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AMEN PROPERTIES INC
Form 10KSB/A
December 21, 2005

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

FORM 10-KSB/A
Amendment No. 2

(Mark One)

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

For the fiscal year ended December 31, 2004

/ 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 or 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 (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 / /

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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.

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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 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.

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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 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.

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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 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. As a result of recording rental revenue on a straight-line basis, accounts receivable include \$75,288 of tenant receivables at December 31, 2003, which was expected to be collected over the remaining lives of the leases. As of December 31, 2004 there were no such tenant receivables.

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.

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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, 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

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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.

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 less 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. We also maintain an allowance for deferred rent receivables which arise from the straight-lining of rents. The allowance for doubtful accounts is reviewed at least quarterly for adequacy by reviewing such factors as the credit quality of our tenants or members, any delinquency in payment, historical trends and current economic conditions. If the assumptions regarding the collectibility of 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.

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, 2004 and 2003 would have been decreased by approximately \$22,000 and \$102,000, respectively. See Footnote T to the Company's Consolidated Financial Statements included herein.

Results of Operations

Full Year 2004 Compared to Full Year 2003

For the year ended December 31, 2004, the Company showed a net loss from continuing operations of \$497,990, or \$.23 loss per share as compared to \$104,934, or \$.05 loss per share for the same period ended December 31, 2003. The increase in the net loss of \$393,056 from 2003 to 2004 is mainly due to the Company tithing ten percent of net income for the first time in the Company's history, of approximately \$40,000, which is related to 2003's net income, to two separate National Christian Organizations, Young Life and Campus Crusade for

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Christ and an accrual for 2004's tithing of approximately \$89,000 to be tithed during 2005. The Company's By-Laws state the Company will tithe an amount that will approximate 10% of net income. Additionally during 2004, the Company entered into the retail electricity market in Texas by forming a new wholly owned subsidiary, W Power, to compete in the Texas market. The start-up costs incurred during 2004 associated with the new wholly owned subsidiary were approximately \$157,000. The remaining increase in the net loss from continuing operations for 2004 as compared to 2003 is related to an increase in operating expenses.

Rental revenue increased for the period ending December 31, 2004 over the same period ending December 31, 2003 by approximately \$49,000. The increase is mainly due to the Company's purchase of a twelve floor multi-tenant office building in downtown Midland through its 71.348013% limited partnership interest in TCTB, and is partially offset with a decrease in parking permits issued to tenants in the surrounding buildings in downtown Midland. During 2004, the Company, through its limited partnership interest in TCTB, purchased a twelve story high rise building with 99,422 rentable square feet on July 30, 2004 in downtown Midland. The rental revenue by the Company received from the newly acquired building for the year ended December 31, 2004 was approximately \$89,000. The building is approximately 41% occupied at December 31, 2004.

Total operating expenses for the years ended December 31, 2004 and 2003 were \$2,342,083 and \$2,004,028, respectively. The increase of \$338,055 in operating expense is related to several factors. As mentioned above, the Company tithed approximately \$129,000 during 2004. Additionally, the Company's purchase of a twelve story high rise building with 99,422 rentable square feet on July 30, 2004 increased the operating expenses by approximately \$88,000. The Company also paid expenses of approximately \$157,000 in start-up costs associated with W Power (see note M of the Financial Statements). The remaining difference in the operating costs relate to a decrease in expenses incurred by TCTB to operate the buildings.

Other income (expense) for the years ended Decembers 31, 2004, and 2003 were \$(500,205) and (\$370,424), respectively for a net change of \$129,781. For the year ended December 31, 2004, a decrease in interest rates saved approximately \$75,000. The savings is mainly due to a decline in the interest rate on certain notes incurred with the Company's initial purchase of its limited partnership interest in TCTB (see note N to the Financial Statements for further discussion) from 4.9% to 4.15% for the first nine months for the year ended December 31, 2004. The notes are adjusted every October 1 to equal the prime rate plus 15 basis points. Beginning October 1, 2004, the newly adjusted rate was 4.9%. Additionally, during the year ended December 31, 2003, the Company incurred approximately \$42,000 in preferred stock dividends. Effective March 31, 2003, the preferred stock dividends were suspended and effectively eliminated by shareholder vote at the 2004 stockholder meeting on May 18, 2004. During the year ended December 31, 2003, the Company owned an investment in a certain royalty investment trust and received approximately \$83,000 in royalty income and subsequently realized a gain of approximately \$120,000 on the sale of this royalty investment.

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Minority interest expense for the year ended December 31, 2004 and 2003 was \$117,331 and \$142,725, respectively, and reflects the minority interest owners of TCTB. The decrease in minority interest is related to the Company's purchase of an additional 6.485533% interest in TCTB effective January 1, 2004.

Discontinued operations are related to the Company selling its undivided interest in the Lubbock building that was distributed to the TCTB Partners according to the partnership sharing ratios (see note C of the Financial

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Statements). The sale resulted in the Company realizing a gain of \$905,118.

Liquidity and Capital Resources

During the years ended December 31, 2004 and 2003, net cash provided by operating activities was \$707,638 and \$1,185,321 respectfully. The net decrease of approximately \$480,000 provided by operating activities is mainly associated with the sale of the Lubbock building, corporate tithing and the Company funding a new start-up Company. The Company was required to write off approximately \$75,000 in escalated leases associated with the sale of the Lubbock building in December of 2004. Additionally, utility expense for the Lubbock building during 2004 increased approximately \$79,000 due to rising energy costs. In April 2003, the Company received a one time cash payment of \$238,871 from a tenant in the Lubbock building which represented a prepayment of a build out loan between the tenant and TCTB, and was structured and recognized as additional rent. Due to the deferral of the prepayment over the term of the lease the Company included approximately \$180,000 of deferred revenue in the distribution of the Lubbock building. In 2004, the Company was able to tithe approximately \$40,000 as required by the Company's By-Laws. In 2004, the Company formed its start-up and development subsidiary, W Power, by funding approximately \$157,000 in start-up costs. The remaining decrease in operating income is mainly due to an increase in operating expenses associated with the operations of the Midland buildings and the Lubbock building, which was sold on December 31, 2004. The Company's commitment to fund its start-up and development of W Power will continue to require significant amounts of cash.

