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AMEN PROPERTIES INC  
Form 10QSB  
November 14, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the Period Ended September 30, 2006

or

Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Transition Period  
From \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 000-22847

AMEN Properties, Inc.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware

54-1831588

(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer  
Identification No.)

303 W. Wall Street, Suite 2300  
Midland, TX 79701

(Address of Principal Executive Offices)

(432-684-3821)

(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |  | No |  |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes |  | No |  |

Applicable Only to Issuers Involved in Bankruptcy  
Proceedings During the Preceding Five Years

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of

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securities under a plan confirmed by a court. Yes | | No | |

### Applicable Only to Corporate Issuers

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: Common Stock, \$ .01 Par Value:  
2,290,589 shares outstanding as of November 1, 2006.

Transitional Small Business Disclosure Format (check one): Yes | X | No | |

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AMEN Properties, Inc. and Subsidiaries  
CONSOLIDATED BALANCE SHEET  
September 30, 2006  
(Unaudited)

ASSETS

CURRENT ASSETS

Cash and cash equivalents (notes A3, E and I)	\$	2
Accounts receivable (notes A6 and A15)		1
Other current receivable (note C)		6
Other current assets		

Total current assets

RESTRICTED CASH EQUIVALENTS (note E)

PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation of \$85,410 (notes A7, A8 and F)

INVESTMENT IN REAL ESTATE JOINT VENTURE (note G)

ROYALTY INTERESTS, at cost net of accumulated depletion of \$ 32,560 (notes A7, A8 and H)

LONG-TERM INVESTMENTS (notes A4 and I)

MINORITY INTEREST (note A13)

OTHER ASSETS

Goodwill (note A9 and B)		2
Deposits and other assets		

Total other assets

TOTAL ASSETS

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$	
Accrued liabilities (note J)		
Current portion of long-term obligations (note L)		4
Accrued interest payable		
Deferred revenue (note A12)		

Total current liabilities

LONG-TERM OBLIGATIONS, less current portion (note L)

COMMITMENTS AND CONTINGENCIES (note N)

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### STOCKHOLDERS' EQUITY (notes O and P)

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)  
 125,000 Series "C" shares issued and outstanding, convertible into  
     a total of 500,000 shares of common stock at the option of the holders (note A14)  
 Common stock, \$.01 par value, 20,000,000 shares authorized;  
 2,290,589 shares issued and outstanding  
 Additional paid-in capital  
 Accumulated deficit

Total stockholders' equity

### TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

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 STATEMENT OF OPERATIONS For the Three and Nine Months Ended September 30, (Unaudited)

	For the Three Months Ended September 30,		
	2006	2005	
Operating revenue			
Rental revenue	\$ 834,128	\$ 894,749	\$
Energy management fees	809,217	-	
Retail electricity revenue	1,956,012	2,545,563	
Total operating revenue	3,599,357	3,440,312	1
Operating expense			
Cost of goods and services	1,934,621	2,453,362	
Rental property operations	631,300	554,428	
General and administrative	539,056	329,312	
Depreciation, amortization and depletion	112,022	106,284	
Total operating expenses	3,216,999	3,443,386	1
(Loss) income from operations	382,358	(3,074)	

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Other (expense) income			
Interest income	61,023	14,037	
Interest expense	(343,344)	(130,748)	
Gain on sale of investments (note C)	1,405,495	-	
Other (expense) income	(209,399)	11,218	
	-----	-----	
Total other (expense) income	913,775	(105,493)	
	-----	-----	
Income (loss) from continuing operations before income taxes and minority interest	1,296,133	(108,567)	
Income taxes (note A11)	-	-	
Minority interest	(3,547)	(41,899)	
	-----	-----	
NET INCOME (LOSS)	\$ 1,292,586	\$ (150,466)	\$
	=====	=====	=====
Net income (loss) per common share (basis)	\$ .56	\$ (.07)	\$
	=====	=====	=====
Net income (loss) per common share (diluted)	\$ .36	\$ (.07)	\$
	=====	=====	=====
Weighted average number of common shares outstanding - basic	2,290,589	2,203,310	
	=====	=====	=====
Weighted average number of common shares outstanding - diluted	3,640,353	2,203,310	
	=====	=====	=====

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 STATEMENT OF CASH FLOWS  
For the Nine Months Ended September 30,  
(Unaudited)

		2006
		-----
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Net income (loss)		\$ 1,883,397
Adjustments to reconcile net income (loss) to net cash		
Provided by (used in) operating activities:		
Depreciation, depletion and amortization		319,357
Impairment of note receivable		-

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Increase in bad debt expense	16,163
Gain on sale of investments	(1,405,495)
Minority interest	60,256
Changes in operating assets and liabilities:	
Accounts receivable	381,401
Deposits and other assets	117,280
Deferred costs	30,692
Accounts payable	(530,342)
Accrued and other liabilities	161,417
Deferred revenue	(52,086)
	-----
Net cash provided by (used in) operating activities	982,040
	-----
Cash flows from investing activities:	
Purchases of property and equipment	(402,704)
Restricted cash equivalents	(625,736)
Sales and maturity of investments	2,100,000
Net cash acquired in acquisition of limited partnership interest (note B)	283,152
Repayments of notes receivable	50,000
	-----
Net cash provided by (used in) investing activities	1,404,712
	-----
Cash flows from financing activities:	
Repayments of notes payable	(2,354,887)
Net proceeds from issuance of common and preferred stock	-
Net proceeds from exercised warrants	337,495
Minority interest cash distributions	(36,536)
	-----
Net cash (used in) provided by financing activities	(2,053,928)
	-----
Net increase (decrease) in cash and cash equivalents	332,824
Cash and cash equivalents at beginning of period	2,104,428
	-----
Cash and cash equivalents at end of period	\$ 2,437,252
	=====
Non - cash investing and financing activities:	
Effective April 1, 2006, the Company acquired 100% of Priority Power Management, Ltd. and assumed a note payable to sellers (see note B)	\$ 3,230,051
	=====
On September 27, 2006, the Company distributed certain net assets to minority interest owners (see note C)	\$ 369,250
	=====
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  
June 30, 2006  
(Unaudited)

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 limited partnership; and AMEN Delaware, LP ("Delaware"), a Delaware limited partnership, to pursue acquisitions as authorized by stockholders on September 19, 2002. AMEN Properties, Inc. and Subsidiaries is a self-administered and self-managed Delaware corporation. Effective July 2004, AMEN Properties, Inc. and Subsidiaries and affiliates (collectively referred to as the "Company") formed W Power and Light, LP ("W Power"), a Delaware limited partnership to enter into the retail electricity market in Texas. Effective April 1, 2006, AMEN Properties acquired 100% of Priority Power Management, Ltd. a Texas limited partnership, and Priority Power Management, Dallas, Ltd. a Texas limited partnership, (collectively referred to as "Priority Power"). Priority Power is primarily involved in providing energy management services and the Company believes that Priority Power's business is complimentary to the retail electricity provider business conducted by the Company's subsidiary W Power.

The Company's business purpose is to acquire investments in commercial real estate, oil and gas royalties, retail electricity operations and stabilized cash flowing businesses or assets. As of September 30, 2006, the Company, through Delaware's investment in a real estate joint venture, has a commercial real estate portfolio consisting of an ownership of approximately 18% in two office properties located in Midland, Texas comprising an aggregate of approximately 428,560 square feet of gross leasable area. 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 entered the retail electricity market in the state of Texas. On April 1, 2006, the Company, through it's investment in Priority Power, began aggregating electric consumers and negotiating power prices on their behalf with retail electric providers. The real estate operations of the Company are primarily conducted through Delaware of which AMEN is the sole general partner; the retail electricity operations are primarily conducted through W Power of which Amen is the sole general partner; the aggregation of electric consumers is primarily conducted through Priority Power of which Amen is the sole general partner.

2. Basis of Presentation

The consolidated financial statements include the accounts of the Company and its majority-owned/controlled subsidiaries and affiliates. Inter-company 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

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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.

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
September 30, 2006  
(Unaudited)

### 3. Cash Equivalents

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

### 4. Investments

The Company invests in U.S. government bonds and treasury notes, municipal bonds, certificates of deposit, corporate bonds and other securities. Investments with original maturities greater than three months but less than twelve months from the balance sheet date are short-term investments. Those investments with original maturities greater than twelve months from the balance sheet date are long-term investments.

