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AMEN PROPERTIES INC
Form 10KSB
March 29, 2006

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

FORM 10-KSB

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

/ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 000-22847

AMEN Properties, Inc.
(Exact Name of Registrant in Its Charter)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

54-1831588

(IRS Employer Identification No.)

303 West Wall St. Suite 2300
MIDLAND, TX

(Address of Principal Executive Offices)

79701

(Zip Code)

432-684-3821

Issuer's telephone number, including area code

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

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
None	None

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

COMMON STOCK, \$0.01 PAR VALUE

Title of each class

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. / /

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 /X/ No / /

Check if there is no disclosure of delinquent filers pursuant to Item 405 of

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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 /X/

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

The issuer's revenues from operations for the twelve months ended December 31, 2005 were \$10,180,892.

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The aggregate market value of common stock held by non-affiliates, based on the closing price at which the stock was sold at February 15, 2006 was approximately \$12.8 million.

Check whether the issuer has 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 / /

The total number of shares outstanding of the issuer's common stock as of February 15, 2006 was 2,206,215.

Transitional Small Business Disclosure Format (Check One): Yes No X

Documents Incorporated by Reference

Exhibits to certain of the Company's filings are incorporated by reference as Exhibits to this Report as set forth in Part III, Item 13.

Portions of the Company's definitive proxy statement for its 2006 annual shareholders meeting to be filed on or before May 17, 2006, is incorporated by reference in Part III.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Forward-looking Statements

Certain information in this annual report on Form 10-KSB may contain "forward-looking statements" within the meaning of Section 21e of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are "forward-looking statements" for purposes of these provisions, including any projections of earnings, revenues, cash flow or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statement of assumptions underlying any of the foregoing. In some cases, "forward-looking statements" can be identified by the use of terminology such as "may," "will," "expects," "believes," "plans," "anticipates," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the "forward-looking statements" are reasonable, we can give no assurance that such expectations or any of our "forward-looking statements" will prove to be correct, and actual results could differ materially from those projected or

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assumed in our "forward-looking statements." Our financial condition and results, as well as any other "forward-looking statements," are subject to inherent risks and uncertainties, including but not limited to those risk factors summarized in Item 6, "Management's Discussion and Analysis or Plan of Operation."

Background

The Company was originally incorporated as DIDAX Inc. in January 1997 and through the end of December 31, 2002 operated under the name Crosswalk.com, Inc. and consisted primarily of the operation of CROSSWALK.COM(TM) and a direct mail advertising service. During the last quarter of 2002, the Company sold substantially all of the assets used, required, useful, or otherwise relating to the operations of both businesses. The Company then changed its name to Amen Properties, Inc. (hereinafter referred to as "AMEN" or "the Company") effective February 3, 2003. Following shareholder approval of a new business plan in 2002, the Company initially acquired an approximate 64.86% limited partnership interest in TCTB Partnership Partners, Ltd. ("TCTB") and in early 2004 the Company acquired an additional 6.485533% interest in TCTB. This additional interest purchased combined with the initial limited partnership interest purchased in 2002 gives the Company a total of 71.348013% limited partnership interest in TCTB. In July of 2004, the Company funded its newly created wholly owned subsidiary, W Power and Light, L.P. ("W Power"). The creation of W Power has allowed the Company to enter a new market created when the Texas legislature adopted the Texas Electric Choice Plan, which significantly changed the regulatory structure governing electric utilities in the State of Texas.

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Under the 2002 business plan, we have attempted to grow our business through selective acquisitions of cash-generating assets focusing on value added plays in three distinct arenas that have historically generated large amounts of ordinary income - commercial real estate in secondary stagnant markets, commercial real estate in out of favor growth markets and in oil and gas royalties. While we have focused on these areas, we have also considered and evaluated opportunities to acquire other properties and businesses that have a consistent and stable cash flow history. During 2004 we extended the 2002 business plan to include our new electricity retail business, W Power, and our intent is to accumulate these assets to generate income and create shareholder value.

In initiating the 2002 business plan the Company, in October 2002, formed NEMA Properties LLC ("NEMA"), a Nevada limited liability company 100% owned by AMEN; AMEN Delaware LP ("Delaware"), a Delaware limited partnership owned 99% by NEMA as the sole limited partner and 1% by AMEN, as the sole general partner; and AMEN Minerals LP ("Minerals"), a Delaware limited partnership, owned 99% by NEMA as the sole limited partner and 1% by AMEN, as the sole general partner. On July 30, 2004, the Company formed W Power and Light LP ("W Power"), a Delaware limited partnership owned 99% by NEMA as the sole limited partner and 1% by AMEN, as the sole general partner. It is the Company's intent for Delaware to own all our real estate assets, for Minerals to own our oil and gas royalty investments and W Power to hold our retail electricity provider services. As used herein, the terms "Company" and "AMEN" and references to "we" and "our" refer to all of AMEN Properties, Inc., NEMA, Delaware, Minerals, and W Power unless the context otherwise requires.

The Company makes available, free of charge, its Annual Report on Form 10-KSB, Quarterly Reports on Form 10-QSB, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(a) of the

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Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file or furnish them to the Securities and Exchange Commission (the "SEC"). These reports may also be obtained directly from the SEC via an Internet site ([HTTP://WWW.SEC.GOV](http://WWW.SEC.GOV)) and at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The Company will also provide to any person, free of charge, a copy of the Company's Code of Business Conduct and Ethics upon request made to the Company at 303 West Wall St., Suite 2300, Midland, Texas 79701, attn: Mr. John M. James.

Status of Business Plan

The Company implemented the 2002 business plan in October 2002 by acquiring an approximate 64.9% limited partnership interest in TCTB. Effective January 1, 2004, the Company entered into an agreement with certain limited partners of TCTB in which the Company acquired an additional 6.485533% limited partnership interest in TCTB. This additional interest purchased combined with the initial limited partnership interest purchased in 2002 gives the Company a total of 71.348013% limited partnership interest in TCTB. On July 30, 2004, through TCTB, the Company was able to acquire an additional multi-tenant office in downtown Midland. This building is synergistic in that it is located across the street from our other Midland building and will allow the Company to utilize our current building management team in its operation. As of December 31, 2004 the assets of TCTB consisted of two secondary office market properties in Midland, Texas, collectively referred to as "the Properties". (See Item 2 below for further description of the Properties.)

TCTB is managed and operated by its general partner, TCTB Company, Inc. The Company does not own any interest in TCTB Company, Inc., which is primarily owned by the original limited partners of TCTB, but the Company has the authority to change the general partner of TCTB due to its ownership of approximately 71.348013% of the LP Interests of TCTB. Both Mr. Eric Oliver and Mr. Jon Morgan, officers and directors of the Company, own interests in TCTB Company, Inc., and Mr. Morgan is the president of TCTB Company, Inc.

In July of 2004, the Company funded its newly created wholly owned subsidiary, W Power. It should be noted that the formation and funding of W Power signifies an expansion from the Company's prior business focus. This change of focus contains significantly more risk than the incremental asset based model we were pursuing that resulted in limited opportunities. Though the Company may consider opportunities to acquire cash flow generating assets, the Company is currently focusing its efforts on the retail electricity market in Texas through W Power as a Retail Electric Provider ("REP") to compete in the Texas market. The

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creation of W Power has allowed the Company to enter a new market created when the Texas legislature adopted the Texas Electric Choice Plan, which significantly changed the regulatory structure governing electric utilities in Texas. In September 2004, the Public Utility Commission of Texas ("PUCT") awarded W Power a license to begin commercial REP operations in Texas and in November 2004 W Power received its certification from the Electric Reliability Council of Texas ("ERCOT"). As a REP, W Power sells electricity and provides the related billing, customer service, collection and remittance services to residential, commercial, and industrial customers. W Power offers its customers low electricity rates, flexible payment and pricing choices, simple offers and understandable terms and responsive customer service. The Texas regulatory structure and legislation permits independent REPs (companies unaffiliated with an incumbent utility in a particular geographic area), such as W Power, to procure and sell electricity at unregulated prices and pay the local

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transmission and distribution utilities a regulated tariff rate for delivering electricity to the customers. Though we have not abandoned the 2002 business model, our focus is to support W Power for the immediate future. Our near-term objectives are to actively monitor TCTB and continue to build a strong customer base in W Power.

During 2004, the Company obtained two royalty interests through its wholly owned subsidiary Amen Minerals, L.P. for a total cost of approximately \$162,854. The Company received approximately \$53,095 in gross revenues from these royalties for the year ending December 31, 2005

Management continues to assess opportunities to add value for our shareholders whether under the 2002 business plan or extension of the principles of that plan. We are committed to remaining patient, while maximizing our return on the TCTB acquisition and the development of W Power. TCTB's performance will depend on its ability to collect rent from tenants and minimize the cost of ownership and maintenance. If TCTB's tenants or prospective tenants experience a change in business conditions or a downturn in their business, it may experience a delay in lease commencements, or a decline in renewals and lease extensions. Any failure of tenants to operate under the terms of their lease, make timely rental payments consistent with lease terms, or remain solvent, could result in the termination of the tenants' leases and the loss of rental income. We believe TCTB will work diligently to attract and retain quality tenants in order to mitigate this risk to the greatest extent possible. W Power's performance will depend on its ability to attract and maintain a strong customer base, manage overhead costs, implement efficient controls and procedures, and have sufficient collateral to meet its credit requirements made by its generators, power marketers, ERCOT, and other electricity providers. We believe that W Power is positioned to meet these requirements and is capable of strong growth in the future, subject to the inherent risks and limitations associated with a start-up company.

We are also sensitive to the fact that we operate in a restrictive paradigm that does not allow access to traditional equity sources without compromising our net operating loss ("NOL") balances. We hope we can continue to preserve our NOL, but certain issues outside our control may occur which could jeopardize this position. If a larger deal that would require an expansion of our equity base presents itself, we would welcome sacrificing our NOL if the value added exceeded the present value we have assigned to the NOL. If our capital does become limited, we intend to make acquisitions through limited partnerships in a structure whereby AMEN would be the general partner/manager, while property asset specific equity providers would be the limited partners. However, we do not currently have any agreements or arrangements relating to such financing and no assurances can be made that such financing will be available on terms acceptable to us.

Impact of Government Regulation and Environmental Laws

Under various environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances, including asbestos-containing materials that are located on or under the property. Specific asbestos remediation took place in the Bank of America Tower (as defined herein) prior to the Company's ownership. Environmental laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of those substances. In connection with our ownership and operation of properties, we may be liable for these costs, which could be substantial. Also, our ability to arrange for financing secured by that real property might be adversely affected because of the presence of hazardous or toxic substances or the failure to properly remediate any contamination. In addition, we may be subject to claims by third parties based on damages and costs resulting from environmental contamination at or emanating from our properties.

In addition, under the Americans with Disabilities Act ("ADA"), all public accommodations are required to meet certain federal requirements related to physical access and use by disabled persons. While we believe that the Properties comply in all material respects with these physical requirements or would be eligible for applicable exemptions from material requirements because of adaptive assistance provided, a determination that we are not in compliance with the ADA could result in the imposition of fines or an award of damages to private litigants. Any required modifications to comply with the ADA would most likely result in unplanned cash expenditures that could impact our ability to meet our financial objectives.

In relation to the Company entering the retail electricity market in Texas, the State of Texas began deregulation of the wholesale electricity market in 1995 with Senate Bill 373. This enabled independent power generators to establish operations in Texas alongside those of the regulated utilities and gain access to the transmission capabilities of the electricity power grid. This foundation, coupled with the passing of Senate Bill 7 in 1999, has enabled an integrated marketplace linking generators, energy delivery companies, retail electric providers, and an independent grid operator, ERCOT, to offer choices to end-use electricity customers. There are currently five major markets open to competition as defined by ERCOT based on service areas in Texas covered by formerly integrated utilities.

Effective January 1, 2002, retail customers of independent operating utilities in the ERCOT region of Texas were allowed to choose a REP. A REP serves end-use customers by purchasing its electricity from competing power producers in the wholesale market, receiving delivery services from the regulated transmission and distribution service providers (formerly the integrated utilities) and performing basic customer service functions including billing, collections and handling customer service requests.

As part of the Texas Senate Bill 7, the formerly integrated utilities were essentially split apart into three businesses: 1) unregulated wholesale businesses for power generation, 2) regulated transmission and distribution service providers ("TDSPs") and 3) unregulated REPs. The REPs that were formed by the formerly integrated utilities are referred to as "Affiliated REPs". These Affiliated REPs are subject to restrictions on their ability to compete on price in their own markets (the areas previously serviced by the integrated utility) to foster competition through price discounts from competitors. The two largest Affiliated REPs in Texas are TXU Energy and Reliant Energy, serving Dallas/Fort Worth and Houston areas, respectively. The other Affiliated REPs include First Choice an affiliate of Texas New Mexico Power, American Electric Power/Central Power and Light, and American Electric Power/West Texas Utilities.

Effective January 1, 2002, all customers previously with the integrated utility, whose electricity demand was under a megawatt (most small commercial and residential customers), were transferred to Affiliated REPs to be served on a month-to-month rate, known as the "Price-To-Beat" until such time that these customers choose to be served by an independent REP. The "Price-To-Beat" rate, set by the PUCT, was to serve as the benchmark, allowing independent REPs such as W Power the flexibility to set their own prices to customers in each market.

The "Price-To-Beat" rule requires the Affiliated REPs to charge a regulated, fixed rate in their respective incumbent markets until certain conditions are met. For small commercial consumers, Affiliated REPs were required to only charge the "Price-To-Beat" rate until either 40% of the load in their incumbent market has been lost to other REPs or until January 1, 2005. All of the

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affiliated REPs met the 40% threshold for small commercial consumers prior to January 1, 2005. For both small commercial consumers and residential consumers, Affiliated REPs are restricted from charging a rate that is higher than the "Price-To-Beat" in their incumbent market until after January 1, 2007, without the approval of the PUCT.

Three critical elements that we believe are essential to have a successful retail electricity market are present in Texas. First, the wholesale energy market is competitive, thereby enabling retailers to purchase supply at competitive prices using bilateral agreements. Second, a common framework for operating throughout Texas has been established to enable retailers to effectuate switching, billing, service orders and other necessary transactions with ERCOT (as a clearinghouse) and with the transmission and distribution service providers. Third, a regulatory framework has been established that encourages competition by enabling the Affiliated REP to adjust the "Price-To-Beat" based on the movement in natural gas or purchased power prices. This unique "Price-To-Beat" mechanism ensures that the retail margins in the market can be preserved if commodity costs increase.

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With regard to investments in oil and gas royalties, the production, transportation and sale of natural gas from underlying properties are subject to federal and state governmental regulation, including regulation and tariffs charged by pipelines, taxes, the prevention of waste, the conservation of gas, pollution controls and various other matters. The Federal Government and each state have governmental power to impose measures that could increase the cost of oil and gas properties. The Federal Energy Regulatory Commission ("FERC") has jurisdiction with respect to various aspects of gas operations including the marketing and production of gas. The Natural Gas Act and the Natural Gas Policy Act (collectively, the "Acts") mandate federal regulation of the interstate transportation of gas. Numerous concerns regarding the interpretation and implementation of several provisions of the Acts have led to lawsuits and administrative proceedings to challenge the validity of the Acts. The FERC is also considering various policies and proposals that may affect the marketing of gas under new and existing contracts. Accordingly, we are unable to predict the impact of any such governmental regulation.

In the past, Congress has been very active in the area of gas regulation. Due to legislative action, previously applicable incremental pricing requirements and gas use restraints have been repealed. However, it is not feasible to predict with certainty, what proposals, if any, might actually be enacted by Congress or other legislative bodies and what effect, if any, such proposals might have on the oil and gas properties that may be considered for acquisition.

Operations

Our management consists of Eric Oliver, Chairman of the Board and Chief Executive Officer, Jon Morgan, President and Chief Operating Officer and John M. James, Chief Financial Officer and Corporate Secretary. Currently, John M. James is the only full time employee at the corporate level of AMEN Properties, Inc. TCTB has five full time employees who assist in the day-to-day operations of the Properties and W Power currently has five full time employees.

The Properties are operated by an in-house management team which oversees all operations of both the Bank of America Tower and the Century Plaza Tower. TCTB currently has a team of four maintenance workers, who assist and oversee in the Properties repairs and daily maintenance. TCTB employs a property manager who is responsible for the accounting functions of TCTB, letting of space and corresponding with the tenants and the building maintenance crew for any tenant complaints. Due to the close proximity of the Properties to one another

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management has been able to utilize the in-house maintenance crew and the property manager in each of the Properties.

On January 4, 2005, the Company announced that, effective December 31, 2004, the TCTB partners agreed to distribute its Lubbock, Texas office building to the TCTB partners and simultaneously sell their interest in the asset to an entity partially owned by certain TCTB minority owners.

In accordance with an Agreement to Distribute Assets, effective December 31, 2004, the Lubbock office building (the "Lubbock Property") was distributed to the TCTB partners according to their partnership sharing ratios. The Lubbock Property distribution to the TCTB minority interest partners resulted in an approximate \$979,000 reduction in the Company's property, plant and equipment and a corresponding reduction in minority interest. The Lubbock Property was subject to a lien securing the TCTB's Note (as defined herein) The Bank agreed to release its lien on the Lubbock Property in exchange for a \$2,100,000 restricted certificate of deposit pledged by TCTB to the Bank as additional collateral.

Immediately following the distribution of the Lubbock Property, the Company and the selling minority interest partners agreed to sell their undivided interest

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in the Lubbock Property for a negotiated purchase price of \$4,568,614, in accordance with a Purchase Agreement, to 1500 Broadway Partners, Ltd., a limited partnership, in which certain TCTB limited partners (non-selling minority interest partners) are partners and are tenants in one of TCTB's Midland office buildings. The Company received net proceeds of \$3,924,141 for its undivided interest in the Lubbock Property that resulted in a gain of \$905,118.

The Company used \$1,681,346 of the net proceeds to reduce the principal amount of certain debt by \$1,394,544 and to pay accrued interest of \$286,802. The remaining proceeds were used for start-up working capital purposes for W Power.

W Power provides electricity and energy services to retail and wholesale customers in the State of Texas. W Power provides energy products and services to approximately 2,000 retail electricity customers ranging from residential and small business customers to large commercial, industrial and governmental/institutional customers. As of December 31, 2005 W Power flowed approximately 71,228 MWhrs of electricity to its retail customers. Our business operations consist primarily of providing retail electricity to retail customers and providing wholesale energy as a qualified scheduling entity ("QSE") or power marketer to competitive retail electricity providers.