Net cash provided by investing activities was \$938,241 and \$214,741 for the years ended December 31, 2004 and 2003, respectively. The net cash provided by investing activities in 2004 is mainly due to the proceeds of \$3,924,141 received by the Company on the sale of its undivided interest in the Lubbock building. Purchases of investments for the year ended December 31, 2004 include a \$2,100,000 certificate of deposit with Wells Fargo Bank Texas, N.A This certificate of deposit was required by Wells Fargo, N.A. in order for the Company to obtain the Bank's release of its lien on the Lubbock building and is pledged by TCTB to the bank as additional collateral. During 2004, the Company paid \$436,500 for the new Century Plaza Tower in Midland, Texas. The net cash provided by in investing activities for 2003 is mainly investments in marketable securities and bonds.

Net cash used in financing activities was \$239,506 and \$199,718 for the years ended December 31, 2004 and 2003, respectively. The net cash used in financing activities consist primarily of repayments of notes payable of approximately \$224,209 in 2004 and \$175,467 in 2003. Minority interest distributions for the years ended December 31, 2004 and 2003, were \$129,905 and \$13,967, respectively, and are related to the minority interest owners in TCTB. Additionally, the minority interest owners in TCTB made contributions in the amount of \$114,608 during 2004.

Currently, the Company has a net operating tax loss ("NOL") carry forward in excess of \$29 million. This NOL is 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 at \$2.5 to \$5 million and has been diligent in its efforts to ensure its preservation and utilization. The Company was able to offset 2003's taxable income against the NOL and fully expects to offset the Company's 2004 income against the NOL.

At December 31, 2004, the Company had working capital and investments of \$1,933,918 comprised of cash of \$4,147,900, accounts receivable of \$72,735, other current assets of \$77,399, and long-term investments of \$62,350, less current liabilities if \$2,426,466. The long-term investments of \$62,350 primarily relate to the Company's ownership of 10,000 units of a royalty trust.

On January 4, 2005, the Company paid principal and interest totaling \$1,681,346 on promissory notes. The promissory notes were originally issued as part of the Company's purchase of its interest in TCTB. On February 28, 2005, the Company entered into a loan agreement with Western National Bank, Midland, Texas. The loan agreement is a certain 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 and borrowings under the loan agreement 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 loan agreement is secured by a security agreement to all of the accounts receivable of W Power. In addition, the loan agreement is guaranteed by certain accredited investors whose guarantees are partially secured by letters of credit. On March 1, 2005, the Company closed the sale and issuance of the Series C Preferred stock and Warrants pursuant to a Securities Purchase Agreement for a total purchase price of \$2,000,000 in cash and limited guaranties from the investors in favor of Western National Bank covering the certain Revolving Line of Credit entered into by and between the Company and Western National Bank. The Company believes this level of working capital 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 2005 Outlook for further detail of expected cash flow. There can be no assurance that current working capital 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 on acceptable terms.

The Series C Preferred Stock discussed above ranks equally to the Company's outstanding Series A Preferred Stock and Series B Preferred Stock, and the issuance of the Series C required the consent of the holders of the Company's Series A and B Preferred Stock, which was obtained in January 2005. The consent document also included an amendment of each such holder's Stock Purchase Agreement eliminating certain securities registration obligations of the Company. The Series C Preferred Stock is convertible into a total of 500,000 shares of the Company's Common Stock and the Warrants are exercisable into a total of 250,000 shares of the Company's Common Stock, both subject to adjustment pursuant to anti-dilution provisions. However, in compliance with the Marketplace Rules of the NASDAQ Stock Market, the conversion and exercise rights related to the Series C Preferred and the Warrants are restricted and limited to a number of shares of the Company's Common Stock equal to 20% of the number of shares of Common Stock outstanding on the closing date of the transaction unless and until the issuance and sale of the Series C Preferred and the Warrants are approved by the stockholders of the Company. Also in compliance with the NASDAQ Rules, the officers and directors of the Company who purchased shares of the Series C Preferred Stock and the Warrants, Eric Oliver, Jon Morgan and Bruce Edgington, are further restricted from converting or exercising those securities until the transaction is approved by the stockholders of the Company or they exchange those securities for similar securities with a greater conversion/exercise price. The Company intends to solicit such stockholder approval in accordance with the NASDAQ Rules at the Company's next annual stockholders meeting. Additional information relating to this transaction is set forth in the Company's Current Report on Form 8-K filed on March 4, 2005, and in Note V to the consolidated financial statements included herein.

2005 OUTLOOK

The following information is presented based upon the Company's knowledge of our current real estate operations and our 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 revenues and

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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 business model for W Power in 2005, anticipates capital requirements of approximately \$2,200,000 to finance start-up costs, electricity procurements 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 2005. The Company believes that it has positioned itself to meet the expected capital requirements of W Power with (1) the use of the proceeds from the sale of the Lubbock building, (2) the use of proceeds from the issuance of the Series C Preferred Stock and (3) borrowings under the loan agreement with Western National Bank,

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Midland, Texas. 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 2005 will allow the Company to utilize the loan agreement with Western National Bank. Utilization of the loan when coupled with W Power's anticipated monthly cash receipts are expected to facilitate W Power in funding electricity procurement and capital requirements. The Company believes its sources of funding will be adequate to meet W Power's future growth and cash flow requirements through 2005.

Management's business model for W Power anticipates gross billings for retail electricity to be approximately \$8,800,000 in 2005 with cash receipts approximating \$6,825,000. Additionally, the projection for the total delivered commodity cost is approximately \$7,683,000. Cash expenditures for general and administrative costs related to W Power are estimated to be approximately \$840,000. Additionally, W Power is required to meet certain credit requirements with wholesale electricity providers, management estimates these collateral requirements to be approximately \$497,000, resulting in a net cash outlay for 2005 to be approximately \$2,195,000.

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 2005 to produce approximately \$286,978 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 2005 are expected to be approximately \$1,700,000. TCTB's real estate operating expenses for 2005 are expected to be approximately \$638,000. TCTB's general and administrative costs are expected to be \$213,000, current annual interest expense related to the Wells Fargo Note approximates \$320,000 and property taxes are anticipated to be \$135,000. TCTB estimates spending approximately \$107,000 in capital improvements on the Midland buildings in 2005, and these expenditures are expected to be mainly associated with tenant improvements and/or build outs. TCTB is expected to produce approximately \$287,000 in positive cash flow.

Regarding anticipated cash outflows in 2005 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

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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 \$210,000. This amount is mainly cash outlays for salary and benefits for our Chief Financial Officer and the Company's corporate tithing.