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

### 5. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, investments, accounts receivable, notes receivable, and accounts payable approximate fair value because of the relatively short maturity of these instruments. The fair value of the fixed rate debt, based upon current interest rates for similar debt instruments with similar payment terms and expected payoff dates, would be approximately \$8,008,939 as of September 30, 2006. Disclosure about fair value of financial instruments is based on pertinent information available to management as of September 30, 2006.

### 6. Accounts Receivable

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

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



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The Company estimated the allowance for doubtful accounts related to W Power's billed account receivables to be approximately .2% percent of W Power's retail electricity billed revenue for the three months and nine months ended September 30, 2006. Due to the limited historical data, the Company regularly reviews the accounts receivable and accordingly makes adjustments in estimating the allowance for doubtful accounts.

Priority Power trade accounts receivable arise from aggregation fees and other management services. An allowance for uncollectible accounts receivable is provided, when considered necessary by management, for estimated amounts not expected to be collectible. No allowance was provided or deemed necessary at September 30, 2006. At September 30, 2006 accounts receivable consisted of the following:

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
September 30, 2006  
(Unaudited)

Billed electricity receivables	\$	289,263
Unbilled electricity receivables		661,648
Aggregation fees		437,086
Allowance for doubtful accounts		(57,096)
		-----
Accounts receivable, net	\$	1,330,901
		=====

### 7. Depreciation, Amortization and Depletion

Property, plant and equipment are stated at cost. Depreciation is determined using the straight-line method over the estimated useful lives ranging from three to 36.5 years. Royalty acquisitions are stated at cost. Depletion is determined using the units-of-production method based on the estimated oil and gas reserves.

### 8. Impairment of Long-Lived Assets

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

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with an asset used for the purpose of producing revenue.

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

### 9. Investment in Real Estate Joint Venture

As discussed in Note C to the consolidated financial statements, the Company sold a significant interest in certain real estate and contributed its retained 18.017% undivided ownership interest in the real estate to a joint venture in which the Company has significant continuing involvement

The Company's investment in real estate joint venture is recorded at its remaining net cost, adjusted for its 18.017% joint venture share of earnings (loss) using the equity method of accounting, and joint venture cash contributions and distributions.

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
September 30, 2006  
(Unaudited)

### 10. Goodwill

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 requires that goodwill and other intangible assets with investment lives no longer be amortized. The intangible assets are tested for impairment annually. If there is an impairment, the amount will be expensed and the intangible assets will be written down accordingly.

### 11. Stock-Based Compensation

On January 1, 2006 the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), Accounting for Stock-Based Compensation, to account for its stock-based compensation. In December 2004, the Financial Accounting Standards Board issued SFAS 123(R) effective for small business issuers after December 15, 2005. The new Statement requires mandatory reporting of all stock-based compensation awards on a fair value basis of accounting. Generally, companies are required to calculate the fair value of all stock awards and amortize that fair value as compensation expense over the vesting period of the awards.

### 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

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financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. For the three months and nine months ended September 30, 2006, no income tax exposure has been provided due to the utilization of the Company's net operating losses.

### 13. Deferred Revenue

Deferred revenue consists of prepaid aggregation fees. Deferred revenue is amortized over the life of the aggregation contract for prepaid aggregation fees.

### 14. Minority Interest

Minority interest represents the interest of unit holders of TCTB, other than the Company, in the net earnings and net equity of TCTB. The unit holder minority interest is adjusted at the end of each period to reflect the ownership at that time. The unit holder minority interest in TCTB was approximately 28.7% at September 30, 2006 and 2005.

### 15. Contingently Convertible Securities

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

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
September 30, 2006  
(Unaudited)

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
C	125,000	2,000,000	4.000	500,000

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

### 16. Revenue Recognition

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

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

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

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

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

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
September 30, 2006  
(Unaudited)

The Company's gross revenues for aggregation and other services to our customers are recognized upon delivery and include estimated aggregation fees and other services delivered but not billed by the end of the period.

As of September 30, 2006, the Company recorded unbilled revenue of

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\$164,343 for aggregation fees. Accrued unbilled revenues are based on our estimates of customer usage since the date of the last meter reading provided by the independent system operators or electric distribution companies. Volume estimates are based on average daily volumes, estimated customer usage and applicable customer aggregation rates. Unbilled revenues are calculated by multiplying volume estimates by our estimated rates by customer. Estimated amounts are adjusted when actual usage and rates are known and billed.

### 17. Income (Loss) Per Share

Income (loss) per share is computed based on the weighted average common shares and common stock equivalents outstanding during each period. The effects of Series A, Series B and Series C Convertible Preferred Stock are not included in the computation of diluted earnings per share for any periods in which their effect are antidilutive.

### 18. 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.

### 19. New Accounting Pronouncements

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

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140. This Statement amends FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, with respect to the accounting for separately recognized servicing assets and servicing liabilities. The provisions of this Statement shall be effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
September 30, 2006  
(Unaudited)

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. The provisions of this Statement shall be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

In September 2006, the FASB issued SFAS No. 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment to FASB Statement No. 87, 88, 106, and 132R. This Statement improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a no-for-profit organization. An employer with publicly traded equity securities shall initially apply the requirement to recognize the funded status of a benefit plan and the disclosure requirements as of the end of the fiscal year ending after December 15, 2006. An Employer without publicly traded equity securities shall initially apply the requirements as of the end of the fiscal year ending after June 15, 2007.

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

### NOTE B - BUSINESS COMBINATIONS

On May 25, 2006, the Company completed the acquisition of 100% of Priority Power Management, effective April 1, 2006, for an aggregate consideration of \$3,730,051. Priority Power is primarily involved in providing energy management services and the Company believes that Priority Power's business is complimentary to the retail electricity provider business conducted by the Company's subsidiary W Power. The acquisition resulted in the Company allocating \$2,916,085 of the purchase price to goodwill. This allocation is principally the result of the purchase price being based on a business valuation of Priority Power for the period ended December 31, 2005. The acquisition consisted of \$500,000 of cash paid and promissory notes totaling \$3,230,051 payable to the selling partners of Priority Power. This acquisition has been accounted for under the purchase method of accounting and Priority Power's results of operations for the three months ended June 30, 2006 and September 30, 2006 have been included in the Company's Consolidated Statement of Operations for the period then ended. The purchase price has been allocated based on the estimated fair values of 100% of the acquired partnership interests at the acquisition date as follows:

Goodwill	\$	2,916,085
Fair value of fixed assets acquired		96,467
Fair value of other current assets acquired		460,201
Fair value of liabilities assumed		(525,854)
Note payable to sellers		(3,230,051)
		-----

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Net Cash acquired for the acquisition		(283,152)
Less: total cash acquired		783,152
		-----
Net cash paid	\$	500,000
		=====

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
September 30, 2006  
(Unaudited)

The total amount of goodwill expected to be deducted for tax purposes for the tax year ending December 31, 2006 is \$145,804.

The following summary compares the Company's operating results for the nine months ended September 30, 2006 as reported, to a pro forma of those results prepared on the assumption that the purchase had taken place on January 1, 2006.

	As Reported	Proforma
	-----	-----
Revenues	\$ 12,421,392	13,070,396
	=====	=====
Net income	\$ 1,883,397	2,174,123
	=====	=====
Income per common share (basic)	\$ .84	.97
	=====	=====
Income per common share (diluted)	\$ .52	.60
	=====	=====
Weighted average number of common shares Outstanding - basis	2,247,938	2,247,938
	=====	=====
Weighted average number of common shares Outstanding - diluted	3,597,702	3,597,702
	=====	=====

NOTE C - DISPOSITION OF ASSETS

Effective September 27, 2006, the Company entered into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd. The assets consisted of the following: the twenty-four-story Bank of America Tower, where the Company's headquarters are located, which was completed in 1977 and encompasses 329,178 rentable square feet and a 900 space-parking garage; the related Bank of America 12-lane drive through banking facility; and the twelve story Century Plaza Tower

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which was built in 1979 (renovated in 1990) and has 99,422 rentable square feet. The Properties constituted substantially all of the assets of TCTB prior to the transactions described herein and were subject to a lien to secure a promissory note payable to Wells Fargo Bank Texas, N.A. The partners of TCTB agreed that it was in their best interest to distribute undivided interests in the assets to the partners according to the sharing ratios of the Partnership in connection with the sale of interests, described below, in the assets. The Bank agreed to allow TCTB to distribute the assets to the partners of TCTB in exchange for the payoff of the note as described below. The asset distribution to the TCTB minority interest partners resulted in an approximate \$369,000 reduction in minority interest.