Retail Electricity

W Power is responsible for its customer's account initiation and termination as well as energy supply management, scheduling, billing/remittance processing, and customer service. ERCOT oversees all aspects of the Texas power grid, and all retail electric providers must be certified by ERCOT to operate in the Texas markets. ERCOT was founded in 1970 to oversee the Texas power grid and under deregulation ERCOT serves as the Independent System Operator of the power grid in Texas and enables retail providers, generators, transmission and distribution service providers, and ultimately customers, to operate in a deregulated marketplace in Texas. ERCOT is continuously performing five major processes to support the retail provider:

- o Customer Registration
- o Market Operations

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- o Power Operations
- o Load Profiling, Date Acquisition and Aggregation
- o Settlements, Billing and Financial Transfer

ERCOT is responsible for establishing and managing market operating procedures and protocols, and developing and managing electronic transactions by and between the power generators, the retail electric providers, and the transmission and distribution company. These transactions include customer switching and registration, meter reading, regulated tariff delivery, invoicing, and financial market settlement.

W Power performs all customer registration, switching, and termination of service directly with ERCOT, facilitated by a third-party electronic data interchange provider who insures the electronic transactions are compliant with then-current ERCOT protocols. W Power uses proprietary software developed and owned by a third-party provider to initiate ERCOT electronic transactions, capture data sent directly or indirectly by ERCOT or the delivery companies, initiate billing, track and manage receivables, and provide general customer information system functions for managerial reporting and decision making.

Our customer service function is performed internally with customer service representatives able to provide service via the telephone, fax and email. W Power performs all steps of monthly customer billing and remittance.

Wholesale Energy

W Power is a registered Power Marketer in Texas. A power marketer is an entity that owns electric energy in Texas for the purpose of selling the electric energy at wholesale prices but does not own generation, transmission, or distribution facilities and does not have a certificated service area. W Power, as a power marketer and an ERCOT QSE, acquires wholesale electric energy for resale to itself and other REPs in the Texas market. W Power buys 100% of its

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energy for its retail operations from its wholesale operations. W Power's wholesale energy operations group is currently selling wholesale electricity to another retailer other than its own. This arrangement is not currently in a contractual agreement, but rather a daily transaction subject to W Power being prepaid prior to assignment of the purchased electricity.

Marketing and Sales

The majority of energy sold by W Power is to customers acquired through outside sales channels of electric aggregators and brokers. These channels provide a cost-effective means of customer acquisition in the commercial markets. These outside sales channels typically have an exclusive agreement with an end-use customer to assist with the selection of a REP. W Power competes aggressively to attract quality customers through these channels. To date, W Power has relied on outside sales channels, word-of-mouth marketing, and limited press coverage to attract new customer inquiries. During 2005, W Power began a series of marketing activities including direct mailing, focused customer telemarketing and cold calling.

Electricity Supply

W Power is certified by ERCOT to engage in both retail and wholesale marketing activities. We serve as our own QSE which involves the procurement, scheduling,

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and financial settlement of energy for our retail customer portfolio. Currently, W Power anticipates purchasing power from any and all wholesale power generation companies based on competitive purchase price offerings. Scheduling and market settlements are facilitated through ERCOT, while bilateral energy purchases and payments are negotiated in the open market. W Power may enter into forward transactions for the delivery of fixed energy volumes for a specified term, and possibly, use shorter term (typically month-ahead) swaps in which W Power purchases natural gas and delivers it to an electricity producer or marketer in exchange for electricity when it believes that market conditions are appropriate. These gas-for-power swaps may reduce the working capital and collateral requirements to the benefit of W Power.

We forecast our energy demand and purchase electricity through an experienced team of in-house professionals. The energy consumption forecast for our customer portfolio is based on historical load data, anticipated weather conditions, customer acquisition and attrition rates, and ERCOT projected load profile models. We continuously monitor and update our supply positions based on our retail demand forecasts and market conditions. Our objective is to maintain a balanced supply/demand book to limit commodity price risk exposure. W Power does not plan to engage in speculative trading.

Competition

The Company's commercial real estate business competes with a number of other companies in providing leases to prospective tenants and in re-letting space to current tenants upon expiration of their respective leases. If our tenants decide not to renew or extend their leases upon expiration, we may not be able to re-let the space. Even if the tenants do renew or we can re-let the space, the terms of renewal or re-letting, including the cost of required renovations, may be less favorable than current lease terms or than expectations for the space. We may be unable to promptly renew the leases or re-let this space, or the rental rates upon renewal or re-letting may be significantly lower than expected rates.

For the Company's retail electric provider, W Power, the competitors broadly fall in two categories. The first category consists of the Affiliated REPs who are the incumbent suppliers to their respective "Price-To-Beat" customers (residential and small commercial) in specific geographic locations. As noted above in Item 1 under "Impact of Government Regulation and Environmental Laws", the ability for the Affiliated REPs to compete on price in their incumbent markets is dictated by specific rules. However, in all cases, the Affiliated REPs enjoy the highest levels of brand recognition and familiarity, requiring competitive REPs, including W Power, to convince customers to switch their service away from the Affiliated REPs. The affiliated REPs include: TXU Energy, Reliant Energy, First Choice Power, WTU Retail Energy, and CPL Retail Energy. The latter two Affiliated REPs are owned by Direct Energy, a unit of Centrica PLC. Outside of their incumbent markets, these Affiliated REPs compete in the same regulatory environment as does W Power.

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The second category of competitors are independent REPs and include but are not limited to, Green Mountain Energy, Cirro Energy, Strategic Energy, Constellation Energy, Tractebel Energy Services, and Utility Choice. Some of the REPs choose to compete only in the small commercial segment, while others compete in the residential, small commercial, and industrial segments. The sizes of these REPs vary as do their approaches to the market.

While the Affiliated REPs have substantial size, substantial resources, and are adept at guiding the regulatory process in their favor, we believe that the

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independent REPs provide the greatest competitive threat to W Power. Retail profit margins in the Texas market have declined as wholesale prices of energy have climbed. Price competition in certain market segments have increased due to a number of new REPs, such as W Power, entering the market. In select cases we believe there are REPs selling below the prevailing market cost in order to acquire certain customers.

Christian Statement of Faith; the Company's Policy

Article XIII of our Bylaws provides that AMEN Properties, Inc. is a "religious corporation." Our policy is generally to include among our officers and directors unconditionally, and among our employees where a bona fide occupation qualification exists, only persons who, upon request, subscribe to the Company's Christian Statement of Faith as follows:

1. We believe that there is one God, eternally existing in three persons: the Father, the Son, and the Holy Spirit.
2. We believe that the Bible is God's written revelation to man and that it is verbally inspired, authoritative, and without error in the original manuscripts.
3. We believe in the deity of Jesus Christ, His virgin birth, sinless life, miracles, and death on the cross to provide for our redemption, bodily resurrection and ascension into heaven, present ministry of intercession for us, and His return to earth in power and glory.
4. We believe in the personality and deity of the Holy Spirit, that He performs the miracle of the new birth in an unbeliever and indwells believers, enabling them to live a godly life.
5. We believe that man was created in the image of God, but because of sin, was alienated from God. That alienation can be removed only by accepting through faith, God's gift of salvation which was made possible by Christ's death.

In order to implement the Christian Statement of Faith, we intend generally to act in accordance with the following policy, as stated in our Bylaws: "The Corporation shall:

1. Actively seek to market the services of the Corporation to those persons, entities, and agencies, which are actively involved in propagating a pattern of beliefs and actions consistent with the tenets of the Statement of Faith. Nothing herein shall be construed to prohibit marketing such services to other persons, entities, or agencies except as specifically set forth in the prohibitions or corporate action set forth below.
2. To the extent permitted by law, expend from the revenues of the Corporation such sums as are deemed prudent by the Board of Directors to support, encourage, or sustain persons or entities which in the judgment of the Board of Directors are expected to make significant efforts to propagate the Gospel of Jesus Christ in any manner not in conflict with the Statement of Faith. Such expenditures may be made without regard to the tax status or nonprofit status of the recipient. It is expected that the expenditures paid out under the provisions of this paragraph shall approximate ten percent (10%) of the amount that would otherwise be the net profits of the Corporation for the accounting period.

The Corporation shall not:

1. Take any position publicly or privately that denies or conflicts with the tenets of the Statement of Faith.
2. Elect, qualify or permit to serve in office as a director or officer to the Corporation any person who has not without reservation subscribed to the Statement of Faith as being true, accurate and

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correct or who having so subscribed has either publicly or privately recanted from a particular of the Statement of Faith or who has

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publicly made statements or taken actions without repentance which the Board of Directors finds to be in clear conflict with the Statement of Faith.

3. Hire or continue to employ any employee in any position in which, in the sole discretion of the Corporation, subscription to the Statement of Faith is a bona-fide occupational qualification reasonably necessary to the normal operations of the Corporation's activities, where such employee refuses, upon request, to subscribe to the Statement of Faith or having so subscribed has either publicly or privately recanted from any particular of the Statement of Faith or has publicly made statements or taken actions without repentance which the Board of Directors finds to be in clear conflict with the Statement of Faith. Because the Scriptures teach that bad company corrupts good morals and that a little leaven affects the whole lump, it is important to the Corporation's purposes that it be protected from the influence of persons not in agreement with the Statement of Faith at every level of employment.
4. Permit any party to utilize the name, goodwill, trade marks, or trade names of the Corporation in any course of action or dealings which the Corporation itself is herein prohibited from taking."

"In addition to any other appropriate legend, prior to its issuance each and every share certificate to be issued by this Corporation shall be inscribed with a legend that states:

`This Corporation is a religious corporation. All shares of this Corporation are subject to the terms as set forth in the BYLAWS of the corporation which restricts the amendment or deletion of that section of the BYLAWS which prescribes a corporate Statement of Faith in the LORD JESUS CHRIST and directs or prohibits certain corporate actions on the basis of the Statement of Faith.'"

The Bylaws also state:

"No amendment to this Article XIII and no other superseding or conflicting provision of these BYLAWS, the ARTICLES OF INCORPORATION, or any shareholder agreement shall be adopted unless the result of the count of votes approving the amendment is 90% affirmative without dissension and a minimum of two-thirds of the shares outstanding are represented and voting. Such vote must be made at an actual special meeting of the shareholders called by written notice delivered to each shareholder not less than 10 nor more than 60 days prior to the date of the meeting. Time is of the essence as to this notice provision and no extension of the time of the meeting or adjournment of the meeting to a date outside the notice period shall be permitted except upon the affirmative vote of not less than 70 percent of the shares then issued and outstanding."

ITEM 2. DESCRIPTION OF PROPERTIES

Real Estate Investment Policy

While we have not abandoned our 2002 business plan, in the near term we intend to prioritize our focus on W Power and its capital needs. We will continue to entertain possible acquisitions of cash-generating assets focusing on value

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added plays whether they are commercial real estate or oil and gas royalties. We will also consider and evaluate opportunities to acquire other properties and businesses that have a consistent and stable cash flow history.

Opportunities in these areas will be based on our evaluations and a system whereby we formulate a cash flow series with at least 10 possible outcomes. We will then assign probability percentages to each of the outcomes. Based on the assigned probabilities, we will arrive at estimated weighted return of total capital.

These estimated returns should meet the following four criteria to warrant additional due diligence:

1. Return on Total Capital (ROTC) of not less than 15% for the project
2. ROTC of at least 12% at the end of Year 1
3. Less than 10% assigned probability for an outcome ROTC of less than 5%
4. At least a 20% cumulative probability for an outcome ROTC of more than 20%

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The last two parameters serve to focus our attention on opportunities we can model with limited risk, but significant upside potential. By using leverage on these minimum rates of return, we will attempt to choose opportunities that attain our necessary return on equity targets.

Description of Real Estate and Operating Data

The Properties are owned by TCTB and managed and operated by TCTB Company, Inc., as general partner of TCTB. AMEN initially acquired 64.9% of the limited partnership interest of TCTB in 2002 and an additional 6.485% effective January 1, 2004. The Properties consist of commercial real estate in Midland, Texas. The twenty-four-story Midland property ("Bank of America Tower"), where the Company's headquarters are located, was completed in 1977 and encompasses 329,178 rentable square feet and is approximately 84% occupied. It also includes a 17-lane drive through bank and a 900 space-parking garage. The average lease term is 4 years and the major tenant is Bank of America. There are a total of three tenants in the Bank of America Tower who account for ten percent or more of the rentable space, consisting of the bank, Pioneer Natural Resources, Inc., a public oil and gas company, and a privately held oil and gas company. The general provisions of the leases require TCTB to provide each tenant useable office space for a monthly fee and to provide the maintenance, utilities, janitorial and security expenses. Additionally, the lease agreement allows for the determination of the incremental increases of the building operations to be passed through to the tenants. The average annual net rental per occupied square foot was \$7.83 for the year ended December 31, 2005. Century Plaza Tower was purchased on July 30, 2004 by TCTB at a negotiated price of \$436,500 (\$311,434 net to the Company's interest). Century Plaza Tower was built in 1979 and renovated in 1990. It is a twelve story high rise with 99,422 rentable square feet and is approximately 43% occupied. The majority of the tenants are on a month to month lease and the Century Plaza Tower currently has one major tenant occupying approximately 10% of the occupied rentable square feet. The average annual net rental per occupied square foot was \$5.52 for the year ended December 31, 2005. The newly created wholly owned subsidiary of the Company, W Power, occupies the first floor of Century Plaza Tower. A limited investment in capital improvements on the Midland buildings in 2006 is estimated to be approximately \$300,000 (\$214,044 net to AMEN's interest) and these expenditures are expected to be mainly associated with tenant improvements and/or build outs. The Bank of America Tower is held for income generating capabilities and it is the intention of management that the Century Plaza Tower will be primarily used for the growth of the Company's wholly owned subsidiary W Power and Light, LP. In May of 2002,

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the Bank of America Tower under went an appraisal performed by the Real Estate Research Corporation. In that appraisal, the Bank of America Tower was indicated to be in average condition. It is management's opinion that the Century Plaza Tower is also in average condition. The typical tenants, other than the Bank of America, are independent oil and gas producers and financial service providers.

The following table sets forth certain information concerning lease expirations, excluding month to month leases and assuming no renewals for each Property:

Bank of America Tower

Lease Expiration	Number of Leases Expiring	Square Feet Expiring	Annualized Gross Base Rent	Percentage of Total Square Feet Expiring	Percentage of Total Annualized Gross Base Rent
2006	17	81,882	\$ 1,785,727	35.8%	39.9%
2007	11	64,564	1,433,563	28.2%	32.0%
2008	7	22,551	625,453	9.9%	14.0%
2009	4	16,869	544,308	7.4%	12.2%
2010	13	42,699	85,318	18.7%	1.9%
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
Total	52	228,565	\$ 4,474,369	100.0%	100.0%

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Century Plaza Tower

Lease Expiration	Number of Leases Expiring	Square Feet Expiring	Annualized Gross Base Rent	Percentage of Total Square Feet Expiring	Percentage of Total Annualized Gross Base Rent
2005	2	2,165	\$ 56,175	23.1%	75.3%
2006	5	7,212	18,402	76.9%	24.7%
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
Total	7	9,377	\$ 74,577	100.0%	100.0%

The federal tax basis for the two properties is \$5,894,391. Of this amount, \$4,063,742 is related to the buildings that will be depreciated, for tax purposes, over 39 years using the straight-line method; \$803,901 has been allocated to the parking garages that will be depreciated, for tax purposes, using the 150% declining balance method over 15 years; \$104,138 has been allocated to partitions and flooring which will be depreciated, for tax purposes, using the 200% declining balance over 5 years; \$236,893 has been allocated to building improvements and will be depreciated, for tax purposes, using the 200% declining balance over 7 and 5 years; \$575,268 has been allocated to tenant improvements and will be depreciated, for tax purposes, using the 200% declining balance over the life of the lease or over 39 years using the straight-line method; and \$110,449 has been allocated to land that will not be depreciated.

The Bank of America Tower is financed by a loan from Wells Fargo Bank (the "TCTB Note"), originally a \$6.8 million non-recourse note bearing annual interest of 7.23% with a 20-year amortization that contains a balloon payment on May 31, 2009 of \$5,088,098, assuming no prepayment, and is secured by a \$2,100,000 certificate of deposit and the Bank of America Tower. The current balance of the note is \$5,905,034. TCTB is making monthly payments of principal and interest in the amount of \$53,663 for the term note until the maturity date. The loan agreement is secured by substantially all of the assets of TCTB. The loan agreement restricts cash distributions to TCTB's owners. TCTB shall not declare or pay any distributions in excess of tax liability due annually (but in any event, no more than 40% of net income), either in cash or any property to any owners. The loan agreement also contains other customary conditions and events of default, the failure to comply with, or occurrence of, would prevent any further borrowings and would generally require the repayment of any outstanding borrowings along with accrued interest under the loan agreement. Such events of default include (a) non-payment of loan agreement debt and interest thereon, (b) non-compliance with the terms of the credit agreement covenants, (c) cross-default with other debt in certain circumstances, (d) bankruptcy and (e) a final judgment or order for the payment of money in excess of \$100,000. Additionally, the TCTB Note contains a prepayment penalty ranging from 1% to 3% of the outstanding balance.

The Properties are subject to an annual realty tax rate of approximately 3.19105%. For the year ending December 31, 2005 the annual realty tax was \$171,894 and \$14,094 for the Bank of America Tower and the Century Plaza Tower, respectively.

As stated above, we recognize that we compete with many companies in providing leases to prospective tenants and in re-letting space to current tenants upon expiration of their respective leases. If our tenants decide not to renew or extend their leases upon expiration, we may not be able to re-let the space. Because of competitive offerings, even if the tenants do renew or we can re-let the space, the terms of renewal or re-letting, including the cost of required renovations, may be less favorable than current lease terms or than expectations for the space.

In the opinion of management, the Properties are properly insured from loss related to comprehensive liability, fire, extended coverage, and rental loss. Though we believe to the best of our ability that policy specifications and insured limits of these policies are adequate and appropriate, there may be

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however, certain types of losses, including lease and other contract claims, acts of war, acts of terror and acts of God that generally may not be insured. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in the Properties, as well as anticipated future revenue. If that happened, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the Properties. Though we believe that we maintain insurance policies with carriers with sufficient assets and capital to cover all insured perils, there may be however, failures or receiverships of carriers providing insurance on the Properties. If this occurs, we could be essentially without coverage for perils and losses.

