CKX Lands Inc
Form 10-K
March 06, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

x **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

¨ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**
Commission file number 1-31905

CKX LANDS, INC.

(Name of small business issuer in its charter)

Louisiana	**72-0144530**
(State of other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
751 Bayou Pines East, Lake Charles, Louisiana	**70601**
(Address of principal executive offices)	**(Zip Code)**

Issuer s telephone number (337) 310-0547

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

Title of each class	**Name of each exchange on which registered**
Common Stock with no par value	American Stock Exchange

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 þ 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-K or any amendment to this Form 10-K. x

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 the 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 a smaller reporting company)	Smaller reporting company þ

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

State issuer s revenues for its most recent fiscal year. $3,258,124

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.). $18,102,129 (based on an $11.93 closing price on the American Stock Exchange on January 31, 2008).

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(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 5, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive Proxy Statement prepared in connection with the 2008 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-K.

Transitional Small Business Disclosure Format Yes ¨ No þ

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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 5, 2008, there were 1,942,495 shares outstanding. The Company has revenues less than $25,000,000 and its public float in 2007 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-K, 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. Parts 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/or 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 timber depend on national and international market conditions. Oil and gas operations produced 90.0% of the Company s revenues in 2007 and 82.2% in 2006.

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 five employees, all of whom are part-time. There are four officers, and one clerical person. The Company is subject to no union contracts nor does the Company have any hospitalization, pension,

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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 28.5% of revenues from Mayne and Mertz, 9.8% from Cox and Perkins, 6.8% from Riceland Petroleum, 6.8% from Unit Petroleum and 6.8% from Swift Energy. Termination of production from any of these fields 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 10,375 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	3,589 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 35,521 acres comprising	
Walker Louisiana Properties	5,918 acres

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 10,375 acres owned by CKX, timberland comprises 6,371 acres, 3,014 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, 2007, and December 31, 2006, 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 12/31/07	Year Ended 12/31/06
Net gas produced (MCF)	151,637	111,839
Average gas sales price (per MCF) (1)	$ 7.94	$ 8.56
Net oil produced (Bbl) (2)	22,291	15,291
Average oil sales price (per Bbl) (1,2)	$ 66.98	$ 64.51

Notes to above schedule:

1. Before deduction of production and severance taxes.

2. Excludes plant products.

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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, 2007.

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, 2007.

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 17, 2008, there were approximately 625 stockholders of record. The Company believes that there are approximately 1,050 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 2007 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 2007 and 2006.

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Common stock price per share 2007	high	$ 15.10	$ 14.80	$ 14.25	$ 13.29
	low	$ 12.50	$ 12.85	$ 12.90	$ 11.25
Common stock price per share 2006	high	$ 13.23	$ 15.50	$ 13.00	$ 14.75
	low	$ 9.55	$ 11.50	$ 11.65	$ 10.75

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. From time to time, the Company may elect to pay an extra dividend. In determining if an extra dividend will be declared, the Board of Directors will take into consideration the Company s current liquidity and capital resources and the availability of suitable timberland that has mineral potential. The Company paid an extra dividend of 40¢ per share to shareholders of record at December 27, 2007 and declared an extra dividend of $1.00 per share to shareholders of record at December 28, 2006. A summary of cash dividends is set forth in the table on page 27 of this Annual Report on Form 10-K

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.

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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 37 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 3.567% for the largest. As the Company does not own or operate the wells it does not 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.

Results of Operations

Fiscal Year 2007 Compared to Fiscal Year 2006

Revenues for 2007 were $3,258,124, an increase of 21.1% compared with revenues of $2,691,117 reported for 2006.

Oil and gas revenues increased $718,420 or 32.5% to $2,930,807 in 2007. Oil and gas revenues consist of royalty, lease rental and geophysical revenue. Royalty revenue increased $771,521 or 38.4% and lease rentals decreased by $42,044 or 22.8% from 2006. Geophysical revenues decreased by $14,056 or 87.5% from 2006.