The Wells Fargo Note prohibits distributions, without the consent of the bank, from TCTB to limited partners, except for the limited partners' tax liability. Currently, the Company does not anticipate TCTB making any distributions in 2005 for the limited partner's 2004 tax liability. Taking into account the Company's net beginning working capital and investments of \$1,933,918; adding \$2,000,000 from the private placement of the Series C Preferred Stock; expected draws of approximately \$1,850,000 on the Company's line of credit secured by W Power's accounts receivable, and subtracting the net cash outlays of approximately \$2,368,022 the Company estimates it will have approximately \$3,415,896 in net working capital at the end of 2005.

The expected 2005 results discussed above, contemplate our current operations in our real estate operations performing consistent with their historical performance and our anticipated W Power operations are dependent upon management's W Power business model. While management of the Company believes that its current views and expectations are based upon reasonable assumptions, there are significant risks and uncertainties that could significantly affect expected results. Important factors that could cause actual results to differ materially from those in the projections and estimates include, without limitation, the risk factors referenced below under "Risk Factors", and many of those factors are beyond the Company's control. The foregoing information is

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expressly qualified in its entirety by such factors. You should expect the assumptions and related estimates to change as additional information becomes available. However, the Company does not intend to update or otherwise revise the projections and estimates provided to reflect events or circumstances after the date of this report. Actual results may differ materially from the projections and estimates provided.

As mentioned above, we have not abandoned our 2002 business plan, and should an acquisition present itself to management, expenditures and required resources could change significantly. The Company's ability to raise funds required to make any contemplated acquisition is somewhat hindered, due to NOL utilization rules contained in Section 382 of the Internal Revenue Code and the anticipated capital needs of a growing W Power. However, if management determines that an opportunity would be more valuable to the shareholders than the NOL or the leverage we could obtain with W Power, we would recommend pursuing the deal and would consider issuing equity to do so.

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," "expects," "believes," "plans," "anticipates," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although

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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."

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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

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

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- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes

Failure By Tenants To Make Rental Payments

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.

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

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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.

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 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.

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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 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 recent sale proceeds obtained through the sale of the Purchased Securities, net proceeds from the sale of real estate, borrowings under its new 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.

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

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another factor affecting our ability to compete in the market.

Our Business Is Subject to Market Risks.

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 electricity in our markets and the impact of regulatory decisions on prices

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charged to our retail 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:

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

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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 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.

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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 success 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 INVOLVED IN THIS INVESTMENT. PROSPECTIVE INVESTORS SHOULD READ SEC FILINGS AND OTHER INFORMATION PROVIDED BY THE COMPANY BEFORE DETERMINING TO INVEST IN THE SECURITIES.

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ITEM 7. FINANCIAL STATEMENTS

The Financial Statements prepared in accordance with Regulation S-B are included in this report commencing on page 22.

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, as of December 31, 2004, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and include disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is assembled and reported to the Company's management, including the Chairman and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

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 were primarily attributable to the transition the Company went through during the end of 2002 and 2003, changes in personnel within the accounting department and the Company

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currently having one full time employee at the corporate level. 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 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 officers 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 with in 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.

As described in notes A2 and C to the Company's Consolidated Financial Statements included in this report, the Company restated it's previously issued Consolidated Financial Statements for the year ended December 31, 2004 and 2003, to reflect the reclassification of the operations of a discontinued business

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component related to its real estate operations. Previously, management of the Company did not consider its Lubbock, Texas real estate operations to be clearly distinguishable from the remainder of its real estate operations as defined by SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information" or as an asset group as defined in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Management of the Company believes that such a determination requires substantial judgment based on interpretations of various accounting standards. In response to a letter from the Securities and Exchange Commission, dated August 31, 2005, concerning our reporting of the discontinued Lubbock, Texas operations in our previously issued Form 10-KSB for the year ended December 31, 2004, the Company has restated its previously issued Consolidated Financial Statements to reclassify the discontinued Lubbock, Texas operations as a discontinued business component. The reclassification had no effect on the Company's previously reported total assets, working capital, stockholders' equity, net income (loss), and net cash flow (used in) provided by operating activities, investing activities or financing activities.

The Company's management and Audit Committee have discussed the restatement issue with Johnson, Miller & Co., its independent registered public accounting firm. After reviewing the restatement issue, the Company's management and Audit Committee believes that, although the restatement may be considered to be a deficiency in the Company's disclosure process, the circumstances leading to the restatement of the discontinued business component are isolated and rare and do not constitute a continuing deficiency in the Company's disclosure controls and procedures. Accordingly, management of the Company does not plan to implement any further changes in its disclosure controls and procedures with respect to the restatement of the discontinued business component.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) 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

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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
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

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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

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

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

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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.

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- 10.36// Lease Agreement between TCTB Partners, Ltd. and Pioneer Natural Resources USA, Inc. dated April 4, 2000.
- 10.37 Agreement and Transfer of Limited Partnership Interest dated February 18, 2004.
- 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
- 11@@@ Statement of computation of earnings per share
- 21.1@@@ Subsidiaries of the Company
- 23.1@@@ Consent of Johnson, Miller & Co.
- 23.2 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.

+ 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

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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

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~ 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-KSB 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 Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the last fiscal quarter covered by this report.

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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.

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December 19, 2005 By: /s/ Eric L. Oliver

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

December 19, 2005 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.

December 19, 2005 By: /s/ Jon Morgan

Director and Chief Operating Officer

December 19, 2005 By: /s/ Bruce Edgington

Director

December 19, 2005 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,

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Inc. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, 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 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 financial position of AMEN Properties, Inc. and Subsidiaries at December 31, 2004 and 2003, and the 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.

As discussed in Note A2 to the consolidated financial statements, the accompanying consolidated balance sheets and consolidated statements of income and cash flows have been restated to reclassify the operations of and gain on sale of assets related to a certain discontinued business component.

JOHNSON, MILLER & CO.

