. \$52,026 of this increase was due to higher right of way fees.

Timber increased by \$180,637 to \$269,648, an increase of 203% over 2005. This increase is primarily attributable to a rebound from the effects of Hurricane Rita. As noted in 2005, the timing of Hurricane Rita adversely impacted our normal scheduling of timber negotiations and sales in the third and

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fourth quarters. During 2006, the Company returned to normal timber operation. The hurricane also caused a significant decrease in 2005 timber prices due to timber on the ground was for sale at cut-rate prices.

The Company determined that the casualty loss to timber from Hurricane Rita in 2005 was \$303,095. This did not effect the income statement since there was no impairment of assets. The value of the Company's timber exceeds its book value.

## **Outlook for Fiscal Year 2007**

With forty-three active mineral leases there is a good chance that some of these will be drilled and production discovered. The Company has very small interests in five wells that are currently being drilled or tested. CKX has a 0.12% interest in Romero #1 at Bon Air which is producing 700 barrels of oil and 4,800 MCF of gas per day; 2.29% interest in Walker 22 #1 at Bon Air producing 60 barrels of oil and 1,500 MCF of gas per day; and a 3.62% interest in CKX Lands #1 also at Bon Air producing 460 barrels of oil and 3,000 MCF of gas per day. Walker Louisiana Properties began receiving income from the Walker 22 #1 in November, 2006. As of March 8, 2007, the Company has not received any income from the Romero #1 or the CKX Lands #1 and the enclosed financials do not include any income from these two wells.

Agriculture and Timber revenue are projected to remain stable in 2007.

The Company has been advised that Calcasieu Parish will begin construction of an east-west road across the 1,200 acres it co-owns on the south boundary of Lake Charles. The Company owns an undivided one-sixth interest in this property. Walker Louisiana Properties has a letter of intent from a prospective purchaser to buy 100 acres of land on this property on Southpark Road, south of Lake Charles, LA for \$1,912,050.

## **Liquidity and Capital Resources**

The Company has no long-term liabilities, contingencies or off balance sheet liabilities. The only material current liability at December 31, 2006, was the dividends on our common stock declared in December and paid in January. Additional sources of liquidity are the Company's securities available-for-sale and a bank line of credit for \$1,000,000.

There are no current plans for capital expenditures. However, the Company is always looking to purchase additional land provided it meets the Company's criteria.

In the opinion of management, cash flow from operations, investments and the line of credit are adequate for projected operation, possible land purchases and continuation of the regular cash dividend.

## **Critical Accounting Policies**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The most significant accounting estimates inherent in the preparation of our financial statements include the following items:



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Our accounts receivable consist of incomes received after year end for royalties produced prior to year end. When there are royalties that have not been received at the time of the preparation of the financial statements for months in the prior year, we estimate the amount to be received based on the last month's royalties that were received from that particular company. We do not maintain an allowance for doubtful accounts because we can confirm virtually all of our receivables before they are booked as income.

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109) which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities.

Reforestation expenses are added to the timber asset account and depleted over seven years. As timber is sold the original cost is amortized based on the volume as compared to the original cost. When we purchase land that portion that represents the timber value is set up as an asset labeled timber.

## **Forward Looking Statements**

Certain matters contained in this report are forward-looking statements including, without limitation, the information contained under the heading "Outlook for Fiscal Year 2007" in Item 6 of this report. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, the Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Additional information may be obtained by reviewing the information set forth below under "Significant Risk Factors" and information contained in the Company's reports filed from time to time with the SEC.

## **Item 6A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK** **Significant Risk Factors**

The Company's business and operations are subject to certain risks and uncertainties, including:

### **Reliance upon Oil and Gas Discoveries**

The Company's most significant risk is its reliance upon others to perform exploration and development for oil and gas on its land. Future income is dependent on others finding new production on the Company's land to replace present production as it is depleted. Oil and gas prices as well as new technology will affect the possibility of new discoveries.

### **Commodity Prices**

All of the Company's operating income comes from the sale of commodities produced from its real estate; oil and gas, forest products, agriculture products. Fluctuations in these commodity prices will directly impact net income. In 2006, average gas prices paid to the Company were 6.3% higher than the

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average in 2005 and average oil prices were 11.8% higher in 2006 than in 2005. Should average oil and gas prices in 2006 revert to the 2005 averages, income before income tax would decline approximately **10%**.