Gas production increased 39,798 MCF and the average gas sales price per MCF decreased by 7.3% resulting in an increase in gas revenue of $245,997. While revenue from oil production increased by $506,732 due to an increase of 3.8% in the average oil sales price and an increase in production of approximately 7,000 barrels.

The following six fields produced 82% and 78% of the Company s oil and gas revenues in 2007 and 2006, respectively. This following schedule shows the number of barrels of oil (Bbl Oil) and MCF of gas (MCF Gas) produced in 2007 and 2006.

	Bbl Oil		MCF Gas	
Field	**2007**	**2006**	**2007**	**2006**
Bon Air	6,626	235	52,670	3,918
Castor Creek	391	808	21,691	43,511
South Bear Head Creek	2,365	n/a	6,340	n/a
South Gordon	4,073	5,659	5,439	8,755
South Jennings	1,279	1,405	17,571	17,364
Southeast Lunita	546	n/a	14,505	n/a
Vinton	1,718	3,967	none	none

All of the decreases were due to depletion. The increase at Bon Air, South Bear Head Creek and South Lunita was due to new wells.

In 2007 the Company was a lessor in eleven new mineral leases covering a total of 1,504.52 gross acres. The Company s net acres leased in 2007 were 244.11 acres. These new leased acres are located in three different Parishes.

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During 2007, the Company continued to see a reduction in oil and gas leasing activity than in prior years. This is an expected operating result as drilling activity began on a number of leases thus eliminating lease payments.

Agriculture income remained flat during 2007 as compared to 2006.

Timber decreased by $151,142 to $118,506, a decrease of 56.1% from 2006. This decrease is primarily attributable to wetter third and fourth quarter when harvesting occurs.

On April 30, 2007, Walker Louisiana Properties completed the sale of 100 subdivision acres in Calcasieu Parish, Louisiana with a contract sales price of $1,912,050. The Company owns a one-sixth interest in this land and reported a gain from this sale of $312,561. This transaction was structured as a deferred exchange using a qualified intermediary pursuant to Paragraph 1031 of the Internal Revenue Code (1031 Exchange) for income tax purposes. Due to the 1031 exchange, a gain of $38,962 is deferred for income tax purposes.

On October 24, 2007, the Company completed the sale of approximately 3,495 agricultural acres and certain equipment assets in Cameron Parish, Louisiana for approximately $3,146,000. This transaction was structured as a deferred exchange using a qualified intermediary pursuant to Paragraph 1031 of the Internal Revenue Code (1031 Exchange) for income tax purposes. The entire sales proceeds were deposited with a qualified intermediary and the gain was deferred during the 1031 Exchange period. In late February 2008, the Company determined that consummation of identified 1031 Exchange properties was not possible and current recognition of the approximate gain of $1,448,900 from this sale was the result.

Outlook for Fiscal Year 2008

The Company continues to actively search for lands that meet our criteria of timberland that has mineral potential. At this time, the Company has no prospects.

Currently, there are 28 mineral leases covering 3,443 gross acres or 607 net acres and 3 active seismic options to lease covering 1,082 gross acres or 180 net acres. The Company believes that there is a good chance that some of these leases will be drilled and production discovered. However, the Company is not aware of any current drilling or testing activity.

In October, 2007, the Company sold approximately 3,495 acres of agriculture land that had produced income of approximately $45,000 per year. We expect agriculture income to be approximately $45,000 less in 2008.

The Company expects timber revenues to remain stable in 2008.

Calcasieu Parish has begun construction on an east west access road across 1200 acres the Company co-owns on the South boundary of Lake Charles with an expected completion date of one year. The Company owns an undivided one-sixth interest in this property. We believe that it is probable that this land will increase in desirability and value once east-west access is provided.

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.

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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:

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 2008 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. QUANTITIVE 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 2007, average gas prices paid to the Company were 7.3% lower than the average in 2006 and average oil prices were 3.84% higher in 2007 than in 2006. Should average oil and gas prices in 2007 revert to the 2006 averages, income before income tax would decline approximately 1%.

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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-K and are included herein by reference.

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

None.