Midland, Texas
March 15, 2005 (November 11, 2005 as to the effects
of the restatement described in Note A2)

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AMEN Properties, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEETS December 31,

ASSETS

CURRENT ASSETS

Cash and cash equivalents (notes A4, D and F)	\$
Accounts receivable (notes A7 and A15), net of allowance of \$91,066 in 2004 and 2003, respectively	
Short-term investments (notes A5 and F)	
Other current assets	
Assets related to discontinued business component (note A2)	

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Total current assets	
RESTRICTED CERTIFICATE OF DEPOSIT (note G)	
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$873,883 and \$607,718 in 2004 and 2003, respectively (notes A8, A9, and I)	
ROYALTY INTERESTS, at cost net of accumulated depletion of \$12,484 (notes A8 and E)	
LONG-TERM INVESTMENTS (notes A5 and F)	
OTHER ASSETS	
Note receivable (note H)	
Deferred costs (note A10)	
Deposits and other assets	
Non-current assets related to discontinued business component (note A2)	
Total other assets	
TOTAL ASSETS	\$
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	\$
Accrued liabilities (note J)	
Deferred revenue (note K)	
Accrued interest payable	
Current portion of long-term obligations (note N)	
Current liabilities related to discontinued business component (note A2)	
Total current liabilities	
LONG-TERM OBLIGATIONS, less current portion (note N)	
NON-CURRENT LIABILITIES RELATED TO DISCONTINUED BUSINESS COMPONENT (note A2)	
MINORITY INTEREST (notes A2, A3, A13)	
COMMITMENTS AND CONTINGENCIES (notes A19, L and P)	
STOCKHOLDERS' EQUITY (notes S and T)	
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)	
80,000 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)	
Common stock, \$.01 par value, 20,000,000 shares authorized; 2,201,356 shares issued and outstanding	
Common stock warrants	
Additional paid-in capital	4
Accumulated deficit	(3
Accumulated other comprehensive income (loss)	
Total stockholders' equity	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$

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The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements.

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AMEN Properties, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31,

	As

Rental revenue	\$
Operating expenses:	
Sales and marketing	
General and administrative	
Depreciation, amortization and depletion	
Insurance	
Travel and entertainment	
Utilities	
Building maintenance	
Office expense	
Taxes, except income	
Start-up costs (note A17)	
Total operating expenses	-----
Income from operations	
Other income (expense):	
Interest income	
Interest expense	
Other income	
Total other income (expense)	-----
Income (loss) from continuing operations before income taxes and minority interest	
Income taxes (notes A12 and L)	
Minority interest	
Net loss from continuing operations	-----
Net income from discontinued business component (note A2)	
Gain on sale of assets of discontinued business component (note A2)	
Net income from business component	-----
NET INCOME	\$ =====

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Net income (loss) per common share (basic)		
Net loss from continuing operations		\$
Net income from discontinued business component		
Gain on sale of discontinued business component		
Net income		\$
		====
Net income (loss) per common share (diluted)		
Net loss from continuing operations		\$
Net income from discontinued business component		
Gain on sale of discontinued business component		
Net income		\$
		====
Weighted average number of common shares outstanding - basic		
Weighted average number of common shares outstanding - diluted		

The accompanying summary of accounting policies and footnotes are an integral part of these consoli

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AMEN Properties, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2004 and 2003

	Preferred Stock		Common Stock		Additional	Common
	Shares	Amount	Shares	Amount	Paid-in	Stock
	-----	-----	-----	-----	Capital	Warrants
	-----	-----	-----	-----	-----	-----
Balance, December 31, 2002	160,000	\$ 160	1,992,056	\$ 19,920	42,123,601	127,660
Common stock issued pursuant to deferral of preferred stock dividend	-	-	209,300	2,094	357,906	-
Other comprehensive loss	-	-	-	-	-	-
Net income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Balance, December 31, 2003	160,000	160	2,201,356	22,014	42,481,507	127,660
	=====	=====	=====	=====	=====	=====
Other comprehensive income	-	-	-	-	-	-
Net income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----

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Balance, December 31, 2004	160,000	\$ 160	2,201,356	\$ 22,014	42,481,507	127,660
	=====	=====	=====	=====	=====	=====

The accompanying summary of accounting policies and footnotes are an integral part of these consoli

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

	As
Increase (Decrease) in Cash and Cash Equivalents	---
Cash flows from operating activities:	
Net income	\$
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation, amortization and depletion	
Loss on sale of fixed assets	
Gain on sale of assets of discontinued business component	
Loss (gain) on sale of investments	
Minority interest	
Changes in operating assets and liabilities:	
Accounts receivable	
Deposits and other assets	
Deferred costs	
Accounts payable	
Accrued and other liabilities	
Deferred revenue	
Discontinued business component	
Net cash provided by operating activities	---
Cash flows from investing activities:	
Purchases of property and equipment	
Proceeds from sale of discontinued business component	
Sales and maturity of investments	
Purchase of investments	(
Acquisition of limited partnership interest (note B)	
Repayments of notes receivable	
Purchases of property and equipment of discontinued business component	
Net cash provided by investing activities	---
Cash flows from financing activities:	
Repayments of notes payable	
Repayments of capitalized leases	
Minority interest distributions	
Minority interest contributions	

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Net cash used in financing activities	
Net increase in cash and cash equivalents	
Cash and cash equivalents at beginning of year	
Cash and cash equivalents at end of year	\$

The accompanying summary of accounting policies and footnotes are an integral part of these cons

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

Cash paid during the year for:	
Interest	\$
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 C).	\$
In January 2004, the Company acquired additional partnership interests with a note payable to the sellers (see note B).	\$
Changes in other comprehensive income (loss) - unrealized appreciation on available -for- sale securities.	\$
In March 2003, the Company issued 209,300 shares of stock pursuant to a deferral of preferred stock dividend.	\$

The accompanying summary of accounting policies and footnotes are an integral part of these cons

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

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

1. Organization

Effective October 2002, AMEN formed NEMA Properties, LLC ("NEMA"), a Nevada limited liability company; AMEN Minerals, LP ("Minerals"), a Delaware

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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.

The Company's business purpose is to acquire investments in commercial real estate, oil and gas royalties and stabilized cash flowing businesses or assets. As of December 31, 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 is positioned to enter 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. Restatement of Previously Issued Financial Statements

The Company's consolidated financial statements as of December 31, 2004 and 2003 have been restated to reflect reclassification of the operations of and the gain on the sale of assets related to a certain discontinued business component, see Note C.