Contemporaneous with the distribution of the Properties, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the Properties to Hampshire Plaza Garage, LLC and S.E.S.

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AMEN Properties, Inc. and Subsidiaries  
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Investments, Ltd., unaffiliated third party purchasers for a privately negotiated price of \$9.0 million. This resulted in the Company, through its wholly owned subsidiary Amen Delaware, LP, selling approximately 74% of its undivided interest in the distributed assets for approximately \$6.4 million (net proceeds of approximately \$3,570,500) with a gain on the sale of approximately \$1,405,500. The sale of approximately 74% of the Company's original 71.348% interest in the assets resulted in the Company retaining approximately 18.017% in an investment in a real estate joint venture.

A separate Purchase Agreement was executed between Buyers and TCTB as nominee for the Selling Partners dated September 29, 2006. While beneficial title to the Properties resided with each partner of TCTB, subsequent and pursuant to the Agreement to Distribute Assets, the Selling Partners agreed that TCTB would continue to hold record title to their interests in the Properties and then transfer record title to an undivided 75% interest in the Properties directly to Buyers in order to facilitate the closing of the Purchase Agreement which occurred on September 29, 2006. Pursuant to the Purchase Agreement, TCTB, the Selling Partners and Buyers agreed to indemnify each other against, and hold each other harmless from all liabilities arising out of ownership, operations or maintenance of the Properties for their respective periods of ownership.

In connection with the Agreement to Distribute Assets the restricted \$2.1 million certificate of deposit that secured the Note was applied to the outstanding balance of the Note resulting in the Note balance of approximately \$3.7 million being distributed to the partners of TCTB Partners, Ltd., approximately \$2.6 million net to the Company. The Note was subsequently paid in full on October 2, 2006 through the application of approximately \$3.9 million of the \$9.0 million sales proceeds under the Purchase Agreement received on October 2, 2006. The remaining \$5.0 million of the sales proceeds (after closing costs)



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were paid to the Selling Partners in accordance with their respective interests in the Properties (approximately \$3.5 million to the Company). The Company plans to use its net proceeds from the sale (i) to pay the remaining balance (approximately \$1.7 million) on certain promissory notes entered into by the Company in connection with its acquisition of partnership interests in TCTB (including approximately \$266,000 to Mr. Jon Morgan, President and COO of the Company, and approximately \$410,000 to an affiliate of Mr. Eric Oliver, Chairman of the Board and CEO of the Company), (ii) for potential real estate acquisition or redevelopment opportunities, (iii) to fund potential capital requirements of its electricity business subsidiaries, W Power and Light, LP and Priority Power Management, LP, (iv) for potential purchases of oil and gas mineral and royalty interests, and (v) for general working capital.

### NOTE D - CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at four financial institutions, which at times may exceed federally insured limits. At September 30, 2006 the Company had approximately \$2,270,635 of uninsured cash and cash equivalents. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks on such accounts.

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

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
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### NOTE E - RESTRICTED CASH EQUIVALENTS

On October 18, 2005 the Company entered into a continuing agreement for commercial and standby letters of credit (the "Letters of Credit") with JPMorgan Chase Bank, N.A., Houston, Texas, ("JPMC"). Under the agreement JPMC may, but is not obligated to, issue one or more standby or commercial letters of credit, on behalf of W Power. The Letters of Credit are generally required in the normal course of business operations to support the Company's obligations to collateralize certain obligations to electric power providers, TDSPs, and ERCOT. Currently the Letters of Credit bear an interest rate of seven-tenths of one percent (0.70%) payable quarterly in advance. In order to support the Letters of Credit, the Company, JPMC and JP Morgan Securities Inc. maintain a tri-party control agreement that creates a security interest in favor of Chase in a certain Money Market Fund the Company maintains with JPMC. At September 30, 2006, the Company had deposits with JPMC totaling \$2,181,000 collateralizing outstanding Letters of Credit.

### NOTE F - PROPERTY, PLANT AND EQUIPMENT

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Property, plant and equipment, at cost, consisted of the following at September 30, 2006:

Furniture, fixtures and equipment	\$	238,368
Less: accumulated depreciation		(85,410)
		-----
	\$	152,958
		=====

Depreciation expense for the nine months ended September 30, 2006 and 2005 was \$313,034 and \$276,032, respectively. Included in the 313,034 of 2006 depreciation expense is \$275,984 of depreciation related to the buildings sold on September 29, 2006.

### NOTE G - INVESTMENT IN REAL ESTATE JOINT VENTURE

Effective September 27, 2006, the Company entered into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd. Contemporaneous with the distribution of the assets, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the assets (see note C). The sale of the Company's undivided interest in the assets resulted in the Company retaining approximate 18.017% undivided interest in the assets described above (see Subsequent Events note Q).

### NOTE H - ROYALTY INTERESTS

The Company, through its wholly-owned subsidiary Amen Minerals, LP, currently owns 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 quarters ended September 30, 2006 and 2005.

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AMEN Properties, Inc. and Subsidiaries  
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Depletion expense for the nine months ended September 30, 2006 and 2005 was \$6,324 and \$10,509, respectively.

### NOTE I - CASH, CASH EQUIVALENTS AND INVESTMENTS

At September 30, 2006 and 2005, the Company's cash and cash equivalents consist of cash in banks of \$2,437,252.

Securities available-for-sale in the accompanying balance sheet at

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September 30, 2006 and 2005 totaled \$62,350. The aggregate market value, cost basis, and unrealized gains and losses of securities available-for-sale, by major security type are as follows:

	Market Value	Cost Basis	Gross Unrealized Losses
	-----	-----	-----
Other securities	\$ 62,350	62,350	-
	=====	=====	=====

NOTE J - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at September 30, 2006:

Accrued settlement expenses	\$	217,284
Accrued corporate tithing		209,266
Accrued TDSP charges		145,869
Accrued sales tax		127,940
Other liabilities		165,447
		-----
	\$	865,806
		=====

NOTE K - OPERATING SEGMENTS

The Company's business activities are mainly comprised of three reportable segments, real estate operations, a retail electricity provider ("REP"), and retail electricity aggregation services.

The commercial real estate portfolio consists of the Company's investment in a real estate joint venture (see notes C and G), consisting of an ownership of approximately 18% in two office properties located in Midland, Texas comprising an aggregate of approximately 428,560 square feet of gross leasable area.

Amen entered the retail electricity market in the state of Texas in July 2004. The retail electricity operations are primarily conducted through W Power of which Amen is the sole general partner. The REP segment will sell electricity and provide the related billing, customer service, collection and remittance services to both residential and commercial customers.

On April 1, 2006, the Company, through it's investment in Priority Power, began aggregating electric consumers and negotiating power prices on their behalf with retail electric providers. The aggregation of electric consumers is primarily conducted through Priority Power of which Amen is the sole general partner.

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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 three and nine months ended September 30, 2006 and 2005, respectively.