**Interest Rate Risks**

The Company has no direct exposure to changes in foreign currency exchange rates and minimal direct exposure to interest rates. The Company has an unsecured line of credit with Chase at their prime rate, but the Company hasn't utilized this line and has no current plans to do so.

**Item 7. FINANCIAL STATEMENTS**

All financial statements required by Item 310(a) of Regulation S-B are listed in the Table of Contents to Financial Statements and Supplemental Schedules appearing immediately after the signature page of this Form 10-KSB and are included herein by reference.

**Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**Item 8A. CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures that are designated to ensure that information required to be disclosed in the Company's Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2006, an evaluation was performed under the supervision and with the participation of the Company's management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the principal executive officer and principal financial officer, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2006. There have been no changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 8B. OTHER INFORMATION**

None.

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**PART III**

**Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT**

The information required by Item 9 as to directors, nominees for directors, reports under Section 16 of the Securities Exchange Act of 1934, the Registrant's audit committee and an audit committee financial expert is included in the Registrant's definitive proxy statement to be filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 and is incorporated herein by reference.

Executive officers of Registrant are as follows:

<b>Name</b>	<b>Age</b>	<b>Position with Registrant</b>
Arthur Hollins, III	76	President, Chief Executive Officer and Director
Brian R. Jones	45	Treasurer and Chief Financial Officer
Charles D. Viccellio	73	Vice President, Secretary and Director

The occupations of such executive officers during the last five years and other principal affiliations are:

<b>Name</b>	
Arthur Hollins, III	Director of the Company since 1975; President of the Company since 1979; Mr. Hollins was engaged in various banking positions with First Commerce Corporation prior to 1999.
Brian R. Jones	Treasurer and Chief Financial Officer of the Company since December 1, 2006. Business Consultant since 2002, Vice President and Chief Financial Officer of U.S. Legal Support, Inc. 1999 to 2002.
Charles D. Viccellio	Vice-President and Secretary of the Company since 1997 and Director of the Company since 1996; attorney in the law firm of Stockwell, Sievert, Viccellio, Clements & Shaddock, LLP.

There are no family relationships between any of our directors (except Mrs. Leach and Mrs. Werner are mother and daughter) and executive officers or any arrangement or understanding between any of our executive officers and any other person pursuant to which any executive officer was appointed to his office.

The Company has adopted a Code of Ethics that applies to officers, directors and employees. A copy of the code of ethics will be provided by writing the President at P.O. Box 1864, Lake Charles, Louisiana 70602.

**Item 10. EXECUTIVE COMPENSATION**

The information required by Item 10 is included in the Registrant's definitive proxy statement to be filed pursuant to Section 14(a) of the Securities and Exchange Act of 1934 and is incorporated herein by reference.

**Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 11 is included in the Registrant's definitive proxy statement to be filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 and is incorporated herein by reference.

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**Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required by Item 12 is included in the Registrant's definitive proxy statement to be filed pursuant to Section 14(a) of the Securities and Exchange Act of 1934 and is incorporated herein by reference.

**Item 13. EXHIBITS AND REPORTS ON FORM 8-K**

List of Exhibits

- 3.1 Restated/Articles of Incorporation of the Registrant are incorporated by reference to Exhibit (3)-1 to Form 10 filed April 29, 1981.
- 3.2 Amendment to Articles of Incorporation of the Registrant is incorporated by reference to Exhibit (3.2) to Form 10-K for year ended December 31, 2003.
- 3.3 By-Laws of the Registrant are incorporated by reference to Exhibit (3.3) to Form 10-K for year ended December 31, 2003.
- 23.1 Consent of McElroy, Quirk & Burch filed herewith.
- 31.1 Certification of Arthur Hollins, III, President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 31.2 Certification of Brian R. Jones, Treasurer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 32.1 Certification of Arthur Hollins, III, President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 32.2 Certification of Brian R. Jones, Treasurer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

Reports on Form 8-K

On January 20, 2006, we filed a Current Report announcing the engagement of Director Michael P. Terranova to assist management in accounting matters.

On April 20, 2006, we filed a Current Report announcing the election of Michael P. Terranova to the position of Chief Financial Officer and the retirement of William D. Blake who had previously held the position of Vice President, Treasurer and Chief Financial Officer.