Item 8A (T). CONTROLS AND PROCEDURES

Evaluation of Disclosure 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.

Management s Annual Report on Internal Control Over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting (ICFR) for the Company. In assessing the Company s ICFR, management followed the Committee of Sponsoring Organizations of the Treadway Commission s (COSO) Internal Control over Financial Reporting Guidance for Smaller Public Companies Integrated Framework (2006) in assessing the effectiveness of the Company s ICFR. Management shall determine ICFR ineffective if a material weakness exists in ICFR.

Due to the Company s management inability to assess Walker Louisiana Properties (WLP) ICFR and lack of compensating controls, management has assessed the Company s ICFR as ineffective. The Company owns a one-sixth interest in WLP and WLP s activities are material to the Company. WLP prepares cash basis interim financial statement and audited GAAP basis financial statements at year end. At report date, we have not identified a plan or process to remediate the ineffectiveness of the ICFR.

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.

During the quarter ending December 31, 2007, the Company s Management followed the COSO Internal Control over Financial Reporting Guidance for Smaller Public Companies Integrated Framework (2006) when assessing the ICFR. During the quarter ending December 31, 2007, there have been no changes in the Company s internal control over financial reporting that has materially affected or is reasonably likely to affect, the Company s internal control over financial reporting.

Item 8B. OTHER INFORMATION

None.

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:

Name	Age	Position with Registrant
Arthur Hollins, III	77	President, Chief Executive Officer and Director
Brian R. Jones	47	Treasurer and Chief Financial Officer
Charles D. Viccellio	74	Vice President, Secretary and Director
Joseph K. Cooper	64	Vice President

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

Name	
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 CKX Lands, Inc. since December 1, 2006, manager of BRJ Services, LLC since May 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.
Joseph K. Cooper	Vice President of CKX Lands, Inc. Manager of Walker Louisiana Properties, Vice President and Operations Manager of Prairie Land Co.

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.

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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.

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	Certification of Arthur Hollins, III, President and Chief Executive Officer and 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

None.

Item 14. PRINCIPAL ACCOUNTANTS FEES AND SERVICES

The information required by Item 14 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.

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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 5, 2008.

CKX LANDS, INC.

BY: /s/ Brian R. Jones
Name: Brian R. Jones
Title: Treasurer and Chief Financial Officer

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 5, 2008.

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

/s/ Mary Leach Werner	Director
Mary Leach Werner	

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CKX LANDS, INC.

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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, 2007, and the related statements of income, changes in stockholders equity, and cash flows for the years ended December 31, 2007 and 2006. 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, 2007, and the results of its operations and its cash flows for the years ended December 31, 2007 and 2006, 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 5, 2008

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CKX Lands, Inc.

Balance Sheet

December 31, 2007

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,624,970
1031 trust account - Restricted	3,198,153
Certificate of deposit	1,052,270
Accounts receivable	333,921
Prepaid expense and other assets	14,469
Total Current Assets	6,223,783
Securities Available for Sale	2,030,309
Property and Equipment:	
Building and equipment less accumulated depreciation of $67,348	9,362
Timber less accumulated depletion of $454,529	400,102
Land	2,361,998
Total Property and Equipment, net	2,771,462
Total Assets	$ 11,025,554
Liabilities and Stockholders Equity	
Current Liabilities:	
Trade payables and accrued expenses	$ 51,469
Dividends payable	912,973
Income tax payable:	
Current	590,384
Deferred	96,292
Total Current Liabilities	1,651,118
Noncurrent Liabilities:	
Deferred income tax payable	181,818
Stockholders Equity:	
Common stock, no par value: 3,000,000 shares authorized; 2,100,000 shares issued	72,256
Retained earnings	9,404,044
Accumulated other comprehensive income	91,834
Less cost of treasury stock (157,505 shares)	(375,516)
Total stockholders equity	9,192,618
Total Liabilities and Stockholders Equity	$ 11,025,554

See Accompanying Notes to Financial Statements.

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CKX Lands, Inc.