Three months ended September 30, 2006:

	REP	Real Estate Operations	Energy Management Services	Other and Corporate	Inter-Company Transaction Eliminations	C
Revenues from external customers	\$ 1,956,012	\$ 834,128	\$ 809,217	\$ -	\$ -	\$ -
Revenues from other operating segments	\$ 305,461	\$ 5,411	\$ -	\$ -	\$ (310,872)	\$ -
Depreciation, amortization and depletion	\$ 3,876	\$ 102,270	\$ 4,583	\$ 1,293	\$ -	\$ -
Interest expense	\$ 60,325	\$ 276,769	\$ 62,582	\$ -	\$ (56,332)	\$ -
Segment net income (loss)	\$ (78,124)	\$ 12,382	\$ 425,750	\$ 988,372	\$ (55,794)	\$ -
Segment assets	\$ 3,859,107	\$ 218,984	\$ 1,075,279	\$ 12,368,839	\$ (99,130)	\$ -
Goodwill	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures for segment assets	\$ 5,722	\$ 325,263	\$ 13,694	\$ 2,245	\$ -	\$ -

Three months ended September 30, 2005:

	REP	Real Estate Operations	Energy Management Services	Other and Corporate	Inter-Company Transaction Eliminations	Co
Revenues from external customers	\$ 2,545,563	\$ 894,749	\$ -	\$ -	\$ -	\$ -
Revenues from other operating segments	\$ 299,519	\$ 4,987	\$ -	\$ -	\$ (304,506)	\$ -
Depreciation, amortization and depletion	\$ 3,160	\$ 76,168	\$ -	\$ 26,956	\$ -	\$ -

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Interest expense	\$ 23,862	\$ 130,692	\$ -	\$ -	\$ (23,806)	\$
Segment net income (loss)	\$ (71,240)	\$ 146,233	\$ -	\$ (201,708)	\$ (23,751)	\$
Segment assets	\$ 2,975,936	\$ 7,614,249	\$ -	\$ 5,816,485	\$ (469,215)	\$
Expenditures for segment assets	\$ 17,167	\$ 33,139	\$ -	\$ 1,325	\$ -	\$

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
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Nine months ended September 30, 2006:

	REP	Real Estate Operations	Energy Management Services	Other and Corporate	Inter-Company Transaction Eliminations	
Revenues from external customers	\$ 8,516,667	\$ 2,418,702	\$ 1,486,023	\$ -	\$ -	\$
Revenues from other operating segments	\$ 794,572	\$ 20,797	\$ -	\$ -	\$ (815,369)	\$
Depreciation, amortization and depletion	\$ 10,985	\$ 293,522	\$ 7,400	\$ 7,450	\$ -	\$
Interest expense	\$ 163,776	\$ 553,767	\$ 125,165	\$ 136	\$ (152,633)	\$
Segment net income (loss)	\$ 348,016	\$ 210,312	\$ 687,921	\$ 789,243	\$ (152,095)	\$
Goodwill	\$ -	\$ -	\$ 2,916,085	\$ -	\$ -	\$
Segment assets	\$ 3,859,107	\$ 218,984	\$ 1,075,279	\$ 12,368,839	\$ (99,130)	\$
Expenditures for segment assets	\$ 10,306	\$ 381,495	\$ 14,496	\$ (3,593)	\$ -	\$

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Nine months ended September 30, 2005:

	REP	Real Estate Operations	Energy Management Services	Other and Corporate	Inter-Company Transaction Eliminations	Co
Revenues from external customers	\$ 3,981,948	\$ 2,237,068	\$ -	\$ -	\$ -	\$ -
Revenues from other operating segments	\$ 572,345	\$ 18,287	\$ -	\$ -	\$ (590,632)	\$ -
Depreciation, amortization and depletion	\$ 6,460	\$ 214,930	\$ -	\$ 81,400	\$ -	\$ -
Interest expense	\$ 46,757	\$ 353,262	\$ -	\$ 91,185	\$ (97,961)	\$ -
Segment net income (loss)	\$ (335,867)	\$ 273,948	\$ -	\$ (416,941)	\$ (46,594)	\$ -
Segment assets	\$ 2,975,936	\$ 7,614,249	\$ -	\$ 5,816,485	\$ (469,215)	\$ -
Expenditures for segment assets	\$ 32,662	\$ 436,510	\$ -	\$ 6,807	\$ -	\$ -

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
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NOTE L - LONG-TERM OBLIGATIONS

On June 5, 2002, TCTB entered into a loan agreement (the "TCTB Note") with a financial institution for a term note of \$6,800,000. The term note bears interest at a fixed rate per annum of 7.23%. TCTB is making monthly payments of principal and interest in the amount of \$53,663 for the term note until maturity of the note on May 31, 2009. The loan agreement is secured by substantially all of the assets of TCTB. The loan agreement restricts cash distributions to TCTB's owners. TCTB shall not declare or pay any distributions in excess of tax liability due annually (but in any event, no more than 40% of net income), either in cash or any property to any owners. The loan agreement also contains other customary conditions and events of default, the failure to comply with, or occurrence of, would prevent any further borrowings and would generally require the repayment of any outstanding borrowings along with accrued interest under the loan agreement. Such events of default include (a) non-payment of loan agreement debt and interest thereon, (b) non-compliance with the terms of the credit agreement covenants, (c) cross-default with other debt in certain circumstances, (d) bankruptcy and (e) a final judgment or order for

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the payment of money in excess of \$100,000. Effective September 27, 2006, the Company entered into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd. (see note C). The Bank agreed to allow TCTB to distribute the assets to the partners of TCTB in exchange for the payoff of the note. In connection with the Agreement to Distribute Assets the restricted \$2.1 million certificate of deposit that secured the Note was applied to the outstanding balance of the Note resulting in the Note balance of approximately \$3.7 million being distributed to the partners of TCTB Partners, Ltd., approximately \$2.6 million net to the Company.

On March 3, 2006 TCTB entered into a loan agreement with a financial institution for a revolving line of credit note (the "Line of Credit") of \$300,000. The line of credit bears interest at a variable rate per annum equal to the Prime Rate, currently 8.25% as of September 30, 2006. The proceeds from the Note are intended to be used to fund potential tenant lease improvements provided for in new tenant lease agreements at TCTB. The loan agreement is secured by substantially all of the assets of TCTB.

Delaware entered into nine promissory notes (the "Delaware Notes"), certain of which are with related parties, in an aggregate amount of \$2,789,087, to purchase the 64.9% ownership interest in TCTB on October 1, 2002. The notes are due in annual payments of principal and interest beginning April 1, 2005 with a final maturity of May 31, 2009. The interest rate is currently 6.9% and is adjusted each October 1 to equal the Wall Street Journal Prime Lending Rate (6.75% at October 31, 2005) plus .15%. The annual payments are equal to a set percentage, ranging from 1% to 16% of the future net operating loss benefit of the Company. The net operating loss benefits are calculated as the dollar value of the federal income tax benefit to the Company of the net operating loss calculated in accordance with the Internal Revenue Code, for the calendar year preceding the date of each annual

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AMEN Properties, Inc. and Subsidiaries  
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payment. Due to the distribution and sale of the assets of TCTB in late September 2006, the Company elected to forgo the payment as described above and paid the remaining balance of the principal balance along with the entire accrued interest balance during October 2006, (see note Q).

Delaware entered into a promissory note (the "Hexagon Note") on February 18, 2004, effective January 1, 2004 in the amount of \$250,778 to purchase an additional 6.485% ownership interest in TCTB. The note is due in quarterly installments of principal and interest beginning on March 1, 2004 with a final maturity of January 1, 2010. The term note bears interest at a fixed rate per annum of 5%. Due to the distribution and sale of the assets of TCTB in late September 2006, the Company elected to pay the remaining balance of the principal balance along with the accrued interest balance during October 2006, (see note Q).

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On February 28, 2005 the Company entered into a loan agreement (the "WNB Note") with Western National Bank, Midland, Texas. The Note is a certain Revolving Line of Credit in an amount of \$5,000,000. Under the Note, the Bank may, but is not obligated to advance more than \$2,500,000. Borrowings under the Note are subject to a borrowing base equal to the lesser amount of: (a) \$5,000,000 or (b) seventy-five percent (75%) of the eligible customer receivables of the Company and its subsidiary W Power. The Note bears a variable interest rate equal to the Prime Rate, defined as the prime rate in the money rate table of The Wall Street Journal, a Dow Jones publication, as of each business day (8.25% at September 30, 2006). 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.

NEMA entered into twenty-two promissory notes (the "NEMA Notes") on May 18, 2006, effective April 1, 2006 totaling \$3,230,051 to purchase 100% ownership interest in Priority Power Management, Ltd, a Texas limited partnership, and Priority Power Management Dallas, Ltd, a Texas limited partnership. The notes are due in quarterly installments of principal and interest beginning on September 30, 2006 with a final maturity of December 31, 2013. The term notes bear interest at a fixed rate per annum of 7.75%.

Long-term debt as of September 30, 2006:

	Long-term Portion	Current Portion	Total
	-----	-----	-----
TCTB note	\$ -	\$ 2,611,928	\$ 2,611,928
Delaware notes	-	1,394,543	1,394,543
Hexagon note	-	145,064	145,064
Line of credit	-	-	-
WNB note	-	-	-
NEMA notes	2,812,154	337,494	3,149,648
	-----	-----	-----
Total	\$ 2,812,154	\$ 4,489,029	\$ 7,301,183
	=====	=====	=====



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Maturities of long-term debt at September 30, 2006 are as follows:

2006		\$	4,489,029	
2007			364,420	
2008			393,494	
2009			424,888	
2010			1,629,352	-----
Total			7,301,183	
Less current portion			4,489,029	-----
Long-term portion			\$ 2,812,154	=====

### NOTE M - RELATED PARTY TRANSACTIONS

At September 30, 2006 and 2005, related parties leased from TCTB, office space of approximately 32,000 square feet. TCTB received rental income from these related parties of approximately \$84,373 and \$77,388 during the quarters then ended, respectively.

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

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

	Number of Preferred C Shares	Common Stock Equivalent	Preferred C Voting Equivalent		
	-----	-----	-----		-----
Eric Oliver	14,063	56,252	52,877	\$	
Jon M. Morgan	14,062	56,248	52,873		
Bruce Edgington	3,125	12,500	11,750		
Total	31,250	125,000	117,500	\$	=====

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

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

On May 18, 2006, Jon M. Morgan and Bruce Edgington exercised their outstanding warrants (described above) for a total exercise price of \$112,496 and \$25,000, respectively. Mr. Morgan received 28,124 shares of common stock and Mr. Edgington received 6,250 shares of common stock upon the exercise of their stock warrants.

On May 25, 2006, the Company completed its acquisition of all of the outstanding partnership interests in Priority Power pursuant to a Securities Purchase Agreement by and between the Company and its subsidiary, NEMA and the partners of Priority Power dated May 18, 2006. The total purchase price was \$3,730,051, comprised of (i) \$500,000 in cash, and (ii) promissory notes with the aggregate principal amount of \$3,230,051 (see note L) from the Company and NEMA and payable to the sellers. There are several business relationships among Priority Power, its partners, the Company and its subsidiaries, and their respective affiliates. The Company's retail electricity provider subsidiary, W Power, has contractual relationships with Priority Power with respect to providing electricity to less than 0.2% of Priority Power's clients and the Company believes W Power will not provide energy to any Priority Power clients in the future. Additionally certain of the selling partners of Priority Power are customers of W Power none of which are considered significant customers. In addition, certain of the selling partners of Priority Power are also five percent or more stockholders of the Company or affiliates of stockholders of the Company, including an affiliate of Jon M. Morgan, the President and Chief Operating Officer of the Company, and Eric L. Oliver, the Chairman of the Board of Directors and the Chief Executive Officer of the Company. Jon M. Morgan is a fifty percent owner of Anthem Oil and Gas, Inc which was a selling limited partner of Priority Power. Mr. Morgan also owned a one third interest in the selling general partner of Priority Power Management, Ltd. Eric L. Oliver owned a thirty-seven and a half percent interest in a selling limited partner of Priority Power, Oakdale Ventures, Ltd.

The following table reflects the portion of the Company's long-term debt payable to related parties:

	Delaware notes	Total
NEMA notes		

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Eric Oliver, CEO	\$	24,142	-	\$	24,142
Jon M. Morgan , COO		571,063	-		571,063
5% Shareholders		1,109,003	-		1,109,003
Total	\$	1,704,208	-	\$	1,704,208

Effective September 27, 2006, the Company entered into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd. Contemporaneous with the distribution of the Properties, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the Properties to Hampshire Plaza Garage, LLC and S.E.S. Investments, Ltd., unaffiliated third party purchasers for a privately negotiated price of \$9.0 million (see note C).

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Mr. Jon Morgan, COO of the Company, and his affiliate were among the Selling Partners and the sale of their undivided interest in the Properties resulted in Mr. Morgan receiving a net check in the amount of \$79,317. Mr. Morgan is also an owner and officer of the General Partner of TCTB, and took actions in such capacity in connection with this transaction in addition to acting as an officer of the Company. As an owner of such General Partner, Mr. Morgan indirectly received an additional \$5,300 from the sale of the General Partner's interest in the Properties

NOTE N - COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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

Power Purchase Contracts

Certain contracts to purchase electricity provide for capacity payments to ensure availability and provide for adjustments based on the actual power taken under the contracts. Expected annual future capacity payments under existing agreements are estimated as follows as of September 30, 2006:

2006	\$	853,169
2007		825,852
2008		148,960

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Total \$ 1,827,981  
=====

NOTE O - STOCKHOLDERS' EQUITY

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

The Series C ranks equally to the Company's outstanding Series A and the outstanding Series B and prior to the Common Stock, par value \$.01 per share, of the Company (the "Common Stock") upon liquidation of the Company. The Series A, Series B, Series C and the Common Stock are

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equal as to the payment of dividends. Each share of Series C is convertible into four shares of Common Stock, for a total of 500,000 shares, subject to adjustment pursuant to anti-dilution provisions. The Warrants are exercisable into a total of 250,000 shares of Common Stock at an initial exercise price of \$4.00 (also subject to adjustment pursuant to anti-dilution provisions), and expire three years from the date of issuance.

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

On May 18, 2006, the Company issued 84,374 shares of common stock for \$337,496 upon the exercise of certain stock warrants (described above) covering 84,374 shares with a strike price of \$4.00.

NOTE P - STOCK OPTION PLAN

Since the inception of the Company, various options have been granted by the Board of Directors to founders, directors, employees,

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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 September 30, 2006, all options available under the 1997 Plan have been granted: 62,579 options have been exercised, and 188,221 options are outstanding which are fully vested and range in price from \$3.50 to \$61.36 and have a weighted average contractual maturity of 2.27 years.

The 1998 Stock Option Plan ("1998 Plan") was approved by the Board of Directors in April 1998, with an 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 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 September 30, 2006, 4,859 options have been exercised and 113,381 options are outstanding and are fully vested and range in price from \$1.98 to \$45.50 and have a weighted average contractual maturity of 6.48 years.

Effective January 1, 2006, the Company adopted SFAS No. 123(R) utilizing the modified prospective approach. The modified prospective approach applies to new awards and to awards that were outstanding on January 1, 2006 that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006 and all share-based payments granted subsequent to January 1, 2006 should be recognized as compensation expense in accordance with the provisions of SFAS 123 (R). Under the modified

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED  
September 30, 2006  
(Unaudited)

prospective approach prior periods are not restated to reflect the impact of adopting the new standard. The share-based payments fair value is estimated on the date of grant using the Black-Scholes option-pricing model. As of January 1, 2006 the Company's outstanding options for the 1997 Plan and 1998 Plan were fully vested and for the three and nine months ended September 30, 2006 the Company did not issue any stock based compensation under the 1997 Plan or the 1998 Plan. As such the Company did not have any stock based compensation expense to recognize during the three and nine months ended September

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30, 2006.

The table below summarizes the stock option activity for the three and nine months ended September 30, 2006:

Options Outstanding -----	Options Outstanding -----	Weighted Average Price -----
Outstanding December 31, 2005	433,603	\$ 14.06
Options exercised	-	-
Options forfeited	(16,167)	12.48
Options issued	-	-
-----		
Outstanding March 31, 2006	417,436 =====	14.12
Options exercised	-	-
Options forfeited	(2,692)	16.00
Options issued	-	-
-----		
Outstanding June 30, 2006	414,744	14.11
Options exercised	-	-
Options forfeited	(113,142)	17.15
Options issued	-	-
-----		
Outstanding September 30, 2006	301,602 =====	\$ 14.11

At September 30, 2006 the 301,602 outstanding options are fully vested and exercisable. They range in price from \$1.98 to \$61.36 and have a weighted average contractual maturity of 3.85 years

The table below summarizes the stock option activity for the three and nine months ended September 30, 2005:

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Options Outstanding	Options Outstanding	Weighted Average Price
-----	-----	-----
Outstanding December 31, 2004	454,993	\$ 13.05
Options exercised	-	-
Options forfeited	(13,620)	14.07
Options issued	-	-
	-----	
Outstanding March 31, 2005	441,373	14.06
	=====	
Options exercised	-	-
Options forfeited	(13,620)	14.07
Options issued	-	-
Outstanding June 30, 2005	427,753	14.00
	=====	
Options exercised	(4,859)	
Options forfeited	(13,620)	14.07
Options issued	-	
	-----	
Outstanding September 30, 2005	409,274	\$ 14.02
	=====	

At September 30, 2005 the 409,274 outstanding options are fully vested and exercisable. They range in price from \$1.98 to \$61.36 and had a weighted average contractual maturity of 3.38 years.