The effects of the restatement on the Consolidated Statement of Income for the years ended December 31, 2004 are as follows:

	As
	r

Rental revenue	\$
Operating expenses	

Income from operations	
Other income (expense)	
Minority interest	

Net loss from continuing operations	
Net income from discontinued business component	
Gain on sale of assets of discontinued business component	

Net income	===

The accompanying summary of accounting policies and footnotes are an integral part of these consoli

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December 31, 2004 and 2003

The effects of the restatement on the Consolidated Balance Sheet and Consolidated Statement of Income as of and for the year ended December 31, 2003, are as follows:

Consolidated Balance Sheet

Accounts receivable	\$
Other current assets	
Assets related to discontinued business component	
Property plant and equipment	
Deferred costs	
Non-current rents receivable	
Non-current assets related to discontinued business component	
Accounts payable	
Accrued liabilities	
Deferred revenues	
Current liabilities related to discontinued business component	
Non-current deferred revenues	
Minority interest	
Non-current liabilities related to discontinued business component	\$

Consolidated Statement of Income

Rental revenue	\$
Operating expenses	
Income from operations	
Other income (expense)	
Minority interest	
Net loss from continuing operations	
Net income from discontinued business component	
Net income	\$

3. 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.

4. Cash Equivalents

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The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2004 and 2003

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.

5. Investments

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

6. 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 \$8,922,000 as of December 31, 2004. Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2004.

7. Tenant Accounts Receivable

Management regularly reviews accounts receivable and estimates the necessary amounts to be recorded as an allowance for uncollectibility. 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.

8. 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.

9. Impairment of Long-Lived Assets

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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

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2004 and 2003

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.

10. 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.

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

12. 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

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are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

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% and 35.1% at December 31, 2004 and 2003, respectively.

14. Contingently Convertible Securities

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004 and 2003

The Company has outstanding Series "A" and Series "B" Preferred Stock whose terms enable the holder, under certain conditions, to convert such securities into 849,764 shares of the Company's Common Stock as shown in the following table.

Series	Number of Shares	Purchase Price	Conversion Rate	Number of Common Shares
A	80,000	\$ 2,000,000	\$ 3.2444	616,447
B	50,000	500,000	3.2444	154,111
B	10,000	100,000	3.424	29,206
B	20,000	200,000	4.000	50,000

Conversion of Series "A" and Series "B" 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" and Series "B" 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

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 a result of recording rental revenue on a straight-line basis, accounts receivable include \$75,288 of tenant receivables at December 31, 2003, which was expected to be collected over the remaining lives of the leases. As of December 31, 2004 there were no such tenant receivables.

16. Advertising Expense

All advertising costs are expensed when incurred. Advertising expenses were approximately \$5,000 and \$7,000 for the years ended December 31, 2004 and 2003, respectively.

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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 are expensed as incurred.

18. Earnings (Loss) Per Share

Income from continuing operations has been decreased by preferred stock dividends of approximately \$42,000 for the year ended December 31, 2003. There were no preferred stock dividends for the year ended December 31, 2004 (see note S). The effects of Series "A" and "B" convertible Preferred Stock are not included in the computation of diluted earnings per share for any periods in which their effect is antidilutive.

Disclosures regarding shares and share price have been adjusted to reflect the 1-for-4 reverse stock split dated February 3, 2003 in accordance with accounting principles generally accepted in the United States of America (see note S).

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004 and 2003

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 December 2003, the Financial Accounting Standards Board (FASB) issued a revised Interpretation No. 46, Consolidation of Variable Interest Entities, replacing the original Interpretation issued in January 2003. The revised Interpretation provides guidance on when certain entities should be consolidated or the interests in those entities should be disclosed by enterprises that do not control them through majority voting interest. Under the revised Interpretation, entities are required to be consolidated by enterprises that lack majority voting interest when equity investors of those entities have insignificant capital at risk or they lack voting rights, the obligation to absorb expected losses, or the right to receive expected returns. Entities identified with these characteristics are called variable interest entities and the interests that enterprises have in these entities are called variable interests. These interests can derive from

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certain guarantees, leases, loans or other arrangements that result in risks and rewards that are disproportionate to the voting interests in the entities. The provisions of the revised Interpretation must be immediately applied for variable interest entities created after January 31, 2003 and for variable interests in entities commonly referred to as "special purpose entities." For all other variable interest entities, implementation is required by March 31, 2004.

In July 2003, the FASB issued SFAS No. 149, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 improves financial reporting of derivatives by requiring contracts with comparable characteristics be accounted for similarly. This Statement also incorporates clarifications of the definition of a derivative. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. Management will consider the impact of this Statement on its financial statements for future periods.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope as a liability. Many of those instruments were previously classified as equity such as common or preferred shares that are mandatorily redeemable—that embody an unconditional obligation requiring the issuer to redeem the shares by transferring its assets at a specified date or upon an event that is certain to occur. The provisions of this Statement shall be effective for the first fiscal period beginning after December 15, 2004.

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2004 and 2003

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.

In December 2004, the FASB issued a revised Statement No. 123, 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

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instruments based on the grant date fair value of those instruments, except in certain circumstances. The provisions of this interpretation 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.

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.

Management does not believe the new pronouncements will have a material impact on its financial statements.

21. Reclassifications

Certain reclassifications of prior period amounts have been made to conform to the 2004 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.

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004 and 2003

NOTE C - DISPOSITION OF ASSETS OF 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 minority owners.

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 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 Property

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and two other Midland, Texas office properties owned by TCTB are subject to a lien securing TCTB's \$6,100,000 note payable to Wells Fargo Bank Texas, N.A. The Bank agreed to release its lien on the Property in exchange for a \$2,100,000 restricted certificate of deposit (see note G) 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 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 gross proceeds of \$3,924,141 (net proceeds of \$3,688,094) for its undivided interest in the Property that resulted in a gain on sale of assets of discontinued business component 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 will be used for start-up working capital purposes for W Power and Light, LP, a newly created retail electric provider.

NOTE D - CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at three financial institutions, which at times may exceed federally insured limits. At December 31, 2004 and 2003, the Company had approximately \$3,673,300 and \$2,201,200, 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.

The Company's revenues are derived principally from uncollateralized rents from tenants. The concentration of credit risk in a single industry affects its overall exposure to credit risk because tenants may be similarly affected by changes in economic and other conditions.

NOTE E - ROYALTY INTERESTS

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2004 and 2003

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 year ended December 31, 2004.

NOTE F - CASH, CASH EQUIVALENTS AND INVESTMENTS

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At December 31, 2004 and 2003 the Company's cash and cash equivalents consist of cash in banks of approximately \$4,147,900 and \$2,741,527, respectively.