November 28, 2006, we filed a Current Report announcing the resignation of Michael P. Terranova as Chief Financial Officer and Board Member and Brian R. Jones had accepted the position of Chief Financial Officer.

December 7, 2006, we filed a Current Report announcing the declaration of an extra dividend of \$1.00 per common share in addition to the quarterly dividend of seven cents per common share.



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**Item 14. PRINCIPAL ACCOUNTANTS FEES AND SERVICES**

The information required by Item 13 is included in the Registrant's definitive proxy statement to be filed pursuant to Section 14(a) of the Securities and Exchange Act of 1934 and is incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirement 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 on March 7, 2007.

**CKX LANDS, INC.**

**BY: /s/ Brian R. Jones**

**Name: Brian R. Jones**

**Title: Treasurer and Chief Financial Officer**

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Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons in the capacities indicated with regard to CKX Lands, Inc. on March 7, 2007.

	President and Chief Executive Officer
/s/ Arthur Hollins, III Arthur Hollins, III	(Principal Executive Officer and Director)
	Treasurer and Chief Financial Officer
/s/ Brian R Jones Brian R. Jones	(Principal Financial Officer)
	Vice President & Secretary
/s/ Charles D. Viccellio Charles D. Viccellio	(Director)
/s/ William D. Blake William D. Blake	Director
/s/ Laura A. Leach Laura A. Leach	Director
/s/ Frank O. Pruitt Frank O. Pruitt	Director
/s/ B. James Reaves, III B. James Reaves, III	Director
/s/ Mary W. Savoy Mary W. Savoy	Director
/s/ William Gray Stream William Gray Stream	Director
/s/ Mary L. Werner Mary L. Werner	Director

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Schedules, other than those listed above, have been omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements or notes thereto.



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**[MCELROY, QUIRK & BURCH LETTERHEAD]**

**REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors

CKX Lands, Inc.

Lake Charles, Louisiana

We have audited the accompanying balance sheets of CKX Lands, Inc. as of December 31, 2006, and the related statements of income, changes in stockholders' equity, and cashflows for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 financial statements referred to above present fairly, in all material respects, the financial position of CKX Lands, Inc. as of December 31, 2006, and the results of its operations and its cash flows for the years ended December 31, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ McElroy, Quirk & Burch  
Lake Charles, Louisiana  
March 7, 2007

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CKX LANDS, INC.

BALANCE SHEET

December 31, 2006

ASSETS	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,084,993
Certificates of deposits	1,511,713
Accounts receivable	317,564
Prepaid expense and other	96,054
<b>Total current assets</b>	<b>3,010,324</b>
<b>SECURITIES AVAILABLE-FOR-SALE</b>	<b>2,615,085</b>
<b>PROPERTY AND EQUIPMENT</b>	
Equipment less accumulated depreciation and amortization of \$83,376	94,489
Timber less accumulated depletion of \$443,864	403,484
Land	4,004,963
	<b>4,502,936</b>
	<b>\$ 10,128,345</b>
LIABILITIES AND STOCKHOLDERS EQUITY	
<b>CURRENT LIABILITIES</b>	
Trade payables and accrued expenses	\$ 7,377
Dividends payable	2,078,470
<b>Income taxes payable:</b>	
Current	23,576
Deferred	128,149
<b>Total current liabilities</b>	<b>2,237,572</b>
<b>NONCURRENT LIABILITIES</b>	
Deferred income tax payable	166,833
<b>STOCKHOLDERS EQUITY</b>	
Common stock, no par value; 3,000,000 shares authorized; 2,100,000 shares issued	72,256
Retained earnings	7,895,007
Accumulated other comprehensive income	132,193
	<b>8,099,456</b>
Less cost of treasury stock (157,505 shares)	375,516
	<b>7,723,940</b>
	<b>\$ 10,128,345</b>

See Notes to Financial Statements.

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CKX LANDS, INC.

STATEMENTS OF INCOME

Years Ended December 31, 2006 and 2005

	<b>2006</b>	<b>2005</b>
Revenues	\$ 2,691,117	\$ 2,650,040
Costs and expenses:		
Oil and gas production	156,863	138,652
Agricultural	6,213	5,726
Timber	46,471	44,380
General and administrative	355,989	331,699
Depreciation, depletion and amortization	69,113	43,102
	634,649	563,559
Income from operations	2,056,468	