NOTE Q - SUBSEQUENT EVENTS

On October 2, 2006 the Company received approximately \$6,399,000 on the sale of approximate 74% of its undivided interest in the distributed assets from TCTB. The proceeds were used to pay off the balance of approximately \$2,612,000 on the loan (the "TCTB note") that secured substantially all of the assets distributed by TCTB. Additionally, the Company paid off the balance, approximately \$1,395,000 of the nine promissory notes (the "Delaware notes"), that the Company entered into on October 1, 2002, certain of which are with related parties, to purchase the initial 64.9% ownership interest in TCTB on October 1, 2002. The Company also paid the balance, approximately \$145,064, on a promissory note (the "Hexagon Note") the Company entered into on February 18, 2004 to purchase an additional 6.485% ownership interest in TCTB.

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### ITEM 2. Management's Discussion and Analysis or Plan of Operation

The following discussion and analysis should be read in conjunction with the Company's unaudited consolidated financial statements for the three and six month periods ended June 30, 2006 and 2005, and related footnotes presented in Item 1 and the Company's December 31, 2005 Form 10-KSB.

#### Overview

AMEN Properties, Inc., (the "Company") is a real estate and energy company engaged in owning and managing real estate, oil and gas royalties, and energy related business properties. The Company is a holding company and conducts its operations through AMEN Delaware, LP ("Delaware"); AMEN Minerals, LP ("Minerals") and W Power and Light, LP ("W Power"), each being a wholly owned subsidiary of the Company. As of September 30, 2006, the Company, through Delaware's investment in a real estate joint venture, has a commercial real estate portfolio consisting of an ownership of approximately 18% in two office properties located in Midland, Texas comprising an aggregate of approximately 428,560 square feet of gross leasable area. The Company's present oil and gas royalty holdings are through Minerals, which owns two oil and gas royalty properties, one in Nowata County, Oklahoma and the other in Hemphill County, Texas. The Company is engaged in the retail electricity market as a retail electric provider serving both retail and wholesale customers within the state of Texas through W Power. Effective April 1, 2006, AMEN Properties acquired 100% of Priority Power Management, Ltd. a Texas limited partnership, and Priority Power Management, Dallas, Ltd. a Texas limited partnership, (collectively referred to as "Priority Power"). Priority Power is primarily involved in providing energy management services and the Company believes that Priority Power's business is complimentary to the retail electricity provider business conducted by the Company's subsidiary W Power.

#### Application of Critical Accounting Policies

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

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

- Impairments,
- Business combinations,
- Revenue recognition,



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- Consolidation of variable interest entities,
- Allowance for doubtful accounts and
- Stock options

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### 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 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.

### Business Combinations

We allocate the purchase price of acquired businesses 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 business, and other market data. Management also considers information obtained about each business as a result of its pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets acquired.

The aggregate value of the tangible assets acquired is measured based on the sum of (i) the value of the property and (ii) the present value of the amortized in-place tenant improvement allowances over the remaining term of each lease. Management's estimates of the value of the property are made using models similar to those used by independent appraisers. Factors considered by management in its analysis include an estimate of carrying costs such as real estate taxes, insurance, and other operating expenses and estimates of lost

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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.

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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.

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.

The Company records electricity sales under the accrual method and these revenues are recognized upon delivery of electricity to the customers' meters.

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Electric services not billed by month-end are accrued based upon estimated deliveries to customers as tracked and recorded by the Electric Reliability Council of Texas ("ERCOT") multiplied by the Company's average billing rate per kilowatt hour ("kwh") in effect at the time.

The flow technique of revenue calculation relies upon ERCOT settlement statements to determine the estimated revenue for a given month. Supply delivered to our customers for the month, measured on a daily basis, provides the basis for revenues. ERCOT provides net electricity delivered data in three

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frames. Initial daily settlements become available approximately 17 days after the day being settled. Approximately 45 days after the day being settled, a resettlement is provided to adjust the initial settlement to the actual supply delivered based on subsequent comparison of prior forecasts to actual meter reads processed. A final resettlement is provided approximately 180 days after power is delivered, marking the last routine settlement adjustment to the power deliveries for that day.

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

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

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

The Company's gross revenues for energy management services provided to our customers are recognized upon delivery and include estimated aggregation fees and other services delivered but not billed by the end of the period.

Accrued unbilled aggregation revenues are based on our estimates of customer electricity usage since the date of the last meter reading provided by the independent system operators or electric distribution companies. Volume estimates are based on average daily volumes, estimated customer usage and applicable customer aggregation rates. Unbilled aggregation revenues are calculated by multiplying volume estimates by our estimated rates by customer. Estimated amounts are adjusted when actual usage and rates are known and billed.

### 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

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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 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

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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; billed and unbilled customer retail electricity usage flowed for a given period and billed and unbilled customer management fees based on electricity usage flowed for a given period. The allowance for doubtful accounts is reviewed at least quarterly for adequacy by reviewing such factors as the credit quality of our tenants and customers, any delinquency in payment, historical trends and current economic conditions. If the assumptions regarding our ability to collect accounts receivable prove incorrect, we could experience write-offs in excess of the allowance for doubtful accounts, which would result in a decrease in net income. The Company estimated the allowance for doubtful accounts related to W Power's billed account receivables to be approximately 0.2% percent of W Power's retail electricity billed revenue for the quarter ended June 30, 2006. Due to the limited historical data, the Company regularly reviews the accounts receivable and accordingly makes adjustments in estimating the allowance for doubtful accounts. Priority Power's trade accounts receivable arise from aggregation fees and other management services. An allowance for uncollectible accounts receivable is provided for amounts not expected to be collectible. At June 30, 2006, no allowance was provided for Priority Power's accounts receivable due to the limited captured historical data related to the estimated aggregation fees and other services delivered but not billed by the end of the period. As of June

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30, 2006 the Company considers Priority Power's accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

### Stock Options

The Company accounts for its stock-based compensation in accordance with SFAS No. 123R, Accounting for Stock-Based Compensation. In December 2004, the Financial Accounting Standards Board issued SFAS 123(R) effective for small business issuers after December 15, 2005. The new Statement requires mandatory reporting of all stock-based compensation awards on a fair value basis of accounting. Generally, companies are required to calculate the fair value of all stock awards and amortize that fair value as compensation expense over the vesting period of the awards.

### Results of Operations

#### Overview

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For the nine months ended September 30, 2006, the Company generated net income of \$1,883,397 or \$.84 per share as compared to a net loss of \$525,454 or \$.24 per share for the same period ended September 30, 2005, for a net increase of \$2,408,851. This increase is mainly due to the Company's wholly owned subsidiary

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Amen Delaware, Ltd selling approximately 74% of its original 71.348% interest in the distributed assets of TCTB during the quarter ending September 30, 2006 for a gain of approximately \$1,405,500; W Power generating net income for the nine months ended September 30, 2006 of approximately \$348,000 compared to a net loss of approximately \$336,000 for the same period ended September 30, 2005; and the Company completing the acquisition of Priority Power effective April 1, 2006 and Priority Power generating net income of approximately \$688,000 since the date of acquisition.

#### Revenues

-----

For the nine months ended September 30, 2006

For the nine months ended September 30, 2006, the Company experienced an increase in rental revenue of approximately \$181,000, as compared to the same period ended September 30, 2005. The increase is mainly due to the Company billing tenants for the incremental increase in building operations. The Company did not pass through the incremental increase in building operations during the same period ended September 30, 2005. W Power experienced a net increase in retail electricity revenue of approximately \$4,535,000. This increase is mainly due to W Power moving from a start up phase to growing its customer base to approximately 1,700 meters. Due to Priority Power Management not being a part of the Company's operations during the nine months ended September 30, 2005 comparative information for energy management fees is not available.