Securities available-for-sale in the accompanying balance sheet at December 31, 2004 and 2003 total \$62,350 and \$112,575, respectively. The aggregate market value, cost basis, and unrealized gains and losses of securities available-for-sale, by major security type as of December 31, 2004 and 2003 are as follows:

	Market Value	Cost Basis
	-----	-----
As of December 31, 2004:		
Other securities	\$ 62,350	62,350
	=====	=====
	Market Value	Cost Basis
	-----	-----
As of December 31, 2003:		
U.S. Government Debt Securities	\$ 50,225	50,520
Other securities	62,350	62,350
	-----	-----
Total	\$ 112,575	112,870
	=====	=====

The Company recorded net realized (losses) gains of \$(479) and \$120,405 for the years ended December 31, 2004 and 2003, respectively.

NOTE G - RESTRICTED CERTIFICATE OF DEPOSIT

The Company holds a \$2,100,000 certificate of deposit with a financial institution which bears interest of 1.98% and matures on December 28, 2005. The certificate of deposit collateralizes the term note with a financial institution (see note N) 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.

NOTE H - 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, 2004 and 2003, the outstanding principal balance on the note receivable was \$249,555 and \$250,763, respectively. Because the current maturities are not reasonably estimable at December 31, 2004, the entire principal balance is reported as non-current.

The accompanying summary of accounting policies and footnotes are an integral

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part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2004 and 2003

NOTE I - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, consisted of the following at December 31, 2004 and 2003:

	2004

Buildings	\$ 8,447,862
Furniture, fixtures and equipment	90,321
Tenant improvements	163,300
Land	158,998

	8,860,481
Less: accumulated depreciation	(873,883)

	\$ 7,986,598
	=====

Depreciation expense for 2004 and 2003 was \$266,165 and \$247,630, respectively.

NOTE J - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at December 31:

	2004

Accrued property taxes	\$ 185,344
Other liabilities	134,154

	\$ 319,498
	=====

NOTE K - DEFERRED REVENUE

Deferred revenue mainly consists of prepaid rent.

NOTE L - INCOME TAXES

There was no income tax expense or benefit to report for the years ended December 31, 2004 and 2003. 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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	2004

Computed at the expected statutory rate	\$ 272,000
Less valuation allowance	(272,000)

Income taxes	\$ -
	=====

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2004 and 2003

Noncurrent deferred tax assets and liabilities at December 31, 2004 and 2003 were as follows:

	2004

Deferred tax assets	
Net operating loss carry-forward	\$ 10,506,860
Start-up costs	42,977
Other	30,963

Gross deferred tax assets	10,580,800
Deferred tax liabilities	
Rents receivable	-
Property, plant and equipment	(109,686)
Other	-

Gross deferred tax liabilities	(109,686)
Valuation allowance	(10,471,114)

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

As of December 31, 2004, the Company has net operating loss carry-forwards totaling approximately \$30,774,000 for federal and state income tax purposes expiring in 2012 through 2022.

NOTE M - 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 consisted of three office properties, two located in Midland,

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Texas and one located in Lubbock, Texas, and comprised an aggregate of approximately 639,259 square feet of gross leaseable area. The Lubbock, Texas building was sold on December 29, 2004 (see note C). 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 the year ending December 31, 2004 and 2003, respectfully.

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2004 and 2003

December 31, 2004:

	REP	Continuing Real Estate Operations	Discontinued Real Estate Component	Other and Corporate	Total
Revenues from external customers	\$ -	2,461,629	1,848,257	-	4,309,886
Depreciation, amortization and depletion	864	285,786	144,418	13,692	444,760
Interest expense	-	579,487	-	-	579,487
Segment net income (loss)	(157,705)	75,926	1,299,245	(416,211)	801,255
Segment assets	159,453	14,001,398	-	810,413	14,971,264
Expenditures for segment assets	\$ 25,919	526,663	4,798	8,569	565,949

December 31, 2003:

	REP	Continuing Real Estate Operations	Discontinued Real Estate Component	Other and Corporate	Total
Revenues from external customers	\$ -	2,412,243	1,932,856	-	4,345,099
Depreciation, amortization and depletion	-	267,179	140,399	757	408,335
Interest expense	-	612,319	-	42,000	654,319

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Segment net income					
(loss)	-	35,665	496,763	(140,599)	391,829
Segment assets	-	9,361,802	4,295,405	1,399,684	15,056,891
Expenditures for segment assets	\$ -	134,981	13,811	2,726	151,518

NOTE N - LONG-TERM OBLIGATIONS

On June 5, 2002, TCTB entered into a loan agreement 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, which is approximately \$309,000 at December 31, 2004), 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 (c) a final judgment or order for the payment of money in excess of \$100,000.

Delaware entered into nine promissory 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 equal to the Wall Street Journal Prime Lending Rate plus .15% (4.9% at December 31, 2004). 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

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2004 and 2003

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 (see note C) 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 in January 2005. This payment is in excess of the required payment and is shown in the current maturities table below for the year 2005.

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Delaware entered into a promissory note 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%.

Maturities of long-term debt at December 31, 2004 are as follows:

2005	\$ 1,634,935
2006	258,968
2007	276,383
2008	296,336
2009	6,644,467

Total	9,111,089
Less current portion	1,634,935

Long-term portion	\$ 7,476,154

NOTE O - RELATED PARTY TRANSACTIONS

At December 31, 2004 and 2003, related parties leased from TCTB, office space of approximately 32,000 and 29,000 square feet, respectfully. TCTB received rental income from these related parties of approximately \$264,000 and \$260,000 during the year ended December 31, 2004 and 2003, 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 Office 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 E).

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004 and 2003

NOTE P - COMMITMENTS AND CONTINGENCIES

The Company is subject to claims and lawsuits which arise primarily in the

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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.