In 2004, the Company, through its wholly-owned subsidiary Amen Minerals, LP, completed the acquisition of two separate royalty interests, one in the state of Texas and one in the state of Oklahoma. The total consideration paid by the Company for the royalty interests was \$162,854.

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None during the fourth quarter of the fiscal year ended December 31, 2005.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

From January 1 to December 31, 2005, AMEN Properties, Inc.'s common stock traded on the NASDAQ Small Cap Market (SM) ("NASDAQ Small Cap") under the symbol "AMEN".

The following table sets forth the ranges of high and low sales prices of our common stock for each quarter within the last two fiscal years as reported on the NASDAQ Small Cap.

	High -----	Low -----
First Quarter 2004:	\$ 3.50	\$ 1.50
Second Quarter 2004:	\$ 3.05	\$ 2.01
Third Quarter 2004:	\$ 3.05	\$ 1.85
Fourth Quarter 2004:	\$ 4.88	\$ 2.54
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First Quarter 2005:	\$ 7.49	\$ 3.91
Second Quarter 2005:	\$ 6.59	\$ 3.97
Third Quarter 2005:	\$ 8.04	\$ 5.64

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Fourth Quarter 2005:	\$ 6.75	\$ 5.50
January 1, 2006 through March 15, 2006	\$ 6.11	\$ 5.29

At March 15, 2006, the closing price for our common stock, as reported by NASDAQ Small Cap, was \$5.55 per share. There are approximately 149 holders of record of our common stock, as of March 15, 2006. A number of such holders of record are brokers and other institutions holding shares of common stock in "street name" for more than one beneficial owner. The Company's transfer agent and registrar is the American Stock Transfer and Trust Company. We have not paid and do not currently intend to pay cash dividends on our common stock in the foreseeable future. Under the terms of the loan agreement between the Company and Western National Bank, the Company is required to obtain consent in writing from Western National Bank before the Company shall declare or pay any dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table is provided in compliance with Item 201(d) of Regulation S-B:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (securities reflected in column (c))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	433,603	\$14.06	313,443
Equity compensation plans not approved by security holders	None	None	None
Total	433,603	\$14.06	313,443

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and related footnotes presented in Item 7.

Overview

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AMEN Properties, Inc., (the "Company") is a real estate and energy company engaged in owning and managing real estate, oil and gas royalties, and energy related business properties. The Company is a holding company and conducts its operations through Amen Delaware, LP ("Delaware"); Amen Minerals, LP ("Minerals") and W Power and Light, LP ("W Power"), each being a wholly owned subsidiary of the Company. The Company owns its present real estate holdings through Delaware. Delaware owns an approximate 71.35% limited interest in TCTB Partners, Ltd., which currently owns two commercial office buildings in Midland, TX. The Company's present oil and gas royalty holdings are through Minerals, which owns two oil and gas royalty properties, one in Nowata County, Oklahoma and the other in Hemphill County, Texas. In July 2004, the Company entered the retail electricity market as a retail electric provider serving both retail and wholesale customers within the state of Texas through W Power.

Application of Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities where that information is available from other sources. Certain estimates are particularly sensitive due to their significance to the financial statements. Actual results may differ significantly from management's estimates.

We believe that the most significant accounting policies that involve the use estimates and assumptions as to future uncertainties and, therefore, may result in actual amounts that differ from estimates are the following:

- Impairments,
- Acquisition of operating properties,
- Revenue Recognition,
- Gain recognition on sale of real estate assets,
- Consolidation of variable interest entities,
- Allowance for doubtful accounts and
- Stock Options

Impairments

Real estate and leasehold improvements are classified as long-lived assets held for sale or long-lived assets to be held and used. In accordance with SFAS No. 144, we record assets held for sale at the lower of carrying value or sales price less costs to sell. For assets classified as held and used, these assets are tested for recoverability when events or changes in circumstances indicate that the estimated carrying amount may not be recoverable. An impairment loss is recognized when expected undiscounted future cash flows from a Property is less than the carrying value of the Property. Our estimates of cash flows of the Properties requires us to make assumptions related to future rental rates, occupancies, operating expenses, the ability of our tenants to perform pursuant

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to their lease obligations and proceeds to be generated from the eventual sale of our Properties. Any changes in estimated future cash flows due to changes in our plans or views of market and economic conditions could result in recognition of additional impairment losses.

If events or circumstances indicate that the fair value of an investment accounted for using the equity method has declined below its carrying value and

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we consider the decline to be "other than temporary," the investment is written down to fair value and an impairment loss is recognized. The evaluation of impairment for an investment would be based on a number of factors, including financial condition and operating results for the investment, inability to remain in compliance with provisions of any related debt agreements, and recognition of impairments by other investors. Impairment recognition would negatively impact the recorded value of our investment and reduce net income.

Acquisition of Operating Properties

We allocate the purchase price of acquired properties to tangible and identified intangible assets acquired based on their fair values in accordance with SFAS No. 141, "Business Combinations." We initially record the allocation based on a preliminary purchase price allocation with adjustments recorded within one year of the acquisition.

In making estimates of fair value for purposes of allocating purchase price, management utilizes sources, including, but not limited to, independent value consulting services, independent appraisals that may be obtained in connection with financing the respective property, and other market data. Management also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

The aggregate value of the tangible assets acquired is measured based on the sum of (i) the value of the property and (ii) the present value of the amortized in-place tenant improvement allowances over the remaining term of each lease. Management's estimates of the value of the property are made using models similar to those used by independent appraisers. Factors considered by management in its analysis include an estimate of carrying costs such as real estate taxes, insurance, and other operating expenses and estimates of lost rentals during the expected lease-up period assuming current market conditions. The value of the property is then allocated among building, land, site improvements, and equipment. The value of tenant improvements is separately estimated due to the different depreciable lives.

The aggregate value of intangible assets acquired is measured based on the difference between (i) the purchase price and (ii) the value of the tangible assets acquired as defined above. This value is then allocated among above-market and below-market in-place lease values, costs to execute similar leases (including leasing commissions, legal expenses and other related expenses), in-place lease values and customer relationship values.

Above-market and below-market in-place lease values for acquired properties are calculated based on the present value (using a market interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease for above-market leases and the initial term plus the term of the below-market fixed rate renewal option, if any, for below-market leases. We

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perform this analysis on a lease by lease basis. The capitalized above-market lease values are amortized as a reduction to rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values are amortized as an increase to rental income over the initial term plus the term of the below-market fixed rate renewal option, if any, of the respective leases.

Management estimates costs to execute leases similar to those acquired at the property at acquisition based on current market conditions. These costs are recorded based on the present value of the amortized in-place leasing costs on a lease by lease basis over the remaining term of each lease.

The in-place lease values and customer relationship values are based on management's evaluation of the specific characteristics of each customer's lease and our overall relationship with that respective customer. Characteristics considered by management in allocating these values include the nature and extent of our existing business relationships with the customer, growth prospects for developing new business with the customer, the customer's credit quality, and the expectation of lease renewals, among other factors. The in-place lease value and customer relationship value are both amortized to expense over the initial term of the respective leases and projected renewal periods, but in no event does the amortization period for the intangible assets exceed the remaining depreciable life of the building.

Should a tenant terminate its lease, the unamortized portion of the in-place

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lease value and the customer relationship value and above-market and below-market lease values would be charged to expense.

Revenue Recognition

Leases with tenants are accounted for as operating leases. Minimum annual rentals are recognized on a straight-line basis over the terms of the respective leases.

The Company records electricity sales under the accrual method and these revenues are recognized upon delivery of electricity to the customers' meters. Electric services not billed by month-end are accrued based upon estimated deliveries to customers as tracked and recorded by the Electric Reliability Council of Texas ("ERCOT") multiplied by the Company's average billing rate per kilowatt hour ("kwh") in effect at the time.

The flow technique of revenue calculation relies upon ERCOT settlement statements to determine the estimated revenue for a given month. Supply delivered to our customers for the month, measured on a daily basis, provides the basis for revenues. ERCOT provides net electricity delivered data in three frames. Initial daily settlements become available approximately 17 days after the day being settled. Approximately 45 days after the day being settled, a resettlement is provided to adjust the initial settlement to the actual supply delivered based on subsequent comparison of prior forecasts to actual meter reads processed. A final resettlement is provided approximately 180 days after power is delivered, marking the last routine settlement adjustment to the power deliveries for that day.

Sales represent the total proceeds from energy sales, including pass through charges from the TDSPs billed to the customer at cost. Cost of goods and services ("COGS") include electric power purchased, sales commissions, and pass through charges from the TDSPs in the areas serviced by the Company. TDSP charges are costs for metering services and maintenance of the electric grid.

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TDSP charges are determined by regulated tariffs established by the Public Utility Commission of Texas ("PUCT").

Bilateral wholesale costs are incurred through contractual arrangements with wholesale power suppliers for firm delivery of power at a fixed volume and fixed price. The Company is typically invoiced for these wholesale volumes at the end of each calendar month for the volumes purchased for delivery during the month, with payment due 10 to 20 days after the end of the month.

Balancing/ancillary costs are based on the aggregate customer load and are determined by ERCOT through a multiple step settlement process. Balancing costs/revenues are related to the differential between supply provided by the Company through its bilateral wholesale supply and the supply required to serve the Company's customer load. The Company endeavors to minimize the amount of balancing/ancillary costs through its load forecasting and forward purchasing programs.

Gain Recognition On Sale of Real Estate Assets

We perform evaluations of each real estate sale to determine if full gain recognition is appropriate in accordance with SFAS No. 66, "Accounting for Sales of Real Estate". The application of SFAS No. 66 can be complex and requires us to make assumptions including an assessment of whether the risks and rewards of ownership have been transferred, the extent of the purchaser's investment in the property being sold, whether our receivables, if any, related to the sale are collectible and are subject to subordination, and the degree of our continuing involvement with the real estate asset after the sale. If full gain recognition is not appropriate, we account for the sale under an appropriate deferral method.

Consolidation of Variable Interest Entities

We perform evaluations of each of our investment partnerships, real estate partnerships and joint ventures to determine if the associated entities constitute a Variable Interest Entity, or VIE, as defined under Interpretations 46 and 46R, "Consolidation of Variable Interest Entities," or FIN 46 and 46R, respectively. In general, a VIE is an entity that has (i) an insufficient amount of equity for the entity to carry on its principal operations, without additional subordinated financial support from other parties, (ii) a group of equity owners that are unable to make decisions about the entity's activities,

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or (iii) equity that does not absorb the entity's losses or receive the benefits of the entity. If any one of these characteristics is present, the entity is subject to FIN 46R's variable interests consolidation model.

Quantifying the variability of VIEs is complex and subjective, requiring consideration and estimates of a significant number of possible future outcomes as well as the probability of each outcome occurring. The results of each possible outcome are allocated to the parties holding interests in the VIE and, based on the allocation, a calculation is performed to determine which party, if any, has a majority of the potential negative outcomes (expected losses) or a majority of the potential positive outcomes (expected residual returns). That party, if any, is the VIE's primary beneficiary and is required to consolidate the VIE. Calculating expected losses and expected residual returns requires modeling potential future results of the entity, assigning probabilities to each potential outcome, and allocating those potential outcomes to the VIE's interest holders. If our estimates of possible outcomes and probabilities are incorrect, it could result in the inappropriate consolidation or deconsolidation of the VIE.

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For entities that do not constitute VIEs, we consider other GAAP, as required, determining (i) consolidation of the entity if our ownership interests comprise a majority of its outstanding voting stock or otherwise control the entity, or (ii) application of the equity method of accounting if we do not have direct or indirect control of the entity, with the initial investment carried at costs and subsequently adjusted for our share of net income or loss and cash contributions and distributions to and from these entities.

Allowance for Doubtful Accounts

Our accounts receivable balance is reduced by an allowance for amounts that may become uncollectible in the future. Our receivable balance is composed primarily of rents and operating cost recoveries due from its tenants and billed and unbilled customer retail electricity usage flowed for a given period. The allowance for doubtful accounts is reviewed at least quarterly for adequacy by reviewing such factors as the credit quality of our tenants and customers, any delinquency in payment, historical trends and current economic conditions. If the assumptions regarding our ability to collect accounts receivable prove incorrect, we could experience write-offs in excess of the allowance for doubtful accounts, which would result in a decrease in net income. As of December 31, 2005, the W Power's billed account receivables did not have adequate historical data in order to determine an allowance for doubtful accounts related to the retail electricity billed revenue. Due to this lack of historical data the Company estimated the allowance for doubtful accounts related to the retail electricity revenue to be thirty-three percent of accounts receivable greater than sixty days but less than ninety days and sixty-six percent of accounts older than ninety days but less than one hundred and twenty days. Accounts receivable greater than one hundred and twenty days are forwarded to a third party collection agency.

Stock Options

The Company accounts for its options granted to employees in accordance with APB 25 and SFAS 148. Stock-based awards to non-employees are accounted for under the provisions of SFAS 123 based on their fair value as determined by the Black-Scholes option-pricing model. Had compensation expense been determined based on the fair value of the options at the grant dates consistent with the method of accounting under SFAS 123, the Company's net income and net income per share for the years ended December 31, 2005 and 2004 would have been decreased by approximately \$151,000 and \$22,000, respectively. See Footnote S to the Company's Consolidated Financial Statements included herein.

Results of Operations Full Year 2005 Compared to Full Year 2004

W Power did not attain its market share benchmark as previously expected by management. This was due to W Power intentionally limiting its acquisition of customers during 2005. Unforeseen levels of wholesale electricity and natural gas price escalation and volatility created a marketplace which made customer acquisition both difficult and unprofitable for W Power. A number of events contributed to the price volatility. These include an extended period of above-average summer and fall temperatures, record-breaking electricity demand and consumption across Texas, a shortage of electric generating capacity, two

significant hurricanes which disrupted natural gas production and transportation, and a series of geopolitical events affecting energy markets. While some of these events were extraordinary, we are concerned that a longer lasting structural change in the Texas wholesale electricity market may have occurred due to reduced generating capacity reserve margins. If so, W Power will

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continue to see high price volatility in this market even with sharp declines in natural gas prices. W Power may have difficulty in maintaining gross profit margins sufficient to offset the increased price volatility. However, given the fact that W Power faced significant market conditions mentioned above during its first year of operations, W Power was able to show positive earnings for the month of December 2005. We believe W Power will need to continue its conservative growth strategy and focus on growing its customer base in a deliberate manner with segments where relatively larger gross margins are available, rather than top line revenue and market share.

W Power will also be challenged by higher commodity energy prices which increase the amount of capital requirements to hedge forward its electricity requirements using the Company's available cash and credit facilities. Additionally, contracting with customers for longer terms at current prices increase the risk associated with bad debt, particularly if prices were to decline sharply.

We continue to believe the largest risks facing W Power are managing its growth wisely and maintaining sufficient credit availability to support that growth. Even with continued deliberate limiting of its growth, the Company's business model leads management to expect earnings from operations, before income tax, depreciation and amortization, to be positive for 2006.

Overview

For the year ended December 31, 2005, the Company showed a net loss of \$704,562 or \$.32 per share as compared to net income of \$801,255, or \$.36 per share for the same period ended December 31, 2004, for a change of approximately \$1,506,000. This change is primarily due to the Company's distribution and simultaneous sale of its undivided interest in the Lubbock building on December 31, 2004. This transaction resulted in a gain of approximately \$905,100 and a reclassification of approximately \$394,000 from operating income to income from a discontinued business component for the year ending December 31, 2004. The remaining portion of the net loss is related to the Company entering into the retail electricity market in Texas through its newly formed wholly owned subsidiary W Power. W Power began commercial operations on January 1, 2005 and showed a net loss of approximately \$351,000 for the year ending December 31, 2005.

Revenues

The Company's consolidated revenues were \$10,180,892 for the period ending December 31, 2005, compared to \$2,461,629 for the period ending December 31, 2004. This significant increase was due primarily to W Power's start of commercial operations on January 1, 2005. For the period ending December 31, 2005, W Power had total revenues of approximately \$7,172,000.

The Company's rental revenue from TCTB increased for the period ending December 31, 2005 over the same period ending December 31, 2004 by approximately \$547,000. The increase is mainly due to the Company reporting a full year of rental revenue for a twelve floor multi-tenant office building in Midland, Texas acquired on July 30, 2004. Additionally, during the third quarter of 2005 management of TCTB began to pass through the incremental increase of building operating expenses for the Bank of America Tower. This pass through of expenses resulted in an increase of revenue of approximately \$302,000. Further discussion of the Company's real estate properties can be found in Item 2.

Operating expenses

Total operating expenses for the period ending December 31, 2005 and 2004 were

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\$10,182,561 and \$2,342,083, respectively. The increase of approximately \$7,841,000 in operating expense is mainly related to W Power's cost of goods and services, mainly the purchase of wholesale electricity, of approximately \$6,924,000 and an increase in general and administrative costs of approximately \$434,000, mainly associated with W Power. Additionally, the Company experienced an increase in the building operating expenses due to the Company reporting a full year of building operations for a twelve floor multi-tenant office building in Midland, Texas acquired on July 30, 2004 and an increase of the building utilities due to the rising costs of energy.

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W Power's cost of goods and services were approximately \$6,924,000 or 96.5% of retail electricity sales for the period ended December 31, 2005. W Power's gross profit was approximately \$248,000 or 3.5% of retail electricity sales for the period ending December 31, 2005. Due to W Power not being in operations during the period ended December 31, 2004 comparative information is not available.

Rental property operations and depreciation expense experienced an increase of approximately \$552,000 and \$87,000, respectively, for the year ended December 31, 2005 as compared to the year ended December 31, 2004. The increase in the property operations is attributable to the Company experiencing an increase of approximately 189% in utility expense due to the rising cost of energy during the year ended December 31, 2005. The increase in depreciation of approximately \$87,000 is due to a full year of depreciation expense for the twelve floor multi-tenant office building in Midland, Texas acquired on July 30, 2004 and the Company incurring approximately \$420,000 in additional depreciable capital improvements during the year ended December 31, 2005, primarily tenant improvements.

For the year ended December 31, 2005 general and administrative costs increased approximately \$434,000 as compared to the year ended December 31, 2004. This increase is primarily associated with payroll and data processing expense associated with W Power due to W Power beginning operations on January 1, 2005.