Statements of Income

Years Ended December 31, 2007 and 2006

	2007	2006
Revenues:		
Oil and gas	$ 2,930,807	$ 2,212,387
Agriculture	208,811	209,082
Timber	118,506	269,648
Total revenues	3,258,124	2,691,117
Costs and Expenses:		
Oil and gas production	239,586	156,863
Agriculture	38,406	6,213
Timber	46,502	46,471
General and administrative	442,691	355,989
Depreciation and depletion	58,542	69,113
Total cost and expenses	825,727	634,649
Income from operations	2,432,397	2,056,468
Other Income / (Expense):		
Interest income	140,181	144,648
Dividend income	35,257	30,275
Gain / (loss) on sale of securities available for sale	(3,446)	10,351
Gain on sale of land	1,757,045	1,334
Net other income / (expense)	1,929,037	186,608
Income before income taxes	4,361,434	2,243,076
Federal and state income taxes:		
Current	1,519,441	719,025
Deferred	12,058	(8,854)
Total income taxes	1,531,499	710,171
Net Income	$ 2,829,935	$ 1,532,905
Per Common Stock (1,942,495 shares):		
Net Income	$ 1.46	$ 0.79
Dividends	$ 0.68	$ 1.38

See Accompanying Notes to Financial Statements.

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CKX Lands, Inc.

Statements of Changes in Stockholders Equity

Years Ended December 31, 2007 and 2006

	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Capital Stock Issued	Treasury Stock
Balance at December 31, 2005		$ 9,042,971	31,503	72,256	375,516
Comprehensive income:					
Net income	$ 1,532,905	1,532,905			
Other comprehensive income:					
Unrealized net holdings gains occurring during period net of taxes of $66,367	101,768				
Less: reclassification adjustment for gains included in net income, net of taxes of $718	1,078				
Other Comprehensive income, net of taxes	100,690		100,690		
Total comprehensive income	$ 1,633,595				
Dividends		(2,680,869)			
Balance at December 31, 2006		$ 7,895,007	$ 132,193	$ 72,256	$ 375,516
Comprehensive income:					
Net income	$ 2,829,935	2,829,935			
Other comprehensive income:					
Unrealized net holdings losses occurring during period net of taxes of $28,285	(42,427)				
Less: reclassification adjustment for gains included in net income, net of taxes of $1,379	2,068				
Other Comprehensive income, net of taxes	(40,359)		(40,359)		
Total comprehensive income	$ 2,789,576				
Dividends		(1,320,898)			
Balance at December 31, 2007		$ 9,404,044	$ 91,834	$ 72,256	$ 375,516

See Accompanying Notes to Financial Statements.

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CKX Lands, Inc.

Statements of Cash Flows

Years Ended December 31, 2007 and 2006

	2007	**2006**
Cash Flows From Operating Activities:		
Net Income	$ 2,829,934	$ 1,532,905
Less non-cash (income) expenses included in net income:		
Depreciation, depletion and amortization	58,542	69,113
Deferred income tax expense	12,058	(6,093)
Less non-operating activities:		
(Gain) loss from sales of securities available for sale	3,446	(10,351)
Gain from sale of land	(1,757,045)	(1,334)
Change in operating assets and liabilities:		
(Increase) decrease in current assets	65,228	99,089
Increase (decrease) in current liabilities	608,877	1,727
Net cash provided from operating activities	1,821,040	1,685,056
Cash Flows From Investing Activities:		
Proceeds from certificate of deposits maturities	2,536,917	`
Purchase of certificate of deposit	(2,077,474)	(1,511,713)
Available for sale securities:		
Proceeds	1,982,553	850,000
Purchases	(1,468,488)	
Proceeds from sale of land	3,511,589	
Proceeds held in 1031 trust account	(3,198,153)	
Purchase and improvements to land	(41,431)	
Proceeds from the sale of equipment		1,998
Purchase of equipment and seedlings	(40,181)	(122,463)
Net cash provided from investing activities	1,205,332	(782,178)
Cash Flows From Financing Activities		
Dividends paid net of refunds	(2,486,395)	(738,374)
Net cash used in financing activities	(2,486,395)	(738,374)
Net increase in cash and cash equivalents	539,977	164,504
Cash and cash equivalents:		
Beginning	1,084,993	920,489
Ending	$ 1,624,970	$ 1,084,993
<u>Supplemental disclosures of cash flow information</u>		
Cash payments for:		
Interest	$	$
Income taxes	$ 826,510	$ 666,059
<u>Supplemental schedule of noncash investing and financing activities</u>		
Net change in unrealized and realized gains on available-for-sale securities	$ (40,359)	$ 100,690

See Accompanying Notes to Financial Statements

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CKX Lands, Inc.