#### Operating expenses

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For the three months ended September 30, 2006

Total operating expenses for the three months ended September 30, 2006 and 2005

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were \$3,216,999 and \$3,443,386, respectively. The decrease of approximately \$226,000 in operating expense is mainly related to W Power's decrease of wholesale electricity purchases of approximately \$519,000 coupled with an increase of approximately \$210,000 in general and administrative expense and approximately \$77,000 in rental property operations. The decrease in wholesale electricity expense is primarily due to W Power ceasing sales to a large wholesale customer at the beginning of July 2006. The increase in general and administrative expense is mainly due to the acquisition of Priority Power Management on April 1, 2006. The increase in Property operations is mainly related to the increased utility expense the Company has experienced as compared to the same period ended September 30, 2005.

W Power's cost of goods and services were \$1,934,621 or approximately 99% of retail sales for the three months September 30, 2006. This decrease in gross profits is mainly due to an increase certain wholesale ERCOT ancillary energy services.

For the nine months ended September 30, 2006

Total operating expense for the nine months ended September 30, 2006 as compared to same period ended September 30, 2005 increased approximately \$4,711,000. This increase is mainly related to W Power's increase in purchased wholesale electricity of approximately \$3,942,000. The remaining increase in operating expenses is mainly related to the increase of general and administrative costs, approximately \$513,000, associated with the newly acquired business segment Priority Power and an increase in rental property operations, approximately \$240,000, associated with the increase in energy costs.

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W Power's cost of goods and services were \$7,818,782 or approximately 91.8% of retail electricity sales for the nine months ended September 30, 2006, for a gross profit of approximately \$698,000 or approximately 8.1% of retail electricity sales for the nine months ending September 30, 2006. For the nine months ended September 30, 2005 W Power's cost of goods and services were \$3,876,737 or approximately 97.4% of retail electricity sales for the nine months ended September 30, 2005, for a gross profit of approximately \$105,000 or approximately 2.1% of retail electricity sales for the nine months ending September 30, 2005. The net increase of approximately 6.0% in gross profit earnings is mainly due to W Power successfully increasing its customer contract prices while also experiencing a decrease in the costs of wholesale power and certain wholesale ERCOT ancillary services for the nine month period as compared to last year.

Rental property operations expense increased approximately \$240,000 for the nine months ended September 30, 2006 as compared to nine months ended September 30, 2005. The increase for property operations is attributable to the increase in utility expense due to the rising costs of energy.

For the nine months ended September 30, 2006 as compared to the same period ending September 30, 2005, general and administrative costs increased approximately \$513,000. This increase is mainly attributable to the newly acquired operating segment Priority Power.

Other (expense) income  
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For the three months ended September 30, 2006

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For the three months ended September 30, 2006, the Company experienced an increase of approximately \$47,000 in interest income as compared to the three months ended September 30, 2005. This increase is mainly due to a rate increase on the Company's previously held \$2,100,000 certificated of deposit with the Wells Fargo, Bank, N.A. coupled with the interest the Company received on the restricted deposits with JPMorgan Chase Bank, N.A. totaling \$2,181,000 collateralizing outstanding Letters of Credit (see Note E to the financial statements for further explanation). During the three months ended September 30, 2006, the Company entered into an Agreement to Distribute Assets, effective September 27, 2006, with and among the partners of TCTB Partners, Ltd. Following the distribution of assets the Company along with the General Partner and other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the distributed assets on September 29, 2006. The Company reported a net gain of approximately \$1,405,000 on the sale of approximately 74% of its interest in distributed assets from its subsidiary TCTB Partners, Ltd. (see Note C to the financial statements for further explanation). For the three months ended September 30, 2006 and 2005, the Company incurred a net change in other expense of approximately \$220,000. This increase is mainly related to the Company accruing approximately \$209,000 in corporate tithing as mandated by the Company's Corporate By-Laws.

For the nine months ended September 30, 2006

For the nine months ended September 30, 2006, as compared to the same period ended September 30, 2005, the Company experienced an increase of approximately \$128,000 in interest income. This increase is mainly due to a rate increase on the Company's previously held \$2,100,000 certificated of deposit with the Wells Fargo, Bank, N.A. coupled with the interest the Company received on the restricted deposits with JPMorgan Chase Bank, N.A. totaling \$2,181,000 collateralizing outstanding Letters of Credit (see Note E for further explanation). For the nine months ended September 30, 2006 and 2005, the Company experienced a net decrease in other income of approximately \$337,000. This change is mainly related to a non-recurring expense the Company paid to key

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employees of Priority Power Management upon their signing of employment agreements. The employee's retention of the bonus is not contingent on the employees rendering of future services. This non-recurring expense approximated \$125,000. Additionally, the Company accrued approximately \$209,000 in corporate tithing during the quarter ending September 30, 2006, as mandated by the Company's Corporate By-Laws.

Minority interest

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For the three and nine months ended September 30, 2006

Minority interest expense for the three months and nine months ended September 30, 2006 decreased approximately \$38,000 and \$18,000, respectively, as compared to the same period ended September 30, 2005. This decrease reflects the minority interest owner's share of net income of TCTB.

Liquidity and capital resources

Management's initial focus of the 2002 Business Plan was to focus on value added plays in three distinct arenas, 1) acquiring office space in secondary stagnant

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markets, 2) acquiring office space in out of favor growth markets 3) acquiring investments in oil and gas royalties and to assess opportunities in acquiring other properties and businesses that have a consistent and stable cash flow history. Management believes that through its wholly owned subsidiary W Power, we have been able to enter a market that will provide a stable cash flow in the future. Additionally, we believe the recent acquisition of Priority Power Management, LP (PPM) will also provide stable cash flow in the future, and is consistent with our interest in the deregulated electricity market in Texas. With PPM as a wholly owned subsidiary, Management believes we can continue participating in opportunities within Texas and elsewhere, and diversify our energy activities.

As discussed last quarter, W Power faced several challenges during its first year of operations, including: 1) rapidly escalating and volatile energy prices; 2) an extended period of above-average summer and fall temperatures resulting in record breaking electricity demand and consumption across Texas; and 3) a shortage of electric generating capacity. Management believes W Power will be faced with similar challenges throughout 2006 and perhaps beyond. W Power will need to continue a deliberately controlled growth plan in order not to exceed its available credit required to hedge forward energy supply contracts and to manage the risks associated with volatile energy prices. Even with continued deliberate limiting of W Power's growth the Company's business model leads management to expect positive earnings for 2006.

The PPM acquisition was made with a combination of cash and promissory notes. PPM was profitable in the period. Management believes that PPM will continue its profitability throughout 2006 and beyond, and will continue to grow its client base and become an important component in providing stable cash flow in the future. Management believes the continued high volatility of energy prices will provide a reason for additional end-use energy consumers to solicit energy management services from PPM.

Though we have not abandoned the 2002 business model, our focus is to continue supporting W Power for the immediate future, integrate the PPM acquisition into the Company and support its growth efforts, actively monitor TCTB, and assess opportunities as they present themselves.

During the nine months ended September 30, 2006 and 2005, net cash provided by (used in) operating activities was \$982,040 and (\$684,492), respectively for a net increase of approximately \$1,666,000 provided by operating activities. This

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increase is mainly attributable to the net income of approximately \$1,883,000 for the nine months ended September 30, 2006.

Net cash provided by (used in) investing activities was \$1,404,712 and (\$1,587,512) for the nine months ended September 30, 2006 and 2005, respectively, for a net increase of approximately \$2,992,000. During the three months ended September 30, 2006, the Company entered into an Agreement to Distribute Assets, effective September 27, 2006, with and among the partners of TCTB Partners, Ltd. The assets constituted substantially all of the assets of TCTB and were subject to a lien to secure a promissory note payable to Wells Fargo Bank Texas, N.A. The partners of TCTB agreed that it was in their best interest to distribute undivided interests in the assets to the partners according to the sharing ratios of the Partnership. The Bank agreed to allow TCTB to distribute the assets to the partners of TCTB in exchange for the payoff of the note. Prior to the distribution the Company had the \$2,100,000 certificate of deposit applied against the outstanding note with Wells Fargo



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Bank, Texas N.A. (see Note C to the financial statements for further explanation). Additionally, during the second quarter the Company completed the acquisition of 100% of Priority Power Management, Ltd. This acquisition resulted in the Company receiving a net increase in cash of approximately \$283,000 and incurring a non-cash related note payable in the amount of \$3,230,051. A non-cash distribution related to the asset distribution of TCTB amounted to \$369,250 and was a reduction in minority interests.

