

(Mark One)

Commission file number 0-9669

(Exact name of small business issuer as specified in its charter)

(Address of principal executive offices)

337-310-0547

(Issuer's telephone number)

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 ☐

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 1,942,495

Transitional Small Business Disclosure Format (Check one): Yes ☐ No ☒

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

CKX Lands, Inc.

Form 10-QSB

For the Quarter Ended March 31, 2006

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Part I. Financial Information

Item 1. Financial Statements

CKX Lands, Inc.

Balance Sheet

Assets

	March 31, 2006
Current Assets	
Cash and cash equivalents	\$ 1,726,146
Accounts receivables	372,340
Prepaid expense and income tax	13,058
Interest receivable	8,957
 Total Current Assets	 2,120,501
 Securities Available for Sale	 2,976,435
 Property and Equipment (less accumulated depreciation of \$70,957)	 6,247
Timber (less accumulated depletion of \$410,353)	442,464
Land	3,998,555
	4,447,266
	\$ 9,544,202

See accompanying notes

CKX Lands, Inc.

Balance Sheet

Liabilities & Stockholders Equity

	March 31, 2006
Current Liabilities	
Trade payables and accrued expenses	\$ 67,379
Dividend payable	330,224
Income taxes payable:	
Current	60,943
Deferred	77,552
Total Current Liabilities	536,098
Non-current Liabilities	
Deferred income tax payable	166,833
Stockholders Equity	
Common stock, no par value: 3,000,000 shares authorized; 2,100,000 shares issued	\$ 72,256
Retained earnings	9,091,177
Accumulated other comprehensive income	53,354
	9,216,787
Less cost of treasury stock (157,505 shares)	375,516
	8,841,271
	\$ 9,544,202

See accompanying notes

CKX Lands, Inc.

Statements of Income

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenues:		
Oil and gas	\$ 578,508	\$ 548,595
Agriculture	57,139	58,496
Timber	19,819	2,992
	655,466	610,083
Costs and expenses:		
Oil and gas production	30,736	43,482
Agriculture	1,410	417
Timber	13,586	10,288
General and administrative	116,019	104,724
Depreciation and depletion	2,984	1,559
	164,735	160,470
Income from operations	490,731	449,613
Other income(expense):		
Gain-Sale of assets	7,285	
Interest income	33,285	12,949
Dividends on stock	7,454	6,399
	48,024	19,348
Income before income taxes	538,755	468,961
Federal and state income taxes:		
Current	167,510	142,193
Deferred		
	167,510	142,193
Net Income	\$ 371,245	\$ 326,768
Per common stock (2006; 1,942,495 shares; 2005; 1,942,495 shares)	\$.19	\$.17
Dividends per share	\$.17	\$.17

See accompanying notes

CKX Lands, Inc.

Statement of Changes in Cash Flows

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Cash Flows From Operating Activities		
Net Income	\$ 371,245	\$ 326,768
Noncash (income) expenses included in net income:		
Depreciation and depletion	2,984	1,589
(Gain) on sale of assets		
(Increase) decrease in current assets	118,352	(6,314)
Increase (decrease) in current liabilities	99,096	348,949
Net cash provided by operating activities	591,677	670,962
Cash Flows From Investing Activities		
Proceeds from sale of land		
Purchase of available for sale securities	(4,888)	(494,751)
Sale of available for sale securities	347,658	
Purchase of property, equipment and timber		(3,234)
Net cash provided by (used in) investing activities	342,770	(497,985)
Cash Flows From Financing Activities		
Dividends paid net of refunds	(128,790)	(330,449)
Net cash (used in) investing activities	(128,790)	(330,449)
Net increase (decrease) in cash and cash equivalents	805,657	(157,472)
Cash and cash equivalents:		
Beginning	920,489	1,214,405
Ending	\$ 1,726,146	\$ 1,056,933

See accompanying notes

CKX Lands, Inc.
Statement of Changes in Stockholders' Equity
Quarter Ended March 31, 2005

	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Capital Stock Issued	Treasury Stock
Balance, December 2004		\$ 8,220,502	\$ 50,781	\$ 72,256	\$ 375,516
Comprehensive income:					
Net income	\$ 326,768	326,768			
Other comprehensive income:					
Unrealized holdings loss occurring during period net of taxes of \$13,953	(20,929)		(20,929)		
Total comprehensive income	\$ 305,839				
Dividends		(330,449)			
Balance, March 31, 2005		\$ 8,216,821	\$ 29,852	\$ 72,256	\$ 375,516

Quarter Ended March 31, 2006

	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Capital Stock Issued	Treasury Stock
Balance, December 31, 2005		\$ 9,042,971	\$ 31,503	\$ 72,256	\$ 375,516
Comprehensive income:					
Net income	\$ 371,245	371,245			
Other comprehensive income:					
Unrealized holdings gain occurring during period net of taxes of \$14,568	21,851		21,851		
Total comprehensive income	\$ 393,096				
Dividends		(323,039)			
Balance, March 31, 2006		\$ 9,091,177	\$ 53,354	\$ 72,256	\$ 375,516

See accompanying notes

CKX Lands, Inc.