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

The Company s business is the ownership and management of land. The primary activities consist of leasing its properties for minerals (oil and gas) and agriculture and raising timber.

Significant accounting polices:

Cash and equivalents:

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Pervasiveness of estimates:

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment securities:

The Company complies with the provisions of Financial Accounting Standards Board Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Under the provisions of this statement, management must make a determination at the time of acquisition whether certain investments in debt and equity securities are to be held as investments to maturity, held as available for sale, or held for trading. Management, under a policy adopted by the board of directors of the Company, made a determination that all debt and equity securities owned at that date and subject to the provisions of the statement would be classified as held available-for-sale.

Under the accounting policies provided for investments classified as held available for sale, all such debt securities and equity securities that have readily determinable fair value shall be measured at fair value in the balance sheet. Unrealized holding gains and losses for available-for-sale securities shall be excluded from earnings and reported as a net amount (net of income taxes) as a separate component of retained earnings until realized. Realized gains and losses on available-for-sale securities are included in income. The cost of securities sold is based on the specific identification method. Interest on debt securities is recognized in income as earned, and dividends on marketable equity securities are recognized in income when declared.

Declines in the fair value of available-for-sale securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

CKX Lands, Inc.

Notes to Financial Statements (continued)

Property and equipment:

Property and equipment is stated at cost. Major additions are capitalized; maintenance and repairs are charged to income currently. Depreciation is computed on the straight-line and accelerated methods over the estimated useful lives of the assets.

Timber:

When timber land is purchased with standing timber, the cost is divided between land and timber based on timber cruises contracted by the Company. The costs of reforestation are capitalized. The timber asset is amortized when the timber is sold based on the percentage of the timber sold from a particular tract applied to the amount capitalized for timber for that tract.

Oil and gas:

Oil and gas income is booked when the Company is notified by the well s operators as to the Company s share of the sales proceeds together with the withheld severance taxes. The Company has no capitalized costs relating to oil and gas producing activities and no costs for property acquisition, exploration and development activities.

Net Income and Dividends per common stock:

Net Income and Dividends per common stock are based on the weighted average number of common stock shares outstanding during the period.

Income taxes:

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

In July 2006, the FASB issued FIN 48 Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies that a tax position must be more likely than not of being sustained before being recognized in the financial statements. As required, we adopted the provisions of FIN 48 as of January 1, 2007. The adoption of FIN 48 did not have a material impact on our financial statements.

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CKX Lands, Inc.

Notes to Financial Statements (continued)

Note 2. Securities Available for Sale

Debt and equity securities have been classified in the balance sheet according to management s intent in the noncurrent asset sections under the heading securities available for sale . The carrying amount of securities and their approximate fair values at December 31, 2007 and 2006 follow:

	Gross Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
At December 31, 2007				
Equity securities	$ 698,659	$ 239,611	$ 97,739	$ 840,531
Corporate bonds	200,003		3,405	196,598
US Government securities	980,618	12,562		993,180
	$ 1,879,280	$ 252,173	$ 101,144	$ 2,030,309
At December 31, 2006				
Equity securities	$ 698,659	$ 241,044	$ 17,689	$ 922,014
Corporate bonds	200,003		137	199,866
US Government securities	1,496,102	1,732	4,629	1,493,205
	$ 2,394,764	$ 242,776	$ 22,455	$ 2,615,085

Gross realized gains and gross realized losses on sales of securities available for sale for the year ended December 31, 2007 and 2006 are presented below.

	Realized Gains	Realized Losses
December 31, 2007		
US Government securities	$ 1,548	$ 4,994
December 31, 2006		
US Government securities	$ 10,351	$

Information pertaining to available-for-sale securities with gross unrealized losses at December 31, 2007 and 2006 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or More	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
December 31, 2007				
Equity securities	$ 105,951	$ 67,370	$ 90,920	$ 30,369
Corporate bonds			200,003	3,405
US Government securities				

	$ 105,951	$ 67,370	$ 290,923	$ 33,774

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CKX Lands, Inc.

Notes to Financial Statements (continued)

	Less Than 12 Months		12 Months or More	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
December 31, 2006				
Equity securities	$	$	$ 103,600	$ 17,689
Corporate bonds	199,866	137		
US Government securities			996,720	4,629
	$ 199,866	$ 137	$ 1,100,320	$ 22,318

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issues, and (3) the intent and ability of the Company to retain its investment in the issues for a period of time sufficient to allow for any anticipated recovery in fair value.

The Company has the intent and ability to retain its investments for a period of time sufficient to allow for anticipated recovery of fair value.

The following table shows scheduled maturities of securities (other than equity securities) available-for-sale at December 31, 2007:

	Fair Value
2008	$ 993,180
2009	
2010	
2011	200,003
2012	
Thereafter	
	$ 1,193,183

Note 3. Oil and Gas Properties

Results of operations for oil and gas producing activities at December 31, 2007 and 2006 are as follows:

	2007	2006
Gross revenues		
Royalty interests	$ 2,776,504	$ 2,007,679
Working interests	7,190	4,173
Seismic and Lease Fees	147,113	200,535
	2,930,807	2,212,387
Production costs	239,586	156,863
Results before income tax expense	2,691,221	2,055,524
Estimated income tax expense	880,193	650,791

Results of operations from producing activities excluding corporate overhead	$ 1,811,028	$ 1,404,733

CKX Lands, Inc.

Notes to Financial Statements (continued)

There were no major costs, with the exception of severance taxes, incurred in connection with the Company s oil and gas operations, which are conducted entirely within the United States, during the year ending December 31, 2007 or 2006.

Reserve quantities (unaudited):

Reserve information relating to estimated quantities of the Company s interest in proved reserves of natural gas and crude including condensate and natural gas liquids is not available. Such reserves are located entirely within the United States. A schedule indicating such reserve quantities is, therefore, not presented. All oil and gas royalties come from Company owned properties that were developed and produced by producers under lease agreements.

Company s share of oil and gas produced from royalty and working interests:

	2007	2006
Net gas produced (MCF)	150,266	111,839
Net oil produced (Bbl)	22,290	15,291

Note 4. Income Taxes

The Company files federal and state income tax returns on a calendar year basis.

The net deferred tax liability in the accompanying balance sheets includes the following components at December 31, 2007 and 2006:

	2007		2006	
	Current	Non-Current	Current	Non-Current
Deferred tax assets	$ 1,215		$ 971	
Deferred tax liabilities	(37,096)	(181,818)	(39,778)	(166,833)
Deferred tax liabilities on unrealized appreciation of securities available for sale	(60,411)		(89,342)	
	$ (96,292)	$ (181,818)	$ (128,149)	$ (166,833)

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CKX Lands, Inc.

Notes to Financial Statements (continued)

Reconciliation between federal income taxes, computed by applying statutory tax rates to income before income taxes and income taxes provided at December 31, 2007 and 2006 is as follows:

	2007	2006
Tax at statutory rates	$ 1,482,888	$ 762,646
Tax effect of the following:		
Statutory depletion	(141,952)	(104,244)
Dividend exclusion	(8,391)	(7,198)
State income tax	200,144	59,892
Other	(13,248)	(925)
	$ 1,519,441	$ 710,171

Deferred income taxes result from timing differences in the recognition of revenue and expenses for tax and financial statement purposes. The effect of these timing differences at December 31, 2007 and 2006 is as follows:

	2007		2006	
	Current	Non-Current	Current	Non-Current
Conversion of investment from tax cash basis to accrual basis for financial reporting	$ (35,881)	$	$ (38,807)	$
Excess of depreciation and depletion expensed for tax purposes (under) amount expensed for financial statement purposes				(600)
Casualty loss		(121,239)		(121,239)
Deferred gain		(60,579)		(44,994)
Unrealized gain on marketable securities	(60,411)		(89,342)	
	$ (96,292)	$ (181,818)	$ (128,149)	$ (166,833)

Note 5. Line of Credit

The Company has available an unsecured line of credit in the amount of $1,000,000. The balance on this line of credit was $-0- at December 31, 2007 and 2006.

Note 6. Company Operations

The Company s operations are classified into three principal operating segments that are all located in the United States: oil and gas, agricultural and timber. The Company s reportable business segments are strategic business units that offer income from different products. They are managed separately due to the unique aspects of each area.

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CKX Lands, Inc.

Notes to Financial Statements (continued)

Following is a summary of segmented operations information for 2007 and 2006:

	2007	2006
Revenues		
Oil and Gas	$ 2,930,807	$ 2,212,387
Agricultural	208,811	209,082
Timber	118,506	269,648
Total	3,258,124	2,691,117
Cost and Expenses		
Oil and Gas	239,586	156,863
Agricultural	38,406	23,861
Timber	90,066	97,936
Total	368,058	278,660
Income from Operations		
Oil and Gas	2,691,221	2,055,524
Agricultural	170,405	185,221
Timber	28,440	171,712
Total	2,890,066	2,412,457
Other Income (Expense) before Income Taxes	1,471,368	(169,381)
Income before Income Taxes	$ 4,361,434	$ 2,243,076
Identifiable Assets		
Oil and Gas	$	$
Agricultural		94,489
Timber	400,102	403,484
General Corporate Assets	10,625,452	99,630,372
Total	$ 11,025,554	$ 10,128,345
Capital Expenditures		
Oil and Gas	$	$
Agricultural		107,849
Timber	40,181	8,206
General Corporate Assets	41,431	6,408
Total	$ 81,612	$ 122,463
Depreciation, Depletion and Amortization		
Oil and Gas	$	$

Agricultural	13,232	16,415
Timber	43,563	51,465
General Corporate Assets	1,747	1,233
Total	$ 58,542	$ 69,113

There are no intersegment sales reported in the accompanying income statements. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from operations before income taxes excluding nonrecurring gains and losses on securities held available for sale. Income before income tax represents net sales less operating expenses and other income and expenses of a general

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CKX Lands, Inc.

Notes to Financial Statements (continued)

corporate nature. Identifiable assets by segment are those assets used solely in the Company s operations within that segment.

The following summarizes major customer information at December 31, 2007 and 2006 from oil and gas revenues:

	Sales to Purchaser as a Percentage of Total Revenues	
	2007	**2006**
Mayne and Mertz	29%	4%
Cox and Perkins	10%	18%
Riceland Petroleum	7%	8%
Swift Energy	7%	n/a
Unit Petroleum	7%	19%

Note 7. Related Party Transactions

In 1990, the Company purchased interests in properties managed by Walker Louisiana Properties (WLP), such properties being subject to a management agreement.

Note 8. Walker Louisiana Properties Land Sale

On April 30, 2007, Walker Louisiana Properties completed the sale of 100 subdivision acres in Calcasieu Parish, Louisiana with a contract sales price of $1,912,050. The Company owns a one-sixth interest in this land and reported a gain from this sale of $312,561. This transaction was structured as a deferred exchange using a qualified intermediary pursuant to Paragraph 1031 of the Internal Revenue Code (1031 Exchange) for income tax purposes. Due to the 1031 exchange, a gain of $38,962 is deferred for income tax purposes.