Net cash (used in) provided by financing activities was (\$2,053,928) and \$450,557 for the nine months ended September 30, 2006 and 2005, respectively, for a net change of approximately \$2,505,000. During the nine months ended September 30, 2006 the Company paid approximately \$2,355,000 in principal payments on the Company's outstanding notes. Additionally, during the nine months ended September 30, 2006, the Company received approximately \$337,000 in net proceeds from the exercise of stock warrants issued On February 3, 2005, to the accredited investors in the private placement under Regulation D for the new Series C Preferred Stock. During the nine months ended September 30, 2006 minority interest distributions were approximately \$36,500 and were related to the minority interest owners in TCTB. For the nine months ended September 30, 2005 minority interest owners in TCTB did not receive a distribution.

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 \$2.5 and \$5 million and has been diligent in its efforts to ensure its preservation and utilization.

### ITEM 3. Controls and Procedures

The Company has carried out an evaluation under the supervision of management, including the Chairman and Chief Executive Officer and the interim 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 interim Chief Financial Officer have concluded that, and have reported to the Audit Committee of the Company's Board of Directors that, management has identified certain deficiencies in the disclosure controls and procedures. The deficiencies noted were (a) a lack of documented control procedures (b) the lack of segregation of duties and (c) insufficient supervision of the Company's accounting personnel. The Company believes such deficiencies are primarily attributable to the Company currently having only one full time employee at the corporate level. Management believes that the deficiencies noted above do not materially interfere with the

Company's timely disclosure of information required to be disclosed by the Company in reports filed or submitted under the Securities Exchange Act 1934, as amended, because accounting personnel and a member of management have first-hand knowledge of the daily transactions of the Company and that first-hand knowledge enables such personnel to accumulate and communicate such information to the Company's management, including its principal executive and principal financial officer as appropriate to allow timely decisions regarding disclosure. Therefore, the Company believes that its disclosure controls and procedures are sufficient to provide reasonable assurance that the information required to be disclosed by the Company in reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized

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and reported within the time period specified in the rules and forms of the SEC, notwithstanding the deficiencies noted above.

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

### PART II OTHER INFORMATION

#### ITEM 1. Legal Proceedings

None.

#### ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Information related to this Item has been previously included in Current Reports on Form 8-K filed during the period covered by this Report.

#### ITEM 3. Defaults Upon Senior Securities

None to report.

#### ITEM 4. Submission of Matters to a Vote of Security Holders

None to report

#### ITEM 5. Other Information

None to report.

#### ITEM 6. Exhibits

##### (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

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3.6\*\*\* Certificate of Amendment of Certificate of Incorporation dated May 26, 2004

3.7@ Certificate of Designation for Series C Preferred Stock

4.1+ Warrant Certificate between the Company and Robert Varney dated July 10, 1996

4.2+ Warrant Certificate between the Company and Robert Varney dated September 26, 1996

4.3+ Warrant Certificate between the Company and Bruce Edgington dated July 30, 1996

4.4+ Warrant Certificate between the Company and Bruce Edgington dated October 30, 1996

4.5@ Form of Warrant Certificate dated March 1, 2005

10.1// Asset Purchase Agreement between the Company and Blue Hill Media, Inc. dated December 13, 2002

10.2+ Form of Stock Option Agreement

10.3+ 1997 Stock Option Plan

10.4\* 1997 Stock Option Plan, as amended April 6, 1998

10.5\* 1998 Stock Option Plan

10.6\*\* 1998 Stock Option Plan, as amended February 26, 1999

10.7## 1998 Stock Option Plan, as amended March 3, 2000

10.8++ Stock Purchase Agreement between the Company and A. Scott Dufford for Series A Preferred Stock dated September 29, 2000

10.9++ Stock Purchase Agreement between the Company and John R. Norwood for Series A Preferred Stock dated September 29, 2000

10.10++ Stock Purchase Agreement between the Company and J.M. Mineral and Land Co. for Series A Preferred Stock dated September 29, 2000

10.11++ Stock Purchase Agreement between the Company and Jon M. Morgan Pension Plan for Series A Preferred Stock dated September 29, 2000

10.12++ Stock Purchase Agreement between the Company and Stallings Properties, Ltd. for Series A Preferred Stock dated September 29, 2000

10.13++ Stock Purchase Agreement between the Company and John D. Bergman for Series A Preferred Stock dated September 29, 2000

10.14++ Stock Purchase Agreement between the Company and Julia Jones Family Trust for Series A Preferred Stock dated September 29, 2000

10.15++ Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series A Preferred Stock dated September 29, 2000

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- 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

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Amended Promissory Notes between the Company and the Selling Partners of TCTB Partners, Ltd, which are identical other than differences stated in the schedule.

- 10.34// Credit Agreement between TCTB Partners, Ltd. and Wells Fargo Bank Texas, N.A. dated June 5, 2002, the exhibits of which are not included due to their size.
- 10.35// Lease Agreement between TCTB Partners, Ltd. and Bank of America, N.A. dated September 30, 2003.
- 10.36// Lease Agreement between TCTB Partners, Ltd. and Pioneer Natural Resources USA, Inc. dated April 4, 2000.
- 10.38### Employment and Noncompetition Agreement between the Company and Kevin Yung dated as of July 1, 2004
- 10.39@@ Agreement to Distribute Assets among TCTB Partners, Ltd. and its partners dated as of December 31, 2004
- 10.40@@ Purchase Agreement between certain partners of TCTB Partners, Ltd. and 1500 Broadway Partners, Ltd. dated as of December 31, 2004
- 10.41@ Securities Purchase Agreement between the Company and certain investors dated January 18, 2005, as amended by a First Amendment dated January 28, 2005 and a Second Amendment dated February 28, 2005
- 10.42@ Loan Agreement between Amen Properties, Inc. and Western National Bank
- 10.43@ Western National Bank Revolving Line of Credit Note
- 10.44 Employment Agreement between Priority Power Management, Ltd and John Bick (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2006).
- 10.45 Employment Agreement between Priority Power Management, Ltd and Padraig Ennis (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2006).
- 10.46 Securities Purchas Agreement among Amen Properties, Inc. and NEMA Properties, LLC, Priority Power Management, Ltd. and Priority Power Management Dallas, Ltd. and their respective partners dated as of May 18, 2006, including the forms of promissory note and assignment delivered at closing (incorporated by reference to the Company's Form 8-K Current Report filed on May 24, 2006).
- 10.47 Agreement to Distribute Assets among TCTB Partners, Ltd and its partners dated as of September 27, 2006 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2006)
- 10.48 Purchase Agreement between between TCTB Partners, Ltd as nominee for certain partners of TCTB Partners, Ltd and Hampshire Plaza Garage, LLC and S.E.S. Investments, Ltd. dated as of September 29, 2006 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2006)

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- 10.48 Management Agreement between between the Company and TCTB Management Group, LLC. dated as of September 29, 2006 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2006)
- 11 Statement of computation of earnings per share
- 31.1 Certification of Chief Executive Officer.
- 31.2 Certification of Chief Financial Officer.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 USC ss.1350.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 USC ss.1350.
- 99.1 Press release regarding September 30, 2006 Quarterly Report on Form 10-QSB

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

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

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

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

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

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

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

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

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

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SIGNATURES

In accordance with the requirements of Securities Act of 1934, AMEN Properties, Inc., the registrant, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMEN Properties, Inc.

November 14, 2006

By: /s/ Eric Oliver

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Eric Oliver  
Chairman and Chief Executive Officer

November 14, 2006

By: /s/ John M. James

-----

John M. James  
Interim Chief Financial Officer and Secretary

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INDEX TO EXHIBITS

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