Notes to Financial Statements

March 31, 2006

(Unaudited)

Note 1. Basis of Presentation

In the opinion of management, the accompanying balance sheet and related interim statements of income, cash flows, and stockholders' equity include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in accordance with generally accepted accounting principles of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-QSB should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the CKX Lands, Inc. 2005 Form 10-KSB.

Note 2. 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 policies:

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.

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.

Note 3. Earnings per share:

Earnings per share is based on the weighted average number of common shares outstanding during the year.

Note 4. 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.

Note 5. Contingencies:

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**Results of Operations****Revenue**

Revenue for the first quarter of 2006 was up 7.4% over the first quarter of 2005 due to an increase in oil and gas revenues of \$29,913 and an increase in timber revenues of \$16,827. The timber income of \$19,819 in the first quarter of 2006 was all from salvage operations following Hurricane Rita.

Oil and gas royalty income increased \$39,778 in the first quarter of 2006 over the first quarter of 2005 while mineral lease income and seismic permits decreased \$9,865 in 2006 from 2005.

Total production of both oil and gas declined in the first quarter of 2006 as compared to both the fourth quarter of 2005 as well as the first quarter of 2005. Below are comparative results for the three periods of production from the seven largest fields.

	Three months Ended March 31, 2006	Three months Ended December 31, 2005	Three months Ended March 31, 2005
Oil income	\$ 173,194	\$ 207,558	\$ 189,615
Barrels produced	2,857	3,381	4,181
Average price per barrel	\$ 60.62	\$ 61.39	\$ 45.35
Gas income	\$ 298,563	\$ 363,417	\$ 242,356
MCF produced	22,669	35,764	31,735
Average price per mcf	\$ 13.17	\$ 10.16	\$ 7.64

Increased oil and gas prices in the first quarter of 2006 over the first quarter of 2005 more than offset substantial decreases in production in the first quarter of 2006 compared to the first quarter of 2005. The largest declines in both oil and gas production between the first quarter of 2005 and the first quarter of 2006 occurred in the South Gordon field and the Castor Creek field. Both oil and gas production declined in the South Gordon field from the fourth quarter of 2005 to the first quarter of 2006, whereas production of both oil and gas from the Castor Creek field increased from the fourth quarter of 2005 to the first quarter of 2006.

There were three new wells completed in the first quarter of 2006 in which the Company had partial interests. It is not anticipated that we will receive any income from any of these wells nor receive any production information until the end of the second quarter, 2006.

Operating Expenses

Operating expenses increased \$4,265 or 2.7% during the first quarter of 2006 over the same period in 2005. The largest increase was \$19,300 for auditing included in general and administrative.

Financial Condition

Current assets plus securities available for sale totaled \$5,096,936 on March 31, 2006, compared with \$4,715,982 on December 31, 2005, and \$4,116,503 on March 31, 2005. Total liabilities were \$702,931 on March 31, 2006, compared to \$395,018 on December 31, 2005, and \$550,263 on March 31, 2005.

Management believes existing cash and short-term investments together with funds generated from operations should be sufficient to meet operating requirements and provide funds for strategic acquisitions.

The Company declared the normal seven cents per common share during the quarter ended March 31, 2006, plus an extra dividend of ten cents per common share. It is anticipated that the Company will be able to continue paying a seven cents per common share dividend per quarter.

Issues and Uncertainties

This Quarterly Report contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of issues and uncertainties such as those listed below, which, among others, should be considered in evaluating the Company's financial outlook.

Revenues from oil and gas provide most of the Company's income. All of these revenues come from wells operated by other companies from property belonging to CKX Lands, Inc. Consequently, these revenues fluctuate due to changes in oil and gas prices and changes in the operations of the other companies.

Item 4. Controls and Procedures

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) as of March 31, 2006. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

Part II. Other Information

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders was held on April 20, 2006.

The following proposals were adopted by the margins indicated:

- To elect a Board of Directors to hold office until their successors are elected and qualified.

	Number of Shares	
	For	Withheld
William D. Blake	1,310,016	1,400
Arthur Hollins, III	1,309,966	1,450
Laura Leach	1,309,866	1,550
Frank O. Pruitt	1,309,916	1,500
B. James Reaves, III	1,309,866	1,550
Mary W. Savoy	1,309,916	1,500
Gray Stream	1,309,666	1,750
Michael P. Terranova	1,309,916	1,500
Charles D. Viccellio	1,309,916	1,500
Mary Leach Werner	1,287,271	24,145

- To approve McElroy, Quirk & Burch APC as auditors for 2006.

For	1,304,357
Against	350
Abstain	6,709

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits

- 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 Michael P. Terranova, Treasurer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 32 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(B) Reports on Form 8-K

On April 24, 2006, we filed a Current Report on Form 8-K announcing the election of Michael P. Terranova as Treasurer and Chief Financial Officer to succeed William D. Blake, who retired as Vice-President and Treasurer. Both Mr. Blake and Mr. Terranova continue as Directors.

Items 1, 2, 3 and 5 are not applicable.

Signature

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

CKX Lands, Inc.

Date: May 8, 2006

/s/ Michael P. Terranova
Michael P. Terranova
Treasurer and Chief Financial Officer

/s/ Arthur Hollins, III
Arthur Hollins, III
President and Chief Executive Officer