NOTE Q - RENTAL ARRANGEMENTS

The Company has rented facilities under operating leases. Future minimum lease payments under non-cancelable operating leases aggregate \$3,939,591 as of December 31, 2004 and are due as follows:

	Future Minimum Rent	Percentage of Total Space Under Lease Expiring
	-----	-----
2005	\$ 1,630,371	41%
2006	1,038,191	26%
2007	940,511	24%
2008	214,824	6%
2009	115,669	3%
Thereafter	25	0%
	-----	-----
Total	\$ 3,939,591	100%
	=====	=====

Of the above leases, future minimum lease payments under non-cancelable operating leases to related parties aggregate \$160,417 as of December 31, 2004 and are due as follows:

2005	\$ 123,842	
2006	19,950	
2007	16,625	

	\$ 160,417	
	=====	

NOTE R - SIGNIFICANT TENANTS

For the years ended December 31, 2004 and 2003, the Company had two customers that accounted for more than ten-percent of the Company's revenue as follows:

	2004	2003
	-----	-----
Pioneer Natural Resources	356,000	356,000
Bank of America	591,000	594,000
	-----	-----
Total	\$ 947,000	950,000
	=====	=====

For the years ended December 31, 2004 and 2003, the Company had one significant tenant applicable to its discontinued business component as follows:

	2004	2003
	-----	-----
Wells Fargo Bank Texas, N.A.	\$ 662,000	668,000
	=====	=====

The accompanying summary of accounting policies and footnotes are an integral

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part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004 and 2003

Effective December 31, 2004, the Company disposed of the building containing the Wells Fargo Bank Texas, N.A. lease (see note C).

NOTE S - STOCKHOLDERS' EQUITY

At a special meeting held January 30, 2003, the Company's stockholders approved a 1-for-4 reverse stock split, which became effective on February 3, 2003. This action brought the closing bid price of AMEN's common stock over the \$1.00 per share criteria required before the February 14, 2003 deadline issued by the NASDAQ Listing Panel. Disclosures regarding shares and share price have been adjusted to reflect the 1-for-4 reverse stock split in accordance with generally accepted accounting principles in the United States of America. The Company entered into agreements effective May 30, 2003 with its Series A and Series B Preferred Shareholders pursuant to which the Preferred Shareholders agreed to the suspension of the accrual of dividends on the Series A and Series B Preferred Stock from and after April 1, 2003. Additionally, the Company agreed to declare and pay the accrued and unpaid dividends of \$360,000 on the Preferred Stock through March 31, 2003 in shares of the Company's common stock. As a result, the Company issued 209,300 unregistered shares of common stock of the Company to satisfy the accrued dividend as of March 31, 2003. Further, the Company received shareholder approval at the 2004 annual stockholder 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 (see note A13).

NOTE T - 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, 2004, all options available under the 1997 Plan have been granted: 373,609 options are outstanding, 43,160 warrants are outstanding to directors included in the plan, and 62,579 options have been exercised.

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 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

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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, 2004, 81,384 options from the 1998 Plan have been granted and are outstanding.

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2004 and 2003

At December 31, 2004 and 2003, the Company had outstanding options to sell 130,671 shares of common stock, respectively, to various current officers and directors of the Company at exercise prices ranging from \$35.24 to \$1.98 per share. As of December 31, 2004 and 2003, options for 85,748 shares are vested, respectively. The options expire ten years from the date granted.

At December 31, 2004 and 2003, the Company had outstanding options to sell 10,188 and 10,992 shares of common stock, respectively, to various outside consultants at exercise prices ranging from \$61.36 to \$6.67 per share. As of December 31, 2004 and 2003, options for 10,188 and 10,992 were vested, respectively. The options expire ten years from the date granted.

At December 31 2004 and 2003, the Company had outstanding options granted to employees, ex-employees and previous directors for 357,294 shares of common stock at exercise prices ranging from \$61.00 to \$3.20 per share. As of December 31, 2004 and 2003, options for 345,967 shares are vested. The options expire through 2012.

The table below summarizes the stock option activity for the years ending 2004 and 2003, followed by summary table. The figures herein, as above, reflect the impact of a 1-for-4 stock split approved by stockholders on January 30, 2003. See note S.

Options Outstanding -----	Number of Shares -----	Per Exerc -----
Outstanding, December 31, 2002	492,220	\$ 3.5
Options granted	14,450	\$ 1.98
Options forfeited	(50,872)	\$ 3.50
Outstanding, December 31, 2003	455,798	\$ 1.98
Options forfeited	(805)	\$ 31.5
Outstanding, December 31, 2004	454,993	\$ 1.98
	=====	=====

At December 31, 2004 the weighted average price of options granted outstanding was \$14.52 and the weighted average contractual maturity of options granted outstanding was 3.61 years.

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The Company accounts for its options granted to employees in accordance with APB 25. Stock-based awards to non-employees are accounted for under the provisions of SFAS No. 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 No. 123, the Company's net income and net income per share for the years ended December 31, 2004 and 2003 would have been decreased to the proforma amounts indicated below:

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2004 and 2003

	2004	2003
Net loss from continuing operations, as reported	\$ (497,990)	(104,934)
Deduct: Total stock-based employee compensation expense determined under fair value based method	(21,576)	(102,124)
Net loss from continuing operations, pro forma	(519,566)	(207,058)
Net income from discontinued business component	394,127	496,763
Gain on sale of assets of discontinued business component	905,118	-
Net income, pro forma	\$ 779,679	289,705
As reported: Net income (loss) per common share (basic):		
Net loss from continuing operations	\$ (.23)	(.05)
Net income from discontinued business component	.18	.24
Gain on sale of assets of discontinued business component	.41	-
As reported	\$.36	.19
Pro forma: Net income per common share (basic):		
Net loss from continuing operations	\$ (.24)	(.10)
Net income from discontinued business component	.18	.24
Gain on sale of assets of discontinued business component	.41	-

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Pro forma	\$.35	.14
	=====		=====
As reported: Net income per common share (diluted):			
Net loss from continuing operations	\$	(.16)	(.04)
Net income from discontinued business component		.13	.17
Gain on sale of assets of discontinued business component		.29	-
	-----		-----
As reported	\$.26	.13
	=====		=====
Pro forma: Net income per common share (diluted):			
Net loss from continuing operations	\$	(.17)	(.07)
Net income from discontinued business component		.13	.17
Gain on sale of assets of discontinued business component		.29	-
	-----		-----
As reported	\$.25	.10
	=====		=====

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2004 and 2003

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, 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. For the year ended December 31, 2003, 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 64.9%, depending on the grant date; and an expected term of ten years.

NOTE U - 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 15% of compensation or \$13,000 in 2004 or \$12,000 in 2003, whichever is lower. The Company is not required to contribute to the 401(k) plan. The Company made discretionary contributions of approximately \$10,000 and \$2,000 for 2004 and 2003, respectively.