Other (expense) income

For the year ended December 31, 2005 as compared to the year ended December 31, 2004 the Company incurred an increase of approximately \$(111,000) in other (expense) income. The increase is mainly related to the Company impairing a note receivable for approximately \$186,000. During the fourth quarter of 2005 the Company entered into an agreement for a proposed settlement offer by Blue Hill Media, Inc. on a certain note receivable. The agreement resulted in the Company impairing the note receivable and subsequently receiving \$50,000 in February 2006 for the cancellation of the note. Additionally, the Company received \$59,000 more in interest income for the year ending December 31, 2005 as compared to the same period ending December 31, 2004. This increase in interest income is mainly due to the interest income the Company received on the \$2,100,000 certificate of deposit with Wells Fargo Bank, N.A. This certificate of deposit is pledged by TCTB to the Bank as additional collateral for the Bank's agreement to release its lien on the commercial real estate building in Lubbock, Texas in order for TCTB to distribute and sell the Lubbock Building on December 31, 2004 (see item 2 above and note F and note K to the Financial Statements contained in Item 7 for further discussion).

Minority interest

Minority interest expense for the year ended December 31, 2005 and 2004 was \$91,341 and \$117,331, respectively, and reflects the minority interest owners of

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TCTB. The decrease in minority interest is related to a decrease in income at TCTB.

Discontinued Operations

Discontinued operations are related to the Company selling its undivided interest in the Lubbock commercial real estate building that was distributed to the TCTB Partners according to the partnership sharing ratios. The distribution and sale of the Company's undivided interest in the Lubbock building resulted in a gain of approximately \$905,100 and a reclassification of approximately \$394,000 in operating income as income from a discontinued business component for the year ending December 31, 2004.

Liquidity and Capital Resources

Operating activities

During the years ended December 31, 2005 and 2004, net cash (used in) provided by operating activities was \$(459,984) and \$707,638, respectively. The net decrease of approximately \$1,168,000 provided by operating activities is mainly associated with the gain on the sale of the Lubbock building during 2004 of approximately \$905,000. Additionally, during the year the year ended December 31, 2005, the Company paid the balance, approximately \$286,800, of the accrued interest on the nine promissory notes, certain of which are with related parties, entered into by Delaware in October 2002 to purchase the original 64.9% ownership interest in TCTB.

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Investing activities

Net cash (used in) provided by investing activities was \$(1,971,773) and \$938,241 for the years ended December 31, 2005 and 2004, respectively, for a net change of approximately \$2,910,000. The change in net cash (used in) provided by investing activities is mainly due to the proceeds from the sale of Lubbock building of approximately \$3,924,000 during 2004. The remaining difference is attributable to the cash outlays by W Power for the required collateral deposits with W Power's wholesale electricity providers and ERCOT. Additionally, TCTB had cash outlays of approximately \$420,000 on remodeling lease space for new and or renewing tenants as compared to approximately \$125,000 for the year ended December 31, 2004.

Financing activities

Net cash provided by (used in) financing activities was \$388,285 and \$(239,506) for the years ended December 31, 2005 and 2004, respectively, for a net change of approximately \$ 628,000. During the period ended December 31, 2005, the Company paid approximately \$1,395,000 representing one half of the outstanding principal balance on the nine promissory notes entered into by Delaware in October 2002. Additionally, the Company received \$2,000,000 from the issuance of the Company's Series C Preferred Stock on March 1, 2005 (see note R to the Financial Statements contained in Item 7 for further discussion). During the period ended December 31, 2005, TCTB did not make any distributions to the minority interest owners.

Net operating loss

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Currently, the Company has a net operating tax loss ("NOL") carry forward in excess of \$30 million. This NOL is primarily related to the Company's operations prior to the Company presenting the 2002 business plan to shareholders. Management believes the present value of this NOL is between \$2.5 to \$5 million and has been diligent in its efforts to ensure its preservation for eventual use. The Company was able to offset the prior two years, 2003 and 2004's, taxable income against the NOL and the current year taxable loss has been added to the Company's NOL carry forward. The Company believes that the utilization, without limitation, of the Company's NOL will be determined by the ability of management to limit the issue of new equity due to IRC Section 382 restrictions. However, if an opportunity presents itself that would be more valuable to the shareholders than the approximate \$2.5 to \$5 million present value we have assigned the NOL we will strongly consider pursuing the deal and would consider issuing equity to do so.

Working capital

At December 31, 2005, the Company had working capital and investments of \$1,696,674 comprised of cash of \$2,104,428, accounts receivable of \$1,300,545, other current assets of \$248,239, less current liabilities of \$1,956,538. On February 28, 2005, the Company entered into a loan agreement with Western National Bank, Midland, Texas. The loan agreement is a Revolving Line of Credit in an amount of \$5,000,000. Under the loan agreement the Bank may, but is not obligated to, advance more than \$2,500,000 subject to a borrowing base equal to the lesser amount of: (a) \$5,000,000 or (b) seventy-five percent (75%) of the eligible customer receivables of the Company and its subsidiary W Power. The loan agreement is secured by a security agreement covering all of the accounts receivable of W Power. In addition, the loan agreement is guaranteed by purchasers of the Company's Series C Preferred Stock on March 1, 2005 whose guarantees are partially secured by letters of credit. As of March 28, 2005 the Company has not utilized the loan agreement with Western National Bank and believes that its utilization plus cash flow from operations will be sufficient to meet the Company's anticipated needs over the next twelve months. See the discussion below in 2006 Outlook for further detail of expected cash flow. There can be no assurance that current working capital arrangements will be sufficient to meet the Company's needs or that additional financing will be available to the Company or that such financing will be available with acceptable terms.

2006 OUTLOOK

The following information is presented based upon the Company's knowledge of our current real estate operations and pro forma projections for W Power. This information is not presented in accordance with generally accepted accounting principles, which require us to fully consolidate TCTB, showing 100% of its

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revenues and expenses and subtracting the minority interest in TCTB. Instead, the following reflects information net to AMEN's interest. The net effect to AMEN, however, should be approximately the same.

Anticipated operations for W Power - The Company's projections for W Power in 2006 anticipate capital requirements of approximately \$3,000,000 to finance electricity procurement, business development activities, and capital requirements. The Company's business model leads management to expect earnings from operations, before income tax, depreciation and amortization, to be positive for 2006. The Company believes that it has positioned itself to meet the expected capital requirements of W Power with (1) available borrowings under the working capital-type loan agreement with Western National Bank, Midland,

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Texas established in 2005, and (2) existing cash available in the Treasury. Under the loan agreement, the Bank may, but is not obligated, to advance more than \$2,500,000. Borrowings under the loan agreement are subject to a borrowing base equal to the lesser amount of \$5,000,000 or seventy-five (75%) of the eligible customer receivables of the Company and its subsidiary W Power. W Power's projected accounts receivable balances for 2006 will allow the Company to increase the borrowing base as provided by the loan agreement with Western National Bank. The Company believes its sources of funding will be adequate to meet W Power's 2006 needs so long as commodity prices remain at or below their current price levels, W Power exercises a controlled growth strategy, and the existing retail and wholesale customer bases remain largely unchanged. However, if new circumstances or unforeseen events occur the Company may not be able to meet its capital requirements from its current sources.

W Power anticipates gross billings during 2006 for both retail and wholesale electricity of approximately \$12,000,000. Cash expenditures for general and administrative costs related to W Power operations are estimated to be \$750,000. Regulated tariff charges for delivery of the retail electricity are estimated to be \$1,000,000 and commodity and ancillary costs associated with procurement of wholesale energy are expected to be about \$10,000,000. If electricity prices steeply decline W Power could accelerate its growth, while a steady increase in prices could contribute to W Power deliberately constraining its growth further.

Current real estate operations - Based primarily upon historical performance of the Bank of America Tower in Midland Texas, the Company anticipates TCTB operating results in 2006 to produce approximately \$386,000 in positive cash flow from operations, net to AMEN's 71.348% ownership. As discussed above, generally accepted accounting principles require us to fully consolidate TCTB, showing 100% of its revenues and expenses and subtracting the minority interest in TCTB. Instead, the following reflects information net to the Company's interest of 71.348%. The net effect to the Company, however, should be approximately the same. TCTB's cash flow is generated from tenant leases and the expected gross receipts for 2006 are expected to be approximately \$2,260,000. TCTB's real estate operating expenses and general and administrative costs are expected to be \$1,219,000, current annual interest expense related to the Wells Fargo Note approximates \$315,000 and property taxes are anticipated to be \$126,000. TCTB estimates spending approximately \$214,000 in capital improvements on the Midland buildings in 2006, and these expenditures are expected to be mainly associated with tenant improvements and/or build outs. TCTB is expected to produce approximately \$386,000 in positive cash flow.

Regarding anticipated cash outflows in 2006 for the corporate expenses, we are estimating total cost to maintain our public company status to be approximately \$250,000 annually, which includes NASDAQ fees, audit fees, legal expenses, public filing fees, directors and officers insurance and costs related to the annual shareholders meeting. Because the majority of our officers have agreed not to take a salary, our corporate general and administrative cash outlays are expected to be \$125,000. This amount is mainly cash outlays for salary and benefits for our Chief Financial Officer.

Forward Looking Statements

Certain information in this section may contain "forward-looking statements" within the meaning of Section 21e of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are "forward-looking statements" for purposes of these provisions, including, but not limited to, any projections of earnings, revenues or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statement of assumptions underlying any of the foregoing. In some cases, "forward-looking statements" can be identified by the use of terminology such as "may," "will,"

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"expects," "believes," "plans," "anticipates," "estimates," "potential," or

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"continue," or the negative thereof or other comparable terminology. Although the Company believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurance that such expectations or any of its "forward-looking statements" will prove to be correct, and actual results could differ materially from those projected or assumed in the Company's "forward-looking statements." Our financial condition and results, as well as any other "forward-looking statements," are subject to inherent risks and uncertainties, including but not limited to those risk factors summarized below.

Risk Factors

Lack of Operating History

In recent years, the Company has substantially changed its business plan. As a result, the Company's operating history under its current business plan is limited. In addition, one of the Company's subsidiaries is a recent start-up electricity retail business. Such limited operating history of the Company and its subsidiaries may not provide sufficient information for Purchasers to base an evaluation of likely performance.

Dependence On Key Personnel

The Company depends to a large extent on the services of its executive officers and the officers and managers of its subsidiaries. Particularly, the Company's newest subsidiary, an electricity retail business, is heavily dependent upon the knowledge and expertise of the President of the subsidiary. The loss of the services of any of those persons could have a material adverse effect on the Company and its subsidiaries.

Competition

The Company and its subsidiaries encounter substantial competition in acquiring rental property and oil and gas royalties, leasing rental space, and securing trained personnel. Most competitors have substantially larger financial resources, staffs and facilities than the Company and its subsidiaries, and the Company and its subsidiaries may be at a significant disadvantage in many competitive situations. See also "Reliance Upon New Business -- the Retail Electricity Market is Highly Competitive."

Adverse Market Conditions

The economic performance and value of the Company's properties are subject to all of the risks associated with owning and operating real estate, including

- o changes in the national, regional and local economic climate
- o the attractiveness of our properties to tenants
- o the ability of tenants to pay rent
- o competition from other available properties
- o changes in market rental rates
- o the need to periodically pay for costs to repair, renovate and re-let space
- o changes in operating costs, including costs for maintenance, insurance and real estate taxes
- o changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes

Failure By Tenants To Make Rental Payments

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The performance of the Company's real estate investments will depend on our ability to collect rent from tenants. At any time our tenants may experience a change in business conditions or a downturn in their business that may significantly weaken their financial condition. As a result, our tenants may delay a number of lease commencements, decline to extend or renew a number of leases upon expiration, fail to make rental payments when due under a number of leases, close a number of offices or declare bankruptcy. Any of these actions could result in the termination of the tenants' leases and the loss of rental income.

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Acquisitions of Properties May Not Yield Expected Returns

Newly acquired properties may fail to perform as expected. Management may underestimate the costs necessary to bring acquired properties up to standards established for their intended market position. In addition, we may not achieve expected cost savings and planned operating efficiencies. Acquired properties may not perform as well as we anticipate due to various factors, including changes in macro-economic conditions and the demand for office space or oil and gas royalties. As the Company grows, we have to invest further in overhead to assimilate and manage a portfolio of potentially unrelated properties.

We may face significant competition for acquisitions of properties, which may increase the costs of acquisitions. We may compete for acquisitions of, and investments in, properties with an indeterminate number of investors, including investors with access to significant capital such as domestic and foreign corporations and financial institutions, publicly traded and privately held REITs, private institutional investment funds, investment banking firms, life insurance companies and pension funds. This competition may increase prices for the types of properties in which we invest. In addition, the cost and availability of capital necessary to increase our asset base and revenue generating capability is difficult to predict and in and of itself may be a barrier to pursuing future acquisitions.

The Company's Asset Investments Are Illiquid

Real estate property investments and oil and gas royalties generally cannot be disposed of quickly. The Company's recent start-up electricity retail business is also illiquid. Therefore, we may not be able to vary our mix of assets or achieve potentially required liquidity in response to economic or other conditions promptly or on favorable terms.

Some Potential Losses May Not Be Covered By Insurance

The Company carries insurance on our properties that we consider appropriate and consistent with industry practices. Though we plan to assure to the best of our ability that policy specifications and insured limits of these policies are adequate and appropriate, there may be however, certain types of losses, including lease and other contract claims, acts of war, acts of terror and acts of God that generally may not be insured. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. If that happened, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Though we plan to maintain insurance policies with carriers with sufficient assets and capital to cover all insured perils, there may be however, failures or receiverships of carriers providing insurance to the Company. If this occurs, the Company could be essentially without coverage for perils and losses.

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Ability To Service Long-term Debt

Certain of the Company's activities are subject to risks normally associated with debt financing. The timing and amount of cash flows could be insufficient to meet required payments of principal and interest. We may not be able to refinance acquired debt, which in virtually all cases requires substantial principal payments at maturity, and, even if we can, refinancing might not be available on favorable terms. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, including new equity capital, cash flow may not be sufficient in all years to repay all maturing debt. Prevailing interest rates or other factors at the time of refinancing, including the possible reluctance of lenders to make commercial real estate loans, may result in higher interest rates and increased interest expenses.

Potential Environmental Liabilities

Under various environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances, including asbestos-containing materials that are located on or under the property. Specific asbestos remediation has taken place in certain of our rental buildings. Environmental laws often impose liability whether the owner or operator knew of, or was responsible for, the presence of those substances. In connection with our ownership and operation of properties, we may be liable for these costs, which could be substantial. Also, our ability to arrange for financing secured by that real property might be adversely affected because of the presence of hazardous or toxic substances or the failure to

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properly remediate any contamination. In addition, we may be subject to claims by third parties based on damages and costs resulting from environmental contamination at or emanating from our properties.

Non-Compliance With The Americans With Disabilities Act ("ADA")

Under the ADA, all public accommodations are required to meet certain federal requirements related to physical access and use by disabled persons. While we believe our properties comply in all material respects with these physical requirements or would be eligible for applicable exemptions from material requirements because of adaptive assistance provided, a determination that we are not in compliance with the ADA could result in the imposition of fines or an award of damages to private litigants. If we were required to make modifications to comply with the ADA, our ability to meet financial obligations could be adversely affected.

Potential Adverse Effects On Our Net Operating Loss ("NOL")

There are significant limitations of utilization of the NOL under applicable tax law as it relates to a change in ownership among five-percent (5%) owners exceeding fifty percent (50%), and a business continuity test. If we are unable to meet these standards, utilization of the NOL could be limited or reduced to zero.

Volatility Of Oil And Gas Prices

Anticipated results from our oil and gas royalty investments are substantially dependent on prices of oil and gas. Prices for oil and gas are subject to large fluctuations in response to relative minor changes in the supply of, and demand for, oil and gas, market uncertainty and a variety of additional factors beyond our control. These factors include weather conditions, the economy, actions of

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the government regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign imports and the availability of alternate fuel sources. Any substantial extended decline in the price of oil and gas could have an adverse impact on our revenue generating capability.

Uncertainty Of Estimated Oil And Gas Reserves

Estimates of economically recoverable oil and gas reserves are based upon a number of variable factors and assumptions, which are speculative and not under our control. Actual production and reserve data used to value future acquisitions will be estimates only and will be subject to uncertainties. Estimated quantities of oil and natural gas may differ considerably from amounts actually recovered and thus future cash flows could be impaired or accelerated beyond management's expectations.

Availability of Capital Resources

Currently, the Company's capital resources are expected to be limited to the proceeds obtained through the private placement under Regulation D of the Company's Series C Preferred Stock, borrowings under its credit facility with Western National Bank and the net income from operations of the Company and its Subsidiaries. In the event our current capital resources are insufficient to fund our operations and capital expenditures, the Company may be forced to seek other sources of financing, including without limitation, incurrence of debt and issuances of additional equity securities. There can be no assurance that such financing will be available on terms acceptable to the Company or on any terms. If additional financing is not available, it will have a material adverse effect on our operations.

Reliance Upon New Business

The Company recently formed a new Subsidiary, W Power and Light, LP, to commence operations in the electricity retail business. In addition to the general risks discussed above, this new business is subject to additional risks including those discussed below.

The Retail Electricity Market is Highly Competitive.

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The market for retail electricity customers is very competitive. In certain markets, our principal competitors include the local regulated electric utility or its non-regulated affiliate. In other markets, we face competition from independent electric providers, independent power producers and wholesale power providers. In most cases, our competitors have the advantage of long-standing relationships with customers, longer operating histories and/or larger and better capital resources. As a result, it may not be profitable for us to enter into some markets and our ability to increase market share may be hindered.

In general, we compete on the basis of price, our commercial and marketing skills relative to other market participants, service and our financial position. Other factors affecting our competitive position include our ability to obtain electricity for resale and related transportation/transmission services. Since many of our energy customers, suppliers and transporters require financial guarantees and other assurances regarding contract performance, our access to letters of credit, surety bonds and other forms of credit support is another factor affecting our ability to compete in the market.

Our Business Is Subject To Market Risks.

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Unlike a traditional regulated electric utility, we are not guaranteed a rate of return on our capital investments. Our results of operations, financial condition and cash flows depend, in large part, upon prevailing market prices for wholesale and retail electricity in our markets and the impact of regulatory decisions on prices charged to our customers. Market prices may fluctuate substantially over relatively short periods of time, potentially adversely affecting our business. Changes in market prices for electricity may result from the following factors among others:

- o weather conditions;
- o seasonality;
- o demand for energy commodities;
- o general economic conditions;
- o forced or unscheduled interruptions in electricity available;
- o disruption of electricity transmission or transportation, infrastructure or other constraints or inefficiencies;
- o financial position of market participants;
- o changes in market liquidity;
- o natural disasters, wars, embargoes, acts of terrorism and other catastrophic events; and
- o governmental regulation and legislation.

Dependence Upon Third Party Providers.

The Company does not own any generating resources to supply electricity for our retail business in this market. As a result, we must purchase all of the generation capacity necessary to supply our retail energy business from third parties. In addition, we depend on power transmission and distribution facilities owned and operated by utilities and others to deliver energy products to our customers. If transmission or distribution is inadequate or disrupted, our ability to sell and deliver our products may be hindered. Any infrastructure failure that interrupts or impairs delivery of electricity could have an adverse effect on our business.

We are dependent on the transmission and distribution utilities for reading our customers' energy meters. We also rely on the local transmission and distribution utility or, in some cases, the independent system operator, to provide us with our customers' information regarding energy usage; and we may be limited in our ability to confirm the accuracy of the information. If we receive incorrect or untimely information from the transmission and distribution utilities, we could have difficulty properly billing our customers and collecting amounts owed to us. Failure to receive correct and timely information could have an adverse effect on our business.

Concentration Of Credit Risk

The Company's revenues are derived principally from uncollateralized customer electricity billings and rents from tenants. The concentration of credit risk in a limited number of industries may affect its overall exposure to credit risk because customers and tenants may be similarly affected by changes in economic and other conditions.

Regulation of Electricity Retail Business.

The Company's electricity retail business operates in a regulatory environment that is undergoing significant changes as a result of varying restructuring initiatives at both the state and federal levels. We cannot predict the future

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direction of these initiatives or the ultimate effect that this changing regulatory environment will have on our business. Moreover, existing regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to our facilities or our commercial activities. Such future changes in laws and regulations may have an adverse effect on our business. Regulators, regional transmission organizations and independent system operators have imposed and may continue to impose price limitations, bidding rules and other mechanisms in an attempt to address price volatility and other issues in power markets. If the trend toward competitive restructuring of the power market is reversed, discontinued or delayed, our business growth prospects and financial results could be adversely affected.

Reliance on ERCOT.

ERCOT is responsible for handling, scheduling and settlement for all electricity supply volumes in the ERCOT Region. ERCOT plays a vital role in the collection and dissemination of metering data from the transmission and distribution utilities to the retail electric providers. We and other retail electric providers schedule volumes based on forecasts, which are based, in part, on information supplied by ERCOT. To the extent that these amounts are not accurate or timely, we could have incorrectly estimated our scheduled volumes and supply costs.

In the event of a default by a retail electric provider of its payment obligations to ERCOT, the portion of the obligation that is unrecoverable by ERCOT is assumed by the remaining market participants in proportion to each participant's load ratio share. We would pay a portion of the amount owed to ERCOT should such a default occur if ERCOT is not successful in recovering such amount. The default of a retail electric provider in its obligations to ERCOT could have an adverse effect on our business.

Our Strategic Plans May Not be Successful.

The Company's retail energy business operates in the deregulated segments of the electric power industry. The successes of our long-term strategic plans are predicated upon the continuation of the trend toward greater competitive markets in this industry. If the trend towards competitive restructuring of the electric power industry is reversed, discontinued or delayed, our business could be adversely affected.

Non-Performance By Counterparties.

Our operations are exposed to the risk that counterparties who owe us money or commodities and services will not perform their obligations. When such parties fail to perform their obligations, we might be forced to replace the underlying commitment at then-current market prices. In this event, we could incur reduced operating results or losses.

THE FOREGOING SUMMARY OF CERTAIN CONSIDERATIONS AND RISKS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS RELATED TO AN INVESTMENT IN THE COMPANY. PROSPECTIVE INVESTORS SHOULD READ SEC FILINGS AND OTHER INFORMATION PROVIDED BY THE COMPANY BEFORE DETERMINING TO INVEST IN THE COMPANY.

ITEM 7. FINANCIAL STATEMENTS

The Financial Statements prepared in accordance with Item 310(a) of Regulation S-B are included in this report commencing on page 34.

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

None

ITEM 8a. CONTROLS AND PROCEDURES

The Company has carried out an evaluation under the supervision of management, including the Chairman and Chief Executive Officer and the Chief 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 Chairman and Chief Executive Officer and Chief Financial Officer have concluded that, and have reported to the Audit Committee of the Company's Board of Directors that, management has identified certain deficiencies in the disclosure controls and procedures. The deficiencies noted were (a) a lack of documented control procedures (b) the lack of segregation of duties and (c) insufficient supervision of the Company's accounting personnel. The Company believes such deficiencies are primarily attributable to the Company currently having only one full time employee at the corporate level and the continuing development of the Company's new start up subsidiary W Power and Light, L.P. Management believes that the deficiencies noted above do not materially interfere with the Company's timely disclosure of information required to be disclosed by the Company in reports filed or submitted under the Securities Exchange Act 1934, as amended, because accounting personnel and a member of management have first-hand knowledge of the daily transactions of the Company and that first-hand knowledge enables such personnel to accumulate and communicate such information to the Company's management, including its principal executive and principal financial officer as appropriate to allow timely decisions regarding disclosure. Therefore, the Company believes that its disclosure controls and procedures are sufficient to provide reasonable assurance that the information required to be disclosed by the Company in reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time period specified in the rules and forms of the SEC, notwithstanding the deficiencies noted above.

There have not been any changes in the Company's disclosure controls and procedures during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures over financial reporting.

ITEM 8b. OTHER INFORMATION

None

PART III

Information Incorporated by Reference

The information required by Item 9 -- Directors and Executive Officers of the Registrant, Item 10 -- Executive Compensation, Item 11 -- Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters (other than information concerning securities authorized for issuance under equity compensation plans), Item 12 -- Certain Relationships and Related Transactions, and Item 14 -- Principal Accountant Fees and Services, is incorporated by reference from our definitive proxy statement, which will be filed with the SEC no later than April 30, 2006. For information concerning securities authorized for issuance under equity compensation plans, see "Market for Common Equity and Related Stockholder Matters -- Securities Authorized for Issuance under Equity Compensation Plans" in Part II of this Form 10-KSB

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ITEM 13. EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1+	Certificate of Incorporation and Certificates of Amendments thereto of DIDAX INC.
3.1(a)+	Certificate of Correction regarding Certificate of Incorporation
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3.1(b)**	Certificate of Amendment thereto of DIDAX INC.
3.2+++	Certificate of Amendment thereto of Crosswalk.com, Inc.
3.3+	Bylaws and amendments thereto of the Company
3.4 ~	Certificate of Designation for Series A Preferred Stock
3.4(a) ~~	Amended Certificate of Designation for Series A Preferred Stock
3.5 ~~	Certification of Designation for Series B Preferred Stock
3.6***	Certificate of Amendment of Certificate of Incorporation dated May 26, 2004
3.7@	Certificate of Designation for Series C Preferred Stock
4.1+	Warrant Certificate between the Company and Robert Varney dated July 10, 1996
4.2+	Warrant Certificate between the Company and Robert Varney dated September 26, 1996
4.3+	Warrant Certificate between the Company and Bruce Edgington dated July 30, 1996
4.4+	Warrant Certificate between the Company and Bruce Edgington dated October 30, 1996
4.5@	Form of Warrant Certificate dated March 1, 2005
10.1//	Asset Purchase Agreement between the Company and Blue Hill Media, Inc. dated December 13, 2002
10.2+	Form of Stock Option Agreement
10.3+	1997 Stock Option Plan
10.4*	1997 Stock Option Plan, as amended April 6, 1998
10.5*	1998 Stock Option Plan
10.6**	1998 Stock Option Plan, as amended February 26, 1999
10.7##	1998 Stock Option Plan, as amended March 3, 2000
10.8++	Stock Purchase Agreement between the Company and A. Scott Dufford for Series A Preferred Stock dated September 29, 2000

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- 10.9++ Stock Purchase Agreement between the Company and John R. Norwood for Series A Preferred Stock dated September 29, 2000
- 10.10++ Stock Purchase Agreement between the Company and J.M. Mineral and Land Co. for Series A Preferred Stock dated September 29, 2000
- 10.11++ Stock Purchase Agreement between the Company and Jon M. Morgan Pension Plan for Series A Preferred Stock dated September 29, 2000
- 10.12++ Stock Purchase Agreement between the Company and Stallings Properties, Ltd. for Series A Preferred Stock dated September 29, 2000

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- 10.13++ Stock Purchase Agreement between the Company and John D. Bergman for Series A Preferred Stock dated September 29, 2000
- 10.14++ Stock Purchase Agreement between the Company and Julia Jones Family Trust for Series A Preferred Stock dated September 29, 2000
- 10.15++ Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series A Preferred Stock dated September 29, 2000
- 10.16++ Stock Purchase Agreement between the Company and Soft Op, L.P. for Series A Preferred Stock dated September 29, 2000
- 10.17++ Stock Purchase Agreement between the Company and Lighthouse Partners, L.P. for Series A Preferred Stock dated September 29, 2000
- 10.18++ Stock Purchase Agreement between the Company and Ray McGlothlin, Jr. for Series A Preferred Stock dated September 29, 2000
- 10.19++ Stock Purchase Agreement between the Company and Gary J. Lamb for Series A Preferred Stock dated September 29, 2000
- 10.20++ Stock Purchase Agreement between the Company and Frosty Gilliam, Jr. for Series A Preferred Stock dated September 29, 2000
- 10.21++ Stock Purchase Agreement between the Company and Bruce Edgington for Series B Preferred Stock dated December 31, 2001
- 10.22++ Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series B Preferred Stock dated December 31, 2001
- 10.23++ Stock Purchase Agreement between the Company and Earl E. Gjelde for Series B Preferred Stock dated December 31, 2001
- 10.24++ Stock Purchase Agreement between the Company and Jon M. Morgan for Series B Preferred Stock dated December 31, 2001
- 10.25++ Stock Purchase Agreement between the Company and Soft Op, L.P. for Series B Preferred Stock dated December 31, 2001
- 10.26++ Annex to the Stock Purchase Agreement for Series A Preferred Stock dated September 29, 2000

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- 10.27# Agreement to Suspend Dividends and Consent of the Holders of Series A Preferred Stock of Amen Properties, Inc. dated May 30, 2003.
- 10.28# Agreement to Suspend Dividends and Consent of Holders of Series B Convertible Preferred Stock of Amen Properties, Inc. dated May 30, 2003.
- 10.29^ Consent, Waiver and Amendment of the holders of Series A Preferred Stock dated January 2005 (identical copy executed by each holder)
- 10.30^ Consent, Waiver and Amendment of the holders of Series B Preferred Stock dated January 2005 (identical copy executed by each holder)
- 10.31++ Annex to the Stock Purchase Agreement for Series B Preferred Stock dated December 31, 2001

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- 10.32// Agreement and Transfer of Limited Partnership Interest between the Company and the Selling Partners of TCTB Partners, Ltd. dated October 31, 2002
- 10.33// Amended Promissory Note between the Company and A. Scott Dufford dated October 31, 2002, with schedule describing all outstanding Amended Promissory Notes between the Company and the Selling Partners of TCTB Partners, Ltd, which are identical other than differences stated in the schedule.
- 10.34// Credit Agreement between TCTB Partners, Ltd. and Wells Fargo Bank Texas, N.A. dated June 5, 2002, the exhibits of which are not included due to their size.
- 10.35// Lease Agreement between TCTB Partners, Ltd. and Bank of America, N.A. dated September 30, 2003.
- 10.36// Lease Agreement between TCTB Partners, Ltd. and Pioneer Natural Resources USA, Inc. dated April 4, 2000.
- 10.38### Employment and Noncompetition Agreement between the Company and Kevin Yung dated as of July 1, 2004
- 10.39@@ Agreement to Distribute Assets among TCTB Partners, Ltd. and its partners dated as of December 31, 2004
- 10.40@@ Purchase Agreement between certain partners of TCTB Partners, Ltd. and 1500 Broadway Partners, Ltd. dated as of December 31, 2004
- 10.41@ Securities Purchase Agreement between the Company and certain investors dated January 18, 2005, as amended by a First Amendment dated January 28, 2005 and a Second Amendment dated February 28, 2005
- 10.42@ Loan Agreement between Amen Properties, Inc. and Western National Bank
- 10.43@ Western National Bank Revolving Line of Credit Note

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11	Statement of computation of earnings per share
21.1	Subsidiaries of the Company
23.1	Consent of Johnson, Miller & Co.
31.1	Certification of Chief Executive Officer.
31.2	Certification of Chief Financial Officer.
32.1	Certification of Chief Executive Officer Pursuant to 18 USC ss.1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 USC ss.1350.
99.1	Press release regarding 2005 Annual Report on Form 10-KSB

+ Incorporated by reference to the Company's Registration Statement on Form SB-2 declared effective by the Securities and Exchange Commission on September 24, 1997, SEC File No. 333-25937

++ Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2002, amended July 25, 2002 and August 14, 2002.

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+++ Filed as an Appendix to the Company's Proxy Statement on Schedule 14-A filed with the Securities and Exchange Commission on January 13, 2003.

* Incorporated by reference to the Company's Registration Statement Post Effective Amendment No. 1 to Form SB-2 declared effective by the Securities and Exchange Commission on July 2, 1998, SEC File No. 333-25937

** Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2000.

*** Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on June 10, 2004.

Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on June 4, 2003.

Filed as an Appendix to the Company's Proxy Statement on Schedule 14-A filed with the Securities and Exchange Commission on March 30, 2000.

Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2004

~ Incorporated by reference to the Company's Registration Statement on Form S-3 declared effective by the Securities and Exchange Commission on December 1, 2000, SEC File No. 333-49126

~~ Incorporated by reference to the Company's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on April 5, 2002, SEC file No. 333-85636

// Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 24, 2003.

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@ Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005.

@@ Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2005.

^ Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2005.

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SIGNATURES

In accordance with the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMEN Properties, Inc.

March 28, 2006

By: /s/ Eric L. Oliver

Eric L. Oliver,
Chairman of the Board of Directors and Chief
Executive Officer

March 28, 2006

By: /s/ John M. James

John M. James,
Chief Financial Officer
and Secretary

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 28, 2006

By: /s/ Jon Morgan

Director and Chief Operating Officer

March 28, 2006

By: /s/ Bruce Edgington

Director

March 28, 2006

By: /s/ Randy G. Nicholson

Director

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
AMEN Properties, Inc. and Subsidiaries
Midland, Texas

We have audited the accompanying consolidated balance sheets of AMEN Properties, Inc. and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and

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significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMEN Properties, Inc. and Subsidiaries at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

JOHNSON MILLER & CO., CPA's PC

Midland, Texas
February 24, 2006

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AMEN Properties, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,

ASSETS

		2005 -----
CURRENT ASSETS		
Cash and cash equivalents (notes A3, C and E)	\$	2,104,428
Accounts receivable (notes A6 and A15), net of allowance of \$ 40,933 and \$91,066 in 2005 and 2004, respectively		1,263,398
Trade receivables, net		37,147
Related parties		-----
		1,300,545
Current portion of note receivable (note G)		50,000
Other current assets		198,239

Total current assets		3,653,212
RESTRICTED CASH AND SHORT-TERM INVESTMENTS (note F)		3,655,264
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$1,247,801 and \$873,883 in 2005 and 2004, respectively (notes A7, A8, and H)		8,103,659
ROYALTY INTERESTS, at cost net of accumulated depletion of \$26,236 and \$12,484 in 2005 and 2004, respectively (notes A7 and D)		136,618

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LONG-TERM INVESTMENTS (notes A4 and E)		62,350
OTHER ASSETS		
Note receivable (note G)		-
Deferred costs (note A9)		30,692
Deposits and other assets		10,531

Total other assets		41,223

TOTAL ASSETS	\$	15,652,326
		=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$	1,149,127
Accrued liabilities (note I)		421,641
Deferred revenue - related party (note A12)		50,649
Accrued interest payable		76,112
Current portion of long-term obligations (note M)		259,009

Total current liabilities		1,956,538
LONG-TERM OBLIGATIONS, less current portion (note M)		
Financial institutions		6,336,172
Related parties		879,738

		7,215,910
MINORITY INTEREST (notes A13)		
		343,996
COMMITMENTS AND CONTINGENCIES (notes A18, J, O and P)		
		-
STOCKHOLDERS' EQUITY (notes R and S)		
Convertible preferred stock, \$.001 par value, 5,000,000 shares authorized;		
80,000 Series "A" shares issued and outstanding, convertible into		
a total of 616,447 shares of common stock at the option of the holders (note A14)		80
80,000 Series "B" shares issued and outstanding, convertible into		
a total of 233,317 shares of common stock at the option of the holders (note A14)		80
125,000 Series "C" shares issued and outstanding, convertible into		
a total of 500,000 shares of common stock at the option of the holder (note A14)		125
Common stock, \$.01 par value, 20,000,000 shares authorized; 2,206,215 and		
2,201,356 shares issued and outstanding at December 31, 2005 and 2004		22,063
Common stock warrants		-
Additional paid-in capital		44,633,448
Accumulated deficit		(38,519,914)
Accumulated other comprehensive income		-

Total stockholders' equity		6,135,882

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	15,652,326
		=====

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See accompanying summary of accounting policies and notes to consolidated
financial statements

AMEN Properties, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31,

		2005

Operating revenue		
Rental revenue	\$	3,008,669
Retail electricity revenue		7,172,223

Total operating revenue		10,180,892

Operating expense		
Cost of goods and services		6,923,619
Rental property operations		1,941,620
General and administrative		929,653
Depreciation, amortization and depletion		387,669
Start-up expenses (note A17)		-

Total operating expenses		10,182,561

(Loss) income from operations		(1,669)

Other (expense) income		
Interest income		71,017
Interest expense		(552,567)
Loss on sale of investment		-
Impairment of note receivable		(186,555)
Other income		56,553

Total other (expense) income		(611,552)

Loss from continuing operations before income taxes and minority interest		(613,221)
Income taxes (notes A11 and J)		-
Minority interest		(91,341)

Net loss from continuing operations		(704,562)

Net income from discontinued business component (note K)		-
Gain on sale of assets of discontinued business component (note K)		-

Net income from business component		-

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NET (LOSS) INCOME	\$	(704,562)
=====		
Net income (loss) per common share (basic)		
Net loss from continuing operations	\$	(.32)
Net income from discontinued business component		-
Gain on sale of discontinued business component		-

Net (loss) income	\$	(.32)
=====		
Net income (loss) per common share (diluted)		
Net loss from continuing operations	\$	(.32)
Net income from discontinued business component		-
Gain on sale of discontinued business component		-

Net (loss) income	\$	(.32)
=====		
Weighted average number of common shares outstanding - basic		2,203,073
Weighted average number of common shares outstanding - diluted		2,203,073

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See accompanying summary of accounting policies and notes to consolidated financial statements

AMEN Properties, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2005 and 2004

	Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
	-----	-----	-----	-----
Balance, December 31, 2003	160,000	\$ 160	2,201,356	\$ 22,014
Other comprehensive income	-	-	-	-
Net income	-	-	-	-
Total Comprehensive Income	-	-	-	-

Balance, December 31, 2004	160,000	160	2,201,356	22,014
Preferred C stock issuance	125,000	125	-	-
Common stock issued pursuant to stock options exercised	-	-	4,859	49

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Expiration of stock warrants	-	-	-	-
Other comprehensive income	-	-	-	-
Net (loss)	-	-	-	-
 Total Comprehensive Income	 -	 -	 -	 -
	-----	-----	-----	-----
Balance, December 31, 2005	285,000	\$ 285	2,206,215	\$ 22,06
	=====	=====	=====	=====
	Common Stock Warrants	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
	-----	-----	-----	-----
Balance, December 31, 2003	127,660	(38,616,607)	(295)	4,014,43
Other comprehensive income	-	-	295	29
Net income	-	801,255	-	801,25

 Total Comprehensive Income	 -	 -	 -	 801,55
	-----	-----	-----	-----
Balance, December 31, 2004	127,660	(37,815,352)	-	4,815,98
Preferred C stock issuance	-	-	-	2,000,00
Common stock issued pursuant to stock options exercised	-	-	-	24,45
Expiration of stock warrants	(127,660)	-	-	
Other comprehensive income	-	-	-	
Net (loss)	-	(704,562)	-	(704,562

 Total Comprehensive Income	 -	 -	 -	 (704,562
	-----	-----	-----	-----
Balance, December 31, 2005	-	(38,519,914)	-	6,135,88
	=====	=====	=====	=====

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AMEN Properties, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2005 -----
Increase (Decrease) in Cash and Cash Equivalents	
Cash flows from operating activities:	
Net (loss) income	\$ (704,562)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:	
Depreciation, amortization and depletion	387,669
Impairment of note receivable	186,555
Gain on sale of assets of discontinued business component	-
Loss on sale of investments	-
Minority interest	91,341
Changes in operating assets and liabilities:	
Accounts receivable	(1,177,677)
Decrease in allowance for doubtful accounts	(50,133)
Other assets	(120,840)
Deferred costs	21,665
Accounts payable	1,034,023
Accrued and other liabilities	(108,547)
Deferred revenue	(19,478)
Discontinued business component	-
Net cash (used in) provided by operating activities	(459,984) -----
Cash flows from investing activities:	
Purchases of property and equipment	(490,978)
Deposits	61,469
Proceeds from sale of discontinued business component	-
Sales and maturity of investments	-
Purchase of investments	(1,555,264)
Acquisition of limited partnership interest (note B)	-
Repayments of notes receivable	13,000
Purchases of property and equipment of discontinued business component	-
Net cash (used in) provided by investing activities	(1,971,773) -----
Cash flows from financing activities:	
Repayments of notes payable	(1,636,170)
Net proceeds from issuance of common and preferred stock	2,024,455
Minority interest distributions	-
Minority interest contributions	-
Net cash provided by (used in) financing activities	388,285 -----
Net (decrease) increase in cash and cash equivalents	(2,043,472)
Cash and cash equivalents at beginning of year	4,147,900 -----

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Cash and cash equivalents at end of year \$ 2,104,428

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See accompanying summary of accounting policies and notes to consolidated financial statements

AMEN Properties, Inc. and Subsidiaries
 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
 Years ended December 31,

	2005

Cash paid during the year for:	
Interest	\$ 454,791
Non-cash investing and financing activities:	
In December 2004, the Company distributed certain net assets related to discontinued business component to minority interest owners (see note A13 and K).	\$ -
In January 2004, the Company acquired additional partnership interests with a note payable to the sellers (see note B).	\$ -
Changes in other comprehensive income - unrealized appreciation on available -for- sale securities.	\$ -

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See accompanying summary of accounting policies and notes to consolidated financial statements

AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2005 and 2004

NOTE A - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Effective October 2002, AMEN formed NEMA Properties, LLC ("NEMA"), a

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Nevada limited liability company; AMEN Minerals, LP ("Minerals"), a Delaware limited partnership; and AMEN Delaware, LP ("Delaware"), a Delaware limited partnership, to pursue acquisitions as authorized by stockholders on September 19, 2002. Effective July 2004 Amen formed W Power and Light, LP ("W Power"), a Delaware limited partnership to enter into the retail electricity market in Texas. AMEN Properties, Inc. and Subsidiaries and affiliates (collectively referred to as the "Company") is a self-administered and self-managed Delaware corporation.

As of December 31, 2005 and 2004, the Company, through Delaware's investment in a limited partnership, has a commercial real estate portfolio consisting of majority ownership in two office properties located in Midland, Texas comprising an aggregate of approximately 428,560 square feet of gross leasable area. The investment was obtained through Delaware's acquisitions of a partnership interest in TCTB Partners, Ltd. ("TCTB") a Texas limited partnership, totaling approximately 71.3%. Through its investment in Minerals, AMEN has acquired an investment interest in an oil and gas royalty trust and other oil and gas royalties. Through the Company's investment in W Power, Amen has entered the retail electricity market in the state of Texas. The real estate operations of the Company are primarily conducted through Delaware of which AMEN is the sole general partner and the retail electricity operations are primarily conducted through W Power of which Amen is the sole general partner.

2. Basis of Presentation

The consolidated financial statements include the accounts of the Company and its majority-owned/controlled subsidiaries and affiliates. Intercompany balances and transactions have been eliminated.

Management uses estimates and assumptions in preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses in the consolidated financial statements, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

3. Cash Equivalents

The Company considers cash on hand, cash on deposit in banks, money market mutual funds and highly liquid debt instruments purchased with a maturity of three months or less to be a cash equivalent.

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005 and 2004

4. Investments

The Company invests in U.S. government bonds and treasury notes, municipal bonds, certificates of deposit, corporate bonds and other securities. Investments with original maturities greater than three

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months but less than twelve months from the balance sheet date are short-term investments. Those investments with original maturities greater than twelve months from the balance sheet date are long-term investments.

The Company's marketable securities are classified as available-for-sale as of the balance sheet date, and are reported at fair value with unrealized gains and losses, net of tax, recorded in stockholders' equity. Realized gains or losses and permanent declines in value, if any, on available-for-sale investments are reported in other income or expense as incurred.

5. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, investments, accounts receivable, notes receivable, and accounts payable approximate fair value because of the relatively short maturity of these instruments. The fair value of the fixed rate debt, based upon current interest rates for similar debt instruments with similar payment terms and expected payoff dates, would be approximately \$7,103,000 as of December 31, 2005. Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2005.

6. Accounts Receivable

Management regularly reviews accounts receivable and estimates the necessary amounts to be recorded as an allowance for uncollectibility. For TCTB these reserves are established on a tenant-specific basis and are based upon, among other factors, the period of time an amount is past due and the financial condition of the obligor.

W Power's unbilled revenue is accrued based on the estimated amount of unbilled power delivered to customers using the average customer billing rates. Unbilled revenue also includes accruals for estimated Transmission and Distribution Service Provider ("TDSP") charges and monthly service charges applicable to the estimated usage for the period.

As of December 31, 2005, the W Power's billed account receivables did not have adequate historical data in order to determine an allowance for doubtful accounts related to the retail electricity billed revenue. Due to this lack of historical data the Company estimated the allowance for doubtful accounts related to the retail electricity revenue to be thirty-three percent of accounts receivable greater than sixty days but less than ninety days and sixty-six percent of accounts older than ninety days but less than one hundred and twenty days.

At December 31, 2005 and 2004, accounts receivable consisted of the following:

		2005	2004
		-----	-----
Tenant receivables	\$	160,534	25,632

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005 and 2004

Billed electricity receivables	655,141	-
Unbilled electricity receivables	525,803	-
Allowance for doubtful accounts	(40,933)	(91,066)
Other receivables	-	138,169
Accounts receivable, net	\$ 1,300,545	72,735

7. Depreciation, Amortization and Depletion

Property, plant and equipment are stated at cost. Depreciation is determined using the straight-line method over the estimated useful lives ranging from three to forty years. Leasehold improvements are amortized over the shorter of the life of the asset or the remaining lease term. Intangible assets are amortized over the useful lives of five to ten years using the straight-line method. Costs for the repair and maintenance of property and equipment are expensed as incurred. Royalty acquisitions are stated at cost. Depletion is determined using the units-of-production method based on the estimated oil and gas reserves.

8. Impairment of Long-Lived Assets

The Company periodically evaluates the recoverability of the carrying value of its long-lived assets and identifiable intangibles by monitoring and evaluating changes in circumstances that may indicate that the carrying amount of the asset may not be recoverable. Examples of events or changes in circumstances that indicate that the recoverability of the carrying amount of an asset should be assessed include but are not limited to the following: a significant decrease in the market value of an asset, a significant change in the extent or matter in which an asset is used or a significant physical change in an asset, a significant adverse change in legal factors or in the business climate that could affect the value of an asset or an adverse action or assessment by a regulator, an accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset, and/or a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an asset used for the purpose of producing revenue.

The Company considers historical performance and anticipated future results in its evaluation of potential impairment. Accordingly, when indicators or impairments are present, the Company evaluates the carrying value of these assets in reaction to the operating performance of the business and future discounted and nondiscounted cash flows expected to result from the use of these assets. Impairment losses are recognized when the sum of expected future cash flows are less than the assets' carrying value.

9. Deferred Costs

Deferred costs primarily consist of deferred financing costs. Deferred financing costs are amortized as interest expense over the life of the related debt.

10. Stock-Based Compensation

The Company accounts for its stock-based compensation in accordance with Accounting Principles Board Opinion (APB) 25, Accounting for Stock Issued to

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Employees, which uses the intrinsic value method. As required by Statement of Financial Accounting

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2005 and 2004

Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, the Company has disclosed the pro forma impact on the consolidated financial statements assuming the measurement provisions of SFAS No. 123 and additional disclosure requirements of SFAS No. 148 have been adopted.

11. Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

12. Deferred Revenue

Deferred revenue mainly consists of prepaid rent from a related party and is being amortized over the life of the lease.

13. Minority Interest

Minority interest represents the interest of unit holders of TCTB, other than the Company, in the net earnings and net equity of TCTB. The unit holder minority interest is adjusted at the end of each period to reflect the ownership at that time. The unit holder minority interest in TCTB was approximately 28.7% at December 31, 2005 and 2004.

14. Contingently Convertible Securities

The Company has outstanding Series A Preferred Stock ("Series A"), Series B Preferred Stock ("Series B") and Series C Preferred Stock ("Series C") whose terms enable the holder, under certain conditions, to convert such securities into 1,349,764 shares of the Company's Common Stock as shown in the following table.

Series	Number of Shares	Purchase Price	Conversion Rate	Number of Comm Shares
-----	-----	-----	-----	-----
A	80,000	\$ 2,000,000	\$ 3.2444	616
B	50,000	500,000	3.2444	154
B	10,000	100,000	3.424	29
B	20,000	200,000	4.000	50
C	125,000	2,000,000	4.000	500

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Conversion of Series A, Series B and Series C is at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the original Series A, Series B and Series C issue price by the conversion price in effect at the time of conversion. The contingently convertible securities have not been included in the calculation of diluted earnings per share where their effect is antidilutive.

15. Revenue Recognition

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AMEN Properties, Inc. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2005 and 2004

Leases with tenants are accounted for as operating leases. Minimum annual rentals are recognized on a straight-line basis over the terms of the respective leases. As of December 31 2005 and 2004, there were no deferred tenant receivables.

The Company records electricity sales under the accrual method and these revenues are recognized upon delivery of electricity to the customers' meters. Electric services not billed by month-end are accrued based upon estimated deliveries to customers as tracked and recorded by the Electric Reliability Council of Texas ("ERCOT") multiplied by the Company's average billing rate per kilowatt hour ("kwh") in effect at the time.

The flow technique of revenue calculation relies upon ERCOT settlement statements to determine the estimated revenue for a given month. Supply delivered to our customers for the month, measured on a daily basis, provides the basis for revenues. ERCOT provides net electricity delivered data in three frames. Initial daily settlements become available approximately 17 days after the day being settled. Approximately 45 days after the day being settled, a resettlement is provided to adjust the initial settlement to the actual supply delivered based on subsequent comparison of prior forecasts to actual meter reads processed. A final resettlement is provided approximately 180 days after power is delivered, marking the last routine settlement adjustment to the power deliveries for that day.

Sales represent the total proceeds from energy sales, including pass through charges from the TDSPs billed to the customer at cost. Cost of goods and services ("COGS") include electric power purchased, sales commissions, and pass through charges from the TDSPs in the areas serviced by the Company. TDSP charges are costs for metering services and maintenance of the electric grid. TDSP charges are determined by regulated tariffs established by the Public Utility Commission of Texas ("PUCT").

Bilateral wholesale costs are incurred through contractual arrangements with wholesale power suppliers for firm delivery of power at a fixed volume and fixed price. The Company is typically invoiced for these wholesale volumes at the end of each calendar month for the volumes purchased for delivery during the month, with payment due 10 to 20 days after the end of the month.

Balancing/ancillary costs are based on the aggregate customer load and are determined by ERCOT through a multiple step settlement process. Balancing costs/revenues are related to the differential between supply provided by the

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Company through its bilateral wholesale supply and the supply required to serve the Company's customer load. The Company endeavors to minimize the amount of balancing/ancillary costs through its load forecasting and forward purchasing programs.

16. Advertising Expense

All advertising costs are expensed when incurred. Advertising expenses were approximately \$7,000 and \$5,000 for the years ended December 31, 2005 and 2004, respectively.

17. Start-up Costs

Start up expenses are associated with certain expenses incurred with W Power and Light, LP. These expenses include but are not limited to salary, fees and licenses, travel and legal expense. Start up costs were \$156,841 for the year ended December 31, 2004 and were expensed as incurred.

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005 and 2004

18. Earnings (Loss) Per Share

There were no preferred stock dividends for the periods ended December 31, 2005 or 2004. The effects of Series A, Series B and Series C Convertible Preferred Stock is not included in the computation of diluted earnings per share for any periods in which their effect is antidilutive.

19. Environmental

The Company is subject to extensive federal, state and local environmental laws and regulations. These laws regulate asbestos in buildings that require the Company to remove or mitigate the environmental effects of the disposal of the asbestos at the buildings.

Environmental costs that relate to current operations are expensed or capitalized as appropriate. Costs are expensed when they relate to an existing condition caused by past operations and will not contribute to current or future revenue generation. Liabilities related to environmental assessments and/or remedial efforts are accrued when property or services are provided or can be reasonably estimated.

20. New Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, Inventory Costs. SFAS No. 151 amends the guidance in Accounting Research Bulletin (ARB) No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). This Statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, the Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this Statement are effective for inventory costs incurred during fiscal years beginning after June 15, 2005, with early application encouraged.

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In December 2004, the FASB issued Statement No. 123 (revised), Accounting for Stock-Based Compensation. This Statement eliminates the alternative to use Accounting Principles Board (APB) Opinion No. 25's intrinsic value method of accounting. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those instruments. An entity will measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of those instruments, except in certain circumstances. The provisions of this Statement become effective as of the beginning of the first annual reporting period that begins after December 15, 2005.

In December 2004, the FASB issued SFAS No. 152, Accounting for Real Estate Time-Sharing Transactions. This Statement amends SFAS No. 66 and SFAS No. 67 to state the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in Statement of Position (SOP) 04-2, Accounting for Real Estate Time-Sharing Transactions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005.

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AMEN Properties, Inc. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2005 and 2004

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets. This Statement amends APB Opinion No. 29, to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. The provisions of this Statement shall be effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.

In May 2004, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections. This Statement replaces APB Opinion 20 and FASB Statement No.3 and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. The provisions of this Statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140. This Statement amends FASB Statement No.133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets." The provisions of this Statement shall be effective for financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006.

Management does not believe the new pronouncements will have a material impact

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on its financial statements.

21. Reclassifications

Certain reclassifications of prior period amounts have been made to conform to the 2005 presentation.

NOTE B - BUSINESS COMBINATIONS

In January 2004, the Company purchased an additional 6.485% limited partnership interest in TCTB by issuing debt of \$250,778 and a cash payment of \$208,346. The allocation of the purchase price resulted in the Company recording an increase in property, plant and equipment of \$269,843 and reducing the minority interest investment by \$189,281.

NOTE C - CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at three financial institutions, which at times may exceed federally insured limits. At December 31, 2005 and 2004, the Company had approximately \$1,475,000 and \$3,673,000 respectively, of uninsured cash and cash equivalents. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks on such accounts.

W Power and TCTB's revenues are derived principally from uncollateralized customer electricity billings and rents from tenants, respectively. The concentration of credit risk in a limited number of industries affects its overall exposure to credit risk because customers and tenants may be similarly affected by changes in economic and other conditions.

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005 and 2004

NOTE D - ROYALTY INTERESTS

In 2004, the Company, through its wholly-owned subsidiary Amen Minerals, LP, completed the acquisition of two separate royalty interests, one in the state of Texas and one in the state of Oklahoma. The total consideration paid by the Company for the royalty interests was \$162,854. Under accounting principles generally accepted in the United States of America, revenues and expenses are recognized on an accrual basis. Royalty income is generally received one to two months following the month of production and the Company uses estimates to accrue royalty income for the years ended December 31, 2005 and 2004.

NOTE E CASH, CASH EQUIVALENTS AND INVESTMENTS

At December 31, 2005 and 2004 the Company's cash and cash equivalents consist of cash in banks of \$2,104,428 and \$4,147,900, respectively.

Securities available-for-sale in the accompanying balance sheet at December 31, 2005 and 2004 totaled \$62,350. The aggregate market value, cost basis, and unrealized gains and losses of securities available-for-sale, by major security type are as follows:

Market Value	Cost Basis	Gross Unrealized Losses
-----	-----	-----

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As of December 31, 2005 and 2004:

Other securities	\$ 62,350	62,350	-
	=====	=====	=====

NOTE F - RESTRICTED CASH AND SHORT-TERM INVESTMENTS

The Company holds a \$2,100,000 certificate of deposit with a financial institution which bears interest at 4.00% and matures on December 28, 2006. The certificate of deposit collateralizes the term note with a financial institution (see note M) and is restricted. The certificate of deposit is recorded at cost, which approximates market value. The certificate is non-negotiable and non-transferable, and may incur substantial penalties for withdrawal prior to maturity.

On October 18, 2005 the Company entered into a continuing agreement for commercial and standby letters of credit (the "Letters of Credit") with JPMorgan Chase Bank, N.A., Houston, Texas, ("JPMC"). Under the agreement JPMC may, but is not obligated to, issue one or more standby or commercial letters of credit, on behalf of W Power. The Letters of Credit are generally required in the normal course of business operations to support the Company's obligations to collateralize certain obligations to electric power providers, TDSPs, and ERCOT. Currently the Letters of Credit bear an interest rate of seven-tenths of one percent (0.70%) payable quarterly in advance. In order to support the Letters of Credit, the Company, JPMC and JP Morgan Securities Inc. maintain a tri-party control agreement that creates a security interest in favor of Chase in a certain Money Market Fund the Company maintains with JPMC. At December 31, 2005, the Company had deposits with JPMC totaling \$1,555,264 collateralizing outstanding Letters of Credit.

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2005 and 2004

NOTE G - NOTE RECEIVABLE

On December 13, 2002, the Company received a note receivable in the amount of \$275,000, with an annual interest rate of 6.00%, from a third-party for the sale of substantially all assets associated with a direct mail advertising service. The note receivable is due in quarterly installments, beginning April 10, 2003, equal to 20% of the gross profit from operations for the prior calendar quarter period, with all remaining unpaid principal and interest due on January 10, 2010. As of December 31, 2005, the note receivable was valued at \$50,000, net of an impairment allowance of \$186,555. In February 2006, the adjusted note receivable balance of \$50,000 was repaid.

NOTE H - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, consisted of the following at December 31, 2005

	2005

Buildings	\$ 8,467,365
Furniture, fixtures and equipment	141,998
Tenant improvements	583,099
Land	158,998

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	9,351,460
Less: accumulated depreciation	(1,247,801)

	\$ 8,103,659
	=====

Depreciation expense for 2005 and 2004 was \$373,917 and \$266,165, respectively.

NOTE I - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at December 31:

		2005

Accrued property taxes	\$	185,988
Accrued TDSP charges		123,655
Other liabilities		111,998

	\$	421,641
		=====

NOTE J - INCOME TAXES

There was no income tax expense or benefit to report for the years ended December 31, 2005 and 2004. A reconciliation of income taxes at the statutory rate to the Company's effective rate is as follows for the years ended December 31:

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2005 and 2004

		2005

Computed at the expected statutory rate	\$	(229,000)
Less valuation allowance		229,000

Income taxes	\$	-
		=====

Noncurrent deferred tax assets and liabilities at December 31, 2005 and 2004 were as fol

		2005

Deferred tax assets		
Net operating loss carry-forward	\$	10,518,400
Start-up costs		39,994
Other		-

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Gross deferred tax assets		10,558,394

Deferred tax liabilities		
Property, plant and equipment		(123,281)
Other		(13,917)

Gross deferred tax liabilities		(137,198)

Valuation allowance		(10,421,196)

Net noncurrent deferred tax assets	\$	-
		=====

As of December 31, 2005, the Company has net operating loss carry-forwards totaling approximately \$31,683,000 for federal and state income tax purposes expiring in 2012 through 2022.

NOTE K - DISCONTINUED BUSINESS COMPONENT

On January 4, 2005, the Company announced that, effective December 31, 2004, the TCTB partners agreed to distribute its Lubbock, Texas office building to the TCTB partners and simultaneously sell their interest in the asset to an entity partially owned by certain TCTB Partners. Accordingly, the operations of the Lubbock, Texas office building for the year ended December 31, 2004 are classified as discontinued operations.

In accordance with an Agreement to Distribute Assets, effective December 31, 2004, the Lubbock office building (the "Property") was distributed to the TCTB partners according to their partnership sharing ratios. The Property and two other Midland, Texas office properties owned by TCTB were subject to a lien securing TCTB's note payable to Wells Fargo Bank Texas, N.A., (see note M). The Bank agreed to release its lien on the Property in exchange for a \$2,100,000 restricted certificate of deposit, (see note F), pledged by TCTB to the Bank as additional collateral. Immediately following the Property distribution, the Company and the selling minority interest partners agreed to sell their undivided interest in the Property in accordance with a Purchase Agreement, to 1500 Broadway Partners, Ltd., a limited partnership, in which certain TCTB limited partners are partners and are tenants in one of TCTB's Midland office buildings.

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2005 and 2004

NOTE L - OPERATING SEGMENTS

On July 30, 2004, the Company formed and initiated the development of W Power. W Power was established to enter into the retail electricity market in Texas. The formation of W Power resulted in the diversification of the Company's business activities into two reportable segments: real estate operations and a retail electricity provider (REP). The real estate operations consist of two office

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properties located in Midland, Texas and comprise an aggregate of approximately 428,560 square feet of gross leaseable area. The REP segment will sell electricity and provide the related billing, customer service, collection and remittance services to both residential and commercial customers.

Each segment's accounting policies are the same as those described in the summary of significant accounting policies and the following tables reflect totals for years ended December 31, 2005 and 2004, respectively.

December 31, 2005:

	REP	Continuing Real Estate Operations	Discontinued Real Estate Component	Other a Corpora
	-----	-----	-----	-----
Revenues from external customers	\$ 7,172,223	\$ 3,008,669	\$ -	\$ -
Revenues from other operating segments	\$ 820,710	\$ 23,275	\$ -	\$ -
Depreciation, amortization and depletion	\$ 9,717	\$ 362,162	\$ -	\$ 15,000
Interest expense	\$ 86,601	\$ 550,982	\$ -	\$ -
Segment net income (loss)	\$ (350,799)	\$ 318,796	\$ -	\$ (587,000)
Segment assets	\$ 3,159,563	\$ 7,480,267	\$ -	\$ 5,500,000
Expenditures for segment assets	\$ 32,662	\$ 451,510	\$ -	\$ 6,000
	-----	-----	-----	-----
	Inter-Company Transaction Eliminations	Consolidated Total		
	-----	-----		
Revenues from external customers	\$ -	\$ 10,180,892		
Revenues from other operating segments	\$ (843,985)	\$ -		
Depreciation, amortization and depletion	\$ -	\$ 387,669		
Interest expense	\$ (85,016)	\$ 552,567		
Segment net income (loss)	\$ (85,022)	\$ (704,562)		
Segment assets	\$ (487,664)	\$ 15,652,326		
Expenditures for segment assets	\$ -	\$ 490,979		
	-----	-----		

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December 31, 2004:

	REP	Continuing Real Estate Operations	Discontinued Real Estate Component	Other a Corporat
	-----	-----	-----	-----
Revenues from external customers	\$ -	\$ 2,461,629	\$ 1,848,257	\$
Revenues from other operating segments	\$ -	\$ -	\$ -	\$
Depreciation, amortization and depletion	\$ 864	\$ 285,786	\$ 144,418	\$ 13
Interest expense	\$ -	\$ 579,487	\$ -	\$
Segment net income (loss)	\$ (157,705)	\$ 75,926	\$ 1,299,245	\$ (416,
Segment assets	\$ 159,453	\$ 14,001,398	\$ -	\$ 810
Expenditures for segment assets	\$ 25,919	\$ 526,663	\$ 4,798	\$ 8
	Inter-Company Transaction Eliminations	Consolidated Total		
	-----	-----		
Revenues from external customers	\$ -	\$ 4,309,886		
Revenues from other operating segments	\$ -	\$ -		
Depreciation, amortization and depletion	\$ -	\$ 444,760		
Interest expense	\$ -	\$ 579,487		
Segment net income (loss)	\$ -	\$ 801,255		
Segment assets	\$ -	\$ 14,971,264		
Expenditures for segment assets	\$ -	\$ 565,949		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005 and 2004

NOTE M - LONG-TERM OBLIGATIONS

On June 5, 2002, TCTB entered into a loan agreement (the "TCTB Note") with a financial institution for a term note of \$6,800,000. The term note bears interest at a fixed rate per annum of 7.23%. TCTB is making monthly payments of principal and interest in the amount of \$53,663 for the term note until maturity of the note on May 31, 2009. The loan agreement is secured by substantially all of the assets of TCTB. The loan agreement restricts cash distributions to TCTB's owners. TCTB shall not declare or pay any distributions in excess of tax liability due annually (but in any event, no more than 40% of net income), either in cash or any property to any owners. The loan agreement also contains other customary conditions and events of default, the failure to comply with, or occurrence of, would prevent any further borrowings and would generally require the repayment of any outstanding borrowings along with accrued interest under the loan agreement. Such events of default include (a) non-payment of loan agreement debt and interest thereon, (b) non-compliance with the terms of the credit agreement covenants, (c) cross-default with other debt in certain circumstances, (d) bankruptcy and (e) a final judgment or order for the payment of money in excess of \$100,000. Effective December 31, 2004, TCTB partners agreed to distribute its Lubbock, Texas office building to the TCTB partners and simultaneously sell their interest in the asset to an entity partially owned by certain TCTB minority owners. The Lubbock building was subject to a lien securing TCTB's note payable to Wells Fargo Bank Texas, N.A. The Bank agreed to release its lien on the Lubbock building in exchange for a \$2,100,000 restricted certificate of deposit (see note F) pledged by TCTB to the Bank as additional collateral.

Delaware entered into nine promissory notes (the "Delaware Notes"), certain of which are with related parties, in an aggregate amount of \$2,789,087, to purchase the 64.9% ownership interest in TCTB. The notes are due in annual payments of principal and interest beginning April 1, 2005 with a final maturity of May 31, 2009. The interest rate is currently 6.9% and is adjusted each October 1 to equal the Wall Street Journal Prime Lending Rate (6.75% at October 31, 2005) plus .15%. The annual payments are equal to a set percentage, ranging from 1% to 16% of the future net operating loss benefit of the Company. The net operating loss benefits are calculated as the dollar value of the federal income tax benefit to the Company of the net operating loss calculated in accordance with the Internal Revenue Code, for the calendar year preceding the date of each annual payment. Due to the distribution and sale of the Lubbock building on December 31, 2004, the Company elected to forgo the payment as described above and paid one half of the principal balance along with the entire accrued interest balance during January 2005.

Delaware entered into a promissory note (the "Hexagon Note") in January 2004 in the amount of \$250,778 to purchase an additional 6.485% ownership interest in TCTB. The note is due in quarterly installments of principal and interest beginning on March 1, 2004 with a final maturity of January 1, 2010. The term note bears interest at a fixed rate per annum of 5%.

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005 and 2004

On February 28, 2005 the Company entered into a loan agreement (the "WNB Note") with Western National Bank, Midland, Texas. The Note is a certain Revolving Line of Credit in an amount of \$5,000,000. Under the Note, the Bank may, but is not

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obligated to advance more than \$2,500,000. Borrowings under the Note are subject to a borrowing base equal to the lesser amount of: (a) \$5,000,000 or (b) seventy-five percent (75%) of the eligible customer receivables of the Company and its subsidiary W Power. The Note bears a variable interest rate equal to the Prime Rate, defined as the prime rate in the money rate table of The Wall Street Journal, a Dow Jones publication, as of each business day (7.25% at December 31, 2005). Interest is computed on the unpaid principal balance of the Note and is due and payable as it accrues monthly, commencing March 31, 2005, and thereafter on the last day of each and every succeeding month until maturity, March 31, 2008, when the entire amount of the Note, principal and accrued, unpaid interest, shall be due and payable. The Note is secured by a security agreement to all of the accounts receivable of W Power. In addition, the Note is guaranteed by certain accredited investors which guarantees are partially secured by letters of credit. The loan agreement also contains other customary conditions and events of default, the failure to comply with, or occurrence of, would prevent any further borrowings and would generally require the repayment of any outstanding borrowings along with accrued interest under the loan agreement. The proceeds from the Note are intended to be used to fund potential capital requirements in order to facilitate the growth of the Company's retail electric provider subsidiary, W Power, and for general corporate purposes.

Long-term debt as of December 31, 2005:

	Long-term Portion	Current Portion
	-----	-----
TCTB Note	\$ 5,686,649	\$ 218,385
Delaware Notes	1,394,543	-
Hexagon Note	134,718	40,624
WNB Note	-	-
	-----	-----
Total	\$ 7,215,910	\$ 259,009
	=====	=====

Maturities of long-term debt at December 31, 2005 are as follows:

2006		\$ 259,009
2007		277,636
2008		296,464
2009		5,247,267
2010		1,394,543

Total		7,474,919
Less current portion		259,009

Long-term portion	\$	7,215,910
		=====

Long-term debt as of December 31, 2004:

	Long-term Portion	Current Portion
	-----	-----
TCTB Note	\$ 5,906,268	\$ 201,737
Delaware Notes	1,394,543	1,394,543

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Hexagon Note	175,343	38,655
WNB Note	-	-
	-----	-----
Total	\$ 7,476,154	\$ 1,634,935
	=====	=====

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2005 and 2004

NOTE N - RELATED PARTY TRANSACTIONS

At December 31, 2005 and 2004, related parties leased from TCTB, office space of approximately 32,000 square feet. TCTB received rental income from these related parties of approximately \$348,600 and \$264,000 during the year ended December 31, 2005 and 2004, respectfully.

Prior to Amen Properties, Inc. acquiring a limited partnership interest in TCTB, TCTB had entered into an agreement with Priority Power Management, Ltd to provide aggregation and consulting services in the management of TCTB's electricity use and costs. This agreement expired on December 31, 2004. The Company's Chief Operating Officer has an indirect 18% ownership in Priority Power Management, Ltd. During January 2005, TCTB began purchasing electricity through W Power.

During 2004, the Company, through its subsidiary Minerals, purchased a percentage of two certain royalty interests with certain individuals and related parties acquiring the remaining percentages. Effective April 1, 2004, the Company purchased a 25% interest in a Texas oil and gas royalty for a purchase price of \$102,519 along with the Chief Operating Officer directly acquiring a 10.625% interest and the Chief Executive Officer indirectly acquiring 22.5% interest. Effective April 2, 2004, the Company purchased a 20% interest in an Oklahoma oil and gas royalty for a purchase price of \$60,335 along with the Chief Operating Officer directly acquiring a 8.5% interest and the Chief Executive Officer acquiring an indirect 20% interest (see note D).

The Company closed the sale and issuance of 125,000 shares of Series C Preferred Stock and 250,000 Warrants (see note R) pursuant to a Purchase Agreement, as amended by the Second Amendment on March 1, 2005 between the Company and certain accredited investors, including the Company's President and Chief Operating Officer, Jon M. Morgan, the Company's Chief Executive Officer, Eric Oliver and Bruce Edgington, one of the Company's Directors.

The following table reflects the Series C issuance to the Company's officers and directors.

Number of Preferred C Shares	Common Stock Equivalent	Preferred C Voting Equivalent	Pu P
-----	-----	-----	-----

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Eric Oliver	14,063	56,252	52,877	\$
Jon M. Morgan	14,062	56,248	52,873	
Bruce Edgington	3,125	12,500	11,750	
	-----	-----	-----	
Total	31,250	125,000	117,500	\$
	=====	=====	=====	=====

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2005 and 2004

The following table reflects the issuance of Warrants to the Company's Officers and Directors.

	Number of Warrants	Common Stock Equivalent
	-----	-----
Eric Oliver	28,126	28,126
Jon M. Morgan	28,124	28,124
Bruce Edgington	6,250	6,250
	-----	-----
Total	62,500	62,500
	=====	=====

NOTE O - COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Company.

Power Purchase Contracts

Certain contracts to purchase electricity provide for capacity payments to ensure availability and provide for adjustments based on the actual power taken under the contracts. Expected annual future capacity payments under existing agreements are estimated as follows as of December 31, 2005:

2006	\$	2,859,113
2007		684,604
2008		148,960
2009		-

Total	\$	3,692,677
		=====

NOTE P - RENTAL ARRANGEMENTS

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The Company has rented facilities under operating leases. Future minimum lease payments under non-cancelable operating leases aggregate \$4,548,946 as of December 31, 2005 and are due as follows:

	Future Minimum Rent	Percentage of Total Space Under Lease Expiring
	-----	-----
2006	\$ 1,841,902	40.5%
2007	1,451,965	31.9%
2008	625,453	13.7%
2009	544,308	12.0%
2010	85,318	1.9%
Thereafter	-	0%
	-----	-----
Total	\$ 4,548,946	100%
	=====	=====

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2005 and 2004

Of the above leases, future minimum lease payments under non-cancelable operating leases to related parties aggregate \$514,514 as of December 31, 2005 and are due as follows:

2007	\$ 311,530	
2008	202,984	

	\$ 514,514	
	=====	

NOTE Q - SIGNIFICANT TENANTS

For the years ended December 31, 2005 and 2004, the Company had three customers that accounted for more than ten-percent of the Company's revenue as follows:

	2005	2004
	-----	-----
Bank of America	\$ 656,800	591,000
Fasken Oil and Ranch, Ltd	389,800	277,487
Pioneer Natural Resources	382,900	356,000
	-----	-----
Total	\$ 1,429,500	1,224,487
	=====	=====

NOTE R - STOCKHOLDERS' EQUITY

The Company received shareholder approval at the 2004 annual stockholder

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meeting, and filed a Certificate of Amendment of Certificate of Incorporation of Amen Properties, Inc. on May 28, 2004 to amend the Series A and Series B Preferred Stock Designations. The amendment effectuates the elimination of the Preferred A and Preferred B Shareholders dividend other than for dividends with respect to the common stock of the Company.

On February 3, 2005, the Company finalized an agreement involving a private placement under Regulation D for the new Series C Preferred Stock and common stock purchase warrants (the "Warrants") to accredited investors (the "Purchase Agreement"). The Company closed the sale and issuance of 125,000 Series C Preferred Stock and 250,000 Warrants pursuant to the Purchase Agreement, as amended by the Second Amendment (the "Amended Purchase Agreement"), on March 1, 2005. The purchase price consisted of a total of \$2 million in cash and limited guaranties from the investors in favor of Western National Bank covering the credit facility described in Note M. No underwriting discounts or commissions were paid in connection with this issuance. Certain facts related to the exemption from registration of the issuance of the securities under securities law are set forth in the Amended Purchase Agreement as representations of the investors, including without limitation their investment intent, their status as accredited investors, the information provided to them, the restricted nature of the securities, and similar matters.

The Series C ranks equally to the Company's outstanding Series A and the outstanding Series B and prior to the Common Stock, par value \$.01 per share, of the Company (the "Common Stock") upon liquidation of the Company. The Series A, Series B, Series C and the Common Stock are equal as to the payment of dividends. Each share of Series C is convertible into four shares of Common Stock, for a total of 500,000 shares, subject to adjustment pursuant to anti-dilution provisions. The Warrants are exercisable into a total of 250,000 shares of Common Stock at an initial exercise price of \$4.00 (also subject to adjustment pursuant to anti-dilution provisions), and expire three years from the date of issuance.

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005 and 2004

On July 29, 2005, the Company issued 4,859 shares of common stock for \$24,455 upon the exercise of certain stock options covering 341 and 4,518 shares with a strike price of \$3.88 and \$5.12, respectively.

NOTE S - STOCK OPTION PLAN

Since the inception of the Company, various options have been granted by the Board of Directors to founders, directors, employees, consultants and ministry partners. In February 1997, the Company authorized 67,100 additional shares of common stock to underlie additional options reserved for key employees and for future compensation to members of the Board of Directors. The Board of Directors also adopted and the Stockholders approved, the 1997 Stock Option Plan ("1997 Plan"), which provides for the granting of either qualified or non-qualified options to purchase an aggregate of up to 514,484 shares of common stock, inclusive of the 67,100 shares mentioned above, and any and all options or warrants granted in prior years by the Company. As of December 31, 2005, all options available under the 1997 Plan have been granted: 62,579 options have been exercised, and 320,222 options are outstanding which are fully vested and range in price from \$3.50 to \$61.36.

The 1998 Stock Option Plan ("1998 Plan") was approved by the Board of Directors in April 1998, with approved amendment in May 2000. The 1998 Plan gives the

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Company the authority to issue 300,000 options to purchase AMEN common stock. If any stock options granted under the 1998 Plan terminate, expire or are canceled, new stock options may thereafter be granted covering such shares. In addition, any shares purchased under the 1998 Plan subsequently repurchased by the Company, if management elects, pursuant to the terms hereof may again be granted under the 1998 Plan. The shares issued upon exercise of stock options under the 1998 Plan may, in whole or in part, be either authorized but unissued shares, or issued shares reacquired by the Company. As of December 31, 2005, 4,859 options have been exercised and 113,381 options are outstanding and are fully vested and range in price from \$1.98 to \$45.50.

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model.

For the year ended December 31, 2005, the following assumptions were used: dividend yield of 0%; risk-free interest rates based on the Treasury bond yield at the date of grant for three- to five-year bonds, depending on the expected term; volatility range approximating 50.9% to 51.1% depending on the grant date; and an expected term of ten years. For the year ended December 31, 2004, the following assumptions were used: dividend yield of 0%; risk-free interest rates based on the Treasury bond yield at the date of grant for three- to five-year bonds, depending on the expected term; volatility range approximating 121.0%, depending on the grant date; and an expected term of ten years.

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005 and 2004

The table below summarizes the stock option activity for the years ending 2005 and 2004:

Options Outstanding	Options Outstanding	Weighted Average Price
-----	-----	-----
Outstanding December 31, 2003	455,798	\$ 15.78
Options forfeited	(805)	15.78

Outstanding December 31, 2004	454,993	13.05
Options exercised	(4,859)	3.88
Options forfeited	(54,481)	14.07
Options issued	37,950	5.97

Outstanding December 31, 2005	433,603	\$ 14.06
	=====	

At December 31, 2005 the 433,603 outstanding options are fully

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vested and exercisable. They range in price from \$1.98 to \$61.36 and have a weighted average contractual maturity of 3.11 years. The weighted average grant date fair value for equity options issued during the year ending December 31, 2005 was \$3.97 per share. Had compensation expense been determined based on the fair value of the options at the grant dates consistent with the method of accounting under SFAS No. 123 for the year ending December 31, 2005 and 2004, the Company's net income and net income per share for the years ended December 31, 2005 and 2004 would have been decreased to the proforma amounts indicated below:

	2005	2004
	-----	-----
Net loss from continuing operations, as reported	\$ (704,562)	(497,990)
Deduct: Total stock-based employee compensation expense determined under fair value based method	(150,842)	(21,576)
	-----	-----
Net loss from continuing operations, pro forma	(855,404)	(519,566)
Net income from discontinued business component	-	394,127
Gain on sale of assets of discontinued business component	-	905,118
	-----	-----
Net (loss) income, pro forma	\$ (855,404)	779,679
	=====	=====

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2005 and 2004

As reported: Net income (loss) per common share (basic):

Net loss from continuing operations	\$ (.32)	(.23)
Net income from discontinued business component	-	.18
Gain on sale of assets of discontinued business component	-	.41
	-----	-----
As reported	\$ (.32)	.36
	=====	=====

Pro forma: Net income per common share (diluted):

Net loss from continuing operations	\$ (.39)	(.24)
Net income from discontinued business component	-	.18

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Gain on sale of assets of discontinued business component	-	-----	.41
Pro forma	\$ (.39)	-----	.35
		=====	=====

NOTE T - EMPLOYEE BENEFIT PLAN

In January 1998, the Company adopted a defined contribution 401(k) plan which covers substantially all of its eligible employees. The maximum employee contribution allowed is \$14,000 in 2005 or \$13,000 in 2004. The Company is not required to contribute to the 401(k) plan. The Company made discretionary contributions of approximately \$7,000 and \$10,000 for 2005 and 2004, respectively.

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2005 and 2004

NOTE U - QUARTERLY FINANCIAL DATA

Condensed consolidated statements of operations - Quarterly (Unaudited)

	2005		
	Quarter ended		
	March 31	June 30	September 30
	-----	-----	-----
Rental revenue	\$		
Rental revenue	670,182	672,137	894,749
Retail electricity revenue	310,789	1,125,596	2,545,563
	-----	-----	-----
Total operating revenue	980,971	1,797,733	3,440,312
	-----	-----	-----
Operating expense			
Cost of goods and services	277,688	1,143,727	2,453,362
Rental property operations	407,622	452,447	554,428
General and administrative	206,986	223,579	329,312
Depreciation, amortization and depletion	91,835	104,671	106,284
	-----	-----	-----
Total operating expense	984,131	1,924,424	3,443,386
	-----	-----	-----
Income (loss) from continuing operations	(3,160)	(126,691)	(3,074)
	-----	-----	-----

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Other (expense) income			
Interest income	11,844	15,693	14,037
Interest expense	(114,346)	(148,149)	(130,748)
Other income (expense)	(17,164)	43,578	11,218
	-----	-----	-----
Total other income (expense)	(119,666)	(88,878)	(105,493)
	-----	-----	-----
Income (loss) from continuing operations before income taxes and minority interest	(122,826)	(215,569)	(108,567)
Income taxes	-	-	-
Minority interest	(40,824)	4,231	(41,899)
	-----	-----	-----
Net (loss) from continuing operations	(163,650)	(211,338)	(150,466)
	-----	-----	-----
Net income from discontinued business component	-	-	-
Gain on sale of assets of discontinued business component	-	-	-
	-----	-----	-----
Net income from discontinued business component	-	-	-
	-----	-----	-----
NET INCOME (LOSS)	\$ (163,650)	(211,338)	(150,466)
	=====	=====	=====
Net income (loss) per common share (basic)			
Loss from continuing operations	\$ (.07)	(.10)	(.07)
Discontinued business component	-	-	-
Gain on sale of assets of discontinued business component	-	-	-
	-----	-----	-----
Net (loss) income	\$ (.07)	(.10)	(.07)
	=====	=====	=====
Net income (loss) per common share (diluted)			
Net loss from continuing operations	\$ (.07)	(.10)	(.07)
Discontinued business component	-	-	-
Gain on sale of discontinued business component	-	-	-
	-----	-----	-----
Net (loss) income	\$ (.07)	(.10)	(.07)
	=====	=====	=====
Weighted average number of common shares outstanding - basic	2,201,356	2,201,356	2,203,310
	=====	=====	=====
Weighted average number of common shares outstanding - diluted	2,201,356	2,201,356	2,203,310
	=====	=====	=====

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2005 and 2004

Condensed consolidated statements of operations - Quarterly (Unaudited)

	2004		
	Quarter ended		
	March 31	June 30	September 30
Rental revenue	\$ 591,022	588,687	627,426
Operating expenses, excluding start-up costs	472,605	519,732	514,031
Start-up costs	-	-	79,660
Total operating expense	472,605	519,732	593,691
Income (loss) from continuing operations	118,417	68,955	33,735
Interest income	3,451	2,604	2,641
Interest expense	(133,409)	(147,183)	(146,518)
Other income (expense)	16,882	15,593	15,987
Total other income (expense)	(113,076)	(128,986)	(127,890)
Income (loss) from continuing operations before income taxes and minority interest	5,341	(60,031)	(94,155)
Income taxes	-	-	-
Minority interest	(33,506)	(28,411)	(28,404)
Net (loss) from continuing operations	(28,165)	(88,442)	(122,559)
Net income from discontinued business component	120,772	117,535	109,191
Gain on sale of assets of discontinued business component	-	-	-
Net income from discontinued business component	120,772	117,535	109,191

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NET INCOME (LOSS)	\$	92,607	29,093	(13,368)
Net income (loss) per common share (basic)				
Loss from continuing operations	\$	(.01)	(.04)	(.06)
Discontinued business component		.05	.05	.05
Gain on sale of assets of discontinued business component		-	-	-
Net income (loss)	\$.04	.01	(.01)
Net income (loss) per common share (diluted)				
Net loss from continuing operations	\$	(.01)	(.03)	(.04)
Discontinued business component		.04	.04	.03
Gain on sale of discontinued business component		-	-	-
Net income (loss)	\$.03	.01	(.01)
Weighted average number of common shares outstanding - basic		2,201,356	2,201,356	2,201,356
Weighted average number of common shares outstanding - diluted		3,051,079	3,051,079	3,051,079

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INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1+	Certificate of Incorporation and Certificates of Amendments thereto of DIDAX INC.
3.1(a)+	Certificate of Correction regarding Certificate of Incorporation
3.1(b)**	Certificate of Amendment thereto of DIDAX INC.
3.2+++	Certificate of Amendment thereto of Crosswalk.com, Inc.
3.3+	Bylaws and amendments thereto of the Company
3.4 ~	Certificate of Designation for Series A Preferred Stock
3.4(a) ~~	Amended Certificate of Designation for Series A Preferred Stock
3.5 ~~	Certification of Designation for Series B Preferred Stock
3.6***	Certificate of Amendment of Certificate of Incorporation dated May 26, 2004
3.7@	Certificate of Designation for Series C Preferred Stock

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- 4.1+ Warrant Certificate between the Company and Robert Varney dated July 10, 1996
- 4.2+ Warrant Certificate between the Company and Robert Varney dated September 26, 1996
- 4.3+ Warrant Certificate between the Company and Bruce Edgington dated July 30, 1996
- 4.4+ Warrant Certificate between the Company and Bruce Edgington dated October 30, 1996
- 4.5@ Form of Warrant Certificate dated March 1, 2005
- 10.1// Asset Purchase Agreement between the Company and Blue Hill Media, Inc. dated December 13, 2002
- 10.2+ Form of Stock Option Agreement
- 10.3+ 1997 Stock Option Plan
- 10.4* 1997 Stock Option Plan, as amended April 6, 1998
- 10.5* 1998 Stock Option Plan
- 10.6** 1998 Stock Option Plan, as amended February 26, 1999
- 10.7## 1998 Stock Option Plan, as amended March 3, 2000
- 10.8++ Stock Purchase Agreement between the Company and A. Scott Dufford for Series A Preferred Stock dated September 29, 2000

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- 10.9++ Stock Purchase Agreement between the Company and John R. Norwood for Series A Preferred Stock dated September 29, 2000
- 10.10++ Stock Purchase Agreement between the Company and J.M. Mineral and Land Co. for Series A Preferred Stock dated September 29, 2000
- 10.11++ Stock Purchase Agreement between the Company and Jon M. Morgan Pension Plan for Series A Preferred Stock dated September 29, 2000
- 10.12++ Stock Purchase Agreement between the Company and Stallings Properties, Ltd. for Series A Preferred Stock dated September 29, 2000
- 10.13++ Stock Purchase Agreement between the Company and John D. Bergman for Series A Preferred Stock dated September 29, 2000
- 10.14++ Stock Purchase Agreement between the Company and Julia Jones Family Trust for Series A Preferred Stock dated September 29, 2000
- 10.15++ Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series A Preferred Stock dated September 29, 2000
- 10.16++ Stock Purchase Agreement between the Company and Soft Op, L.P. for

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Series A Preferred Stock dated September 29, 2000

- 10.17++ Stock Purchase Agreement between the Company and Lighthouse Partners, L.P. for Series A Preferred Stock dated September 29, 2000
- 10.18++ Stock Purchase Agreement between the Company and Ray McGlothlin, Jr. for Series A Preferred Stock dated September 29, 2000
- 10.19++ Stock Purchase Agreement between the Company and Gary J. Lamb for Series A Preferred Stock dated September 29, 2000
- 10.20++ Stock Purchase Agreement between the Company and Frosty Gilliam, Jr. for Series A Preferred Stock dated September 29, 2000
- 10.21++ Stock Purchase Agreement between the Company and Bruce Edgington for Series B Preferred Stock dated December 31, 2001
- 10.22++ Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series B Preferred Stock dated December 31, 2001
- 10.23++ Stock Purchase Agreement between the Company and Earl E. Gjelde for Series B Preferred Stock dated December 31, 2001
- 10.24++ Stock Purchase Agreement between the Company and Jon M. Morgan for Series B Preferred Stock dated December 31, 2001
- 10.25++ Stock Purchase Agreement between the Company and Soft Op, L.P. for Series B Preferred Stock dated December 31, 2001
- 10.26++ Annex to the Stock Purchase Agreement for Series A Preferred Stock dated September 29, 2000
- 10.27# Agreement to Suspend Dividends and Consent of the Holders of Series A Preferred Stock of Amen Properties, Inc. dated May 30, 2003.
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- 10.28# Agreement to Suspend Dividends and Consent of Holders of Series B Convertible Preferred Stock of Amen Properties, Inc. dated May 30, 2003.
- 10.29^ Consent, Waiver and Amendment of the holders of Series A Preferred Stock dated January 2005 (identical copy executed by each holder)
- 10.30^ Consent, Waiver and Amendment of the holders of Series B Preferred Stock dated January 2005 (identical copy executed by each holder)
- 10.31++ Annex to the Stock Purchase Agreement for Series B Preferred Stock dated December 31, 2001
- 10.32// Agreement and Transfer of Limited Partnership Interest between the Company and the Selling Partners of TCTB Partners, Ltd. dated October 31, 2002
- 10.33// Amended Promissory Note between the Company and A. Scott Dufford dated October 31, 2002, with schedule describing all outstanding Amended Promissory Notes between the Company and the Selling Partners of TCTB Partners, Ltd, which are identical other than differences stated in the schedule.
- 10.34// Credit Agreement between TCTB Partners, Ltd. and Wells Fargo Bank

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Texas, N.A. dated June 5, 2002, the exhibits of which are not included due to their size.

- 10.35// Lease Agreement between TCTB Partners, Ltd. and Bank of America, N.A. dated September 30, 2003.
- 10.36// Lease Agreement between TCTB Partners, Ltd. and Pioneer Natural Resources USA, Inc. dated April 4, 2000.
- 10.38### Employment and Noncompetition Agreement between the Company and Kevin Yung dated as of July 1, 2004
- 10.39@@ Agreement to Distribute Assets among TCTB Partners, Ltd. and its partners dated as of December 31, 2004
- 10.40@@ Purchase Agreement between certain partners of TCTB Partners, Ltd. and 1500 Broadway Partners, Ltd. dated as of December 31, 2004
- 10.41@ Securities Purchase Agreement between the Company and certain investors dated January 18, 2005, as amended by a First Amendment dated January 28, 2005 and a Second Amendment dated February 28, 2005
- 10.42@ Loan Agreement between Amen Properties, Inc. and Western National Bank
- 10.43@ Western National Bank Revolving Line of Credit Note

- 11 Statement of computation of earnings per share
- 21.1 Subsidiaries of the Company
- 23.1 Consent of Johnson, Miller & Co.
- 31.1 Certification of Chief Executive Officer.

- 31.2 Certification of Chief Financial Officer.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 USC ss.1350.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 USC ss.1350.
- 99.1 Press release regarding 2005 Annual Report on Form 10-KSB

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+ Incorporated by reference to the Company's Registration Statement on Form SB-2 declared effective by the Securities and Exchange Commission on September 24, 1997, SEC File No. 333-25937

++ Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2002, amended July 25, 2002 and August 14, 2002.

+++ Filed as an Appendix to the Company's Proxy Statement on Schedule 14-A filed with the Securities and Exchange Commission on January 13, 2003.

* Incorporated by reference to the Company's Registration Statement Post

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Effective Amendment No. 1 to Form SB-2 declared effective by the Securities and Exchange Commission on July 2, 1998, SEC File No. 333-25937

** Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2000.

*** Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on June 10, 2004.

Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on June 4, 2003.

Filed as an Appendix to the Company's Proxy Statement on Schedule 14-A filed with the Securities and Exchange Commission on March 30, 2000.

Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2004

~ Incorporated by reference to the Company's Registration Statement on Form S-3 declared effective by the Securities and Exchange Commission on December 1, 2000, SEC File No. 333-49126

~~ Incorporated by reference to the Company's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on April 5, 2002, SEC file No. 333-85636

// Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 24, 2003.

@ Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005.

@@ Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2005.

^ Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2005.