Note 9. Land Sale

On October 24, 2007, the Company completed the sale of approximately 3,495 agricultural acres and certain equipment assets in Cameron Parish, Louisiana for approximately $3,146,000. This transaction was structured as a deferred exchange using a qualified intermediary pursuant to Paragraph 1031 of the Internal Revenue Code (1031 Exchange) for income tax purposes. The entire sales proceeds were deposit with a qualified intermediary, (1031 trust account restricted use) and the gain was deferred during the 1031 Exchange period. In late February 2008, the Company determined that consummation of identified 1031 Exchange properties was not possible and current recognition of the approximate gain of $1,448,900 from this sale was the result.

Note 10. Supplementary Income Statement Information

Taxes, other than income taxes, of $309,456 and $239,715, were charged to expense during 2007 and 2006, respectively.

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CKX Lands, Inc.

Notes to Financial Statements (continued)

Note 11. Contingencies:

There are no material contingencies known to management. The Company does not participate in off balance sheet arrangements.

Note 12. Concentration of Credit Risk

The Company maintains its cash balances in one financial institution. The amount on deposit in the financial institution is insured by the Federal Deposit Insurance Corporation up to $100,000.

Note 13. Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it was practical to estimate that value:

Cash and cash equivalents:

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities available-for-sale:

Debt and equity securities were valued at fair value, which equals quoted market price.

The estimated fair value of the Company s financial instruments at December 31, 2007 and 2006 are as follows.

	2007		**2006**	
(Presented in thousands)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets:				
Cash and cash equivalents	$ 1,625	$ 1,625	$ 1,085	$ 1,085
1031 Trust Account	3,198	3,198		
Certificate of deposit	1,052	1,052	1,512	1,512
Securities available for sale	2,031	2,031	2,615	2,615
	$ 7,906	$ 7,906	$ 5,212	$ 5,212

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SUPPLEMENTARY INFORMATION

PROPERTY AND EQUIPMENT

Years Ended December 31, 2007 and 2006

	Beginning Balance	Additions	Adjustments and Retirements	Ending Balance
2007				
Property and Equipment				
Buildings and equipment	$ 177,856	$	$ 101,146	$ 76,710
Timber	847,348	40,181	32,898	854,631
Land	4,004,963	41,431	1,684,396	2,361,998
	$ 5,030,167	$ 81,612	$ 1,818,440	$ 3,293,339
2006				
Property and Equipment				
Buildings and equipment	$ 77,204	$ 107,849	$ 7,188	$ 177,856
Timber	845,722	8,206	6,580	847,348
Land	3,998,555	6,408		4,004,963
	$ 4,921,481	$ 122,463	$ 13,768	$ 5,030,167

SUPPLEMENTARY INFORMATION

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION

Years Ended December 31, 2007 and 2006

	Beginning Balance	Additions	Adjustments and Retirements	Ending Balance
2007				
Property and Equipment				
Buildings and equipment	$ 83,376	$ 14,979	$ 31,007	$ 67,348
Timber	443,864	43,563	32,898	454,529
	$ 527,240	$ 58,542	$ 63,905	$ 521,877
2006				
Property and Equipment				
Buildings and equipment	$ 69,757	$ 17,648	$ 4,029	$ 83,376
Timber	401,474	51,465	9,075	443,864
	$ 471,231	$ 69,113	$ 13,104	$ 527,240

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SUPPLEMENTARY INFORMATION

QUARTERLY FINANCIAL DATA

(UNAUDITED)

Presented in thousands except per share amounts.	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year Total**
Total Revenue:					
2007	$ 704	$ 802	$ 1,038	$ 714	$ 3,258
2006	655	706	623	707	2,691
Operating Income:					
2007	511	610	752	559	2,432
2006	491	585	502	478	2,056
Net Income:					
2007	373	625	544	1,288	2,830
2006	371	445	348	369	1,533
Net Income per Share:					
2007	0.19	0.32	0.28	0.67	1.46
2006	0.19	0.23	0.18	0.19	0.79
Cash Dividend per Share					
2007	0.07	0.07	0.07	0.47	0.68
2006	0.17	0.07	0.07	1.07	1.38
Shares Outstanding:					
2007	1,942	1,942	1,942	1,942	1,942
2006	1,942	1,942	1,942	1,942	1,942