NOTE V - SUBSEQUENT EVENTS

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On February 28, 2005 the Company entered into a loan agreement (the "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 obligated to advance more than \$2,500,000. Borrowings under the Note are subject to a borrowing base equal to the lessor 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. 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.

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2004 and 2003

On February 3, 2005, the Company finalized an agreement involving a private placement under Regulation D of a new series of preferred stock (the "Series C Preferred") 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 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 above. 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 Preferred ranks equally to the Company's outstanding Series A Preferred Stock (the "Series A Preferred") and the outstanding Series B Preferred Stock (the "Series B Preferred") 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 Preferred, Series B Preferred, Series C Preferred and the Common Stock are equal as to the payment of dividends. Each share of Series C Preferred is convertible into four shares of Common Stock, for a total of 500,000 shares, subject to adjustment

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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. The complete terms of the securities are set forth in the Certificate of Designation and form of Warrant, which are attached hereto as exhibits.

To assure that the Company is in full compliance with Nasdaq marketplace rules, (i) the conversion of the Series C Preferred and the exercise of the Warrants are subject to a cap in the number of shares of Common Stock issuable upon such conversion or exercise equal to twenty percent (20%) of the number of shares of Common Stock outstanding on March 1, 2005 unless and until the issuance and sale of the Series C Preferred and the Warrants are approved by the stockholders of the Company under such rules of the Nasdaq Stock Market, (ii) the officers and directors purchasing securities under the Amended Purchase Agreement (being Eric Oliver, Jon Morgan and Bruce Edgington) are further restricted from converting or exercising the purchased securities until the transaction is approved by the stockholders of the Company or they exchange the purchased securities for similar securities with a greater conversion/exercise price, and (iii) the voting rights of the Series C Preferred are limited and restricted as set forth in the Certificate of Designation.

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2004 and 2003

NOTE W - QUARTERLY FINANCIAL DATA

Condensed consolidated statements of operations - Quarterly (Unaudited)

	2004				T
	March 31	June 30	Quarter ended September 30	December 31	
Rental revenue	\$ 591,022	588,687	627,426	654,494	2,
Operating expenses, excluding start-up costs	472,605	519,732	514,031	678,874	2,
Start-up costs	-	-	79,660	77,181	
Total operating expense	472,605	519,732	593,691	756,055	2,
Income (loss) from continuing operations	118,417	68,955	33,735	(101,561)	
Interest income	3,451	2,604	2,641	3,250	
Interest expense	(133,409)	(147,183)	(146,518)	(152,377)	(
Other income (expense)	16,882	15,593	15,987	18,874	

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Total other income (expense)	(113,076)	(128,986)	(127,890)	(130,253)	(
Income (loss) from continuing operations before income taxes and minority interest	5,341	(60,031)	(94,155)	(231,814)	(
Income taxes	-	-	-	-	(
Minority interest	(33,506)	(28,411)	(28,404)	(27,010)	(
Net (loss) from continuing operations	(28,165)	(88,442)	(122,559)	(258,824)	(
Net income from discontinued business component	120,772	117,535	109,191	46,629	
Gain on sale of assets of discontinued business component	-	-	-	905,118	
Net income from discontinued business component	120,772	117,535	109,191	951,747	1,
NET INCOME (LOSS)	\$ 92,607	29,093	(13,368)	692,923	
Net income (loss) per common share (basic)					
Loss from continuing operations	\$ (.01)	(.04)	(.06)	(.12)	
Discontinued business component	.05	.05	.05	.03	
Gain on sale of assets of discontinued business component	-	-	-	.41	
Net income	\$.04	.01	(.01)	.32	
Net income (loss) per common share (diluted)					
Net loss from continuing operations	\$ (.01)	(.03)	(.04)	(.08)	
Discontinued business component	.04	.04	.03	.02	
Gain on sale of discontinued business component	-	-	-	.29	
Net income	\$.03	.01	(.01)	.23	
Weighted average number of common shares outstanding - basic	2,201,356	2,201,356	2,201,356	2,201,356	2,
Weighted average number of common shares outstanding - diluted	3,051,079	3,051,079	3,051,079	3,051,120	3,

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Condensed consolidated statements of operations - Quarterly (Unaudited)

	2003				
	March 31	June 30	Quarter ended September 30	December 31	
Rental revenue	\$ 585,265	603,771	610,758	612,449	2,
Operating expenses, excluding start-up costs	415,506	511,980	488,064	588,478	2,
Start-up costs	-	-	-	-	
Total operating expense	415,506	511,980	488,064	588,478	2,
Income from continuing operations	169,759	91,791	122,694	23,971	
Interest income	5,240	6,413	7,700	11,667	
Interest expense	(193,279)	(153,984)	(153,561)	(153,495)	(
Other income (expense)	42,254	27,582	41,570	141,469	
Total other income (expense)	(145,785)	(119,989)	(104,291)	(359)	(
Income (loss) from continuing operations before income taxes and minority interest	23,974	(28,198)	18,403	23,612	
Income taxes	-	-	-	-	
Minority interest	(62,880)	(36,279)	(38,063)	(5,503)	(
Net (loss) from continuing operations	(38,906)	(64,477)	(19,660)	18,109	(
Net income from discontinued business component	145,388	109,418	116,540	125,417	
Gain on sale of assets of discontinued business component	-	-	-	-	
Net income from discontinued business component	145,388	109,418	116,540	125,417	
NET INCOME	\$ 106,482	44,941	96,880	143,526	
Net income (loss) per common share (basic)					
Net loss from continuing operations	\$ (.02)	(.03)	(.01)	.01	
Discontinued business component	.07	.06	.05	.06	
Gain on sale of assets of discontinued business component	-	-	-	-	
Net income	\$.05	.03	.04	.07	

Net income (loss) per common share

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(diluted)					
Net loss from continuing operations	\$	(.02)	(.02)	(.01)	.01
Discontinued business component		.05	.04	.04	.04
Gain on sale of discontinued business component		-	-	-	-
		-----	-----	-----	-----
Net income	\$.04	.02	.03	.05
		=====	=====	=====	=====
Weighted average number of common shares outstanding - basic		1,992,056	2,047,256	2,201,356	2,111,328
		=====	=====	=====	=====
Weighted average number of common shares outstanding - diluted		2,841,779	2,896,979	3,051,079	2,961,051
		=====	=====	=====	